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WORKING PAPER 23

# Commissioning Knowledge for Policy

## Reforms in the Procurement of Research in Indonesia

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## Reforms in the Procurement of Research in Indonesia

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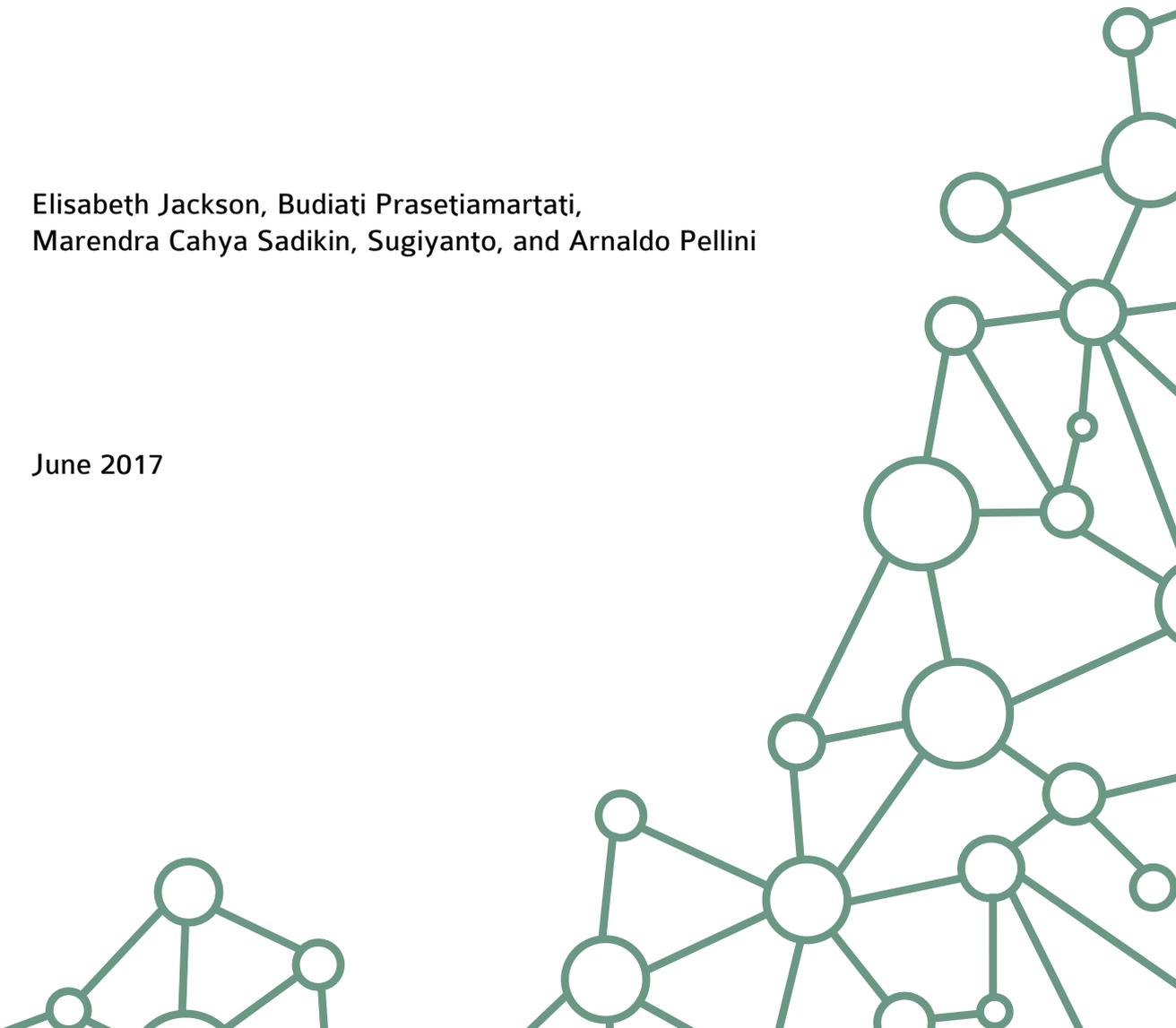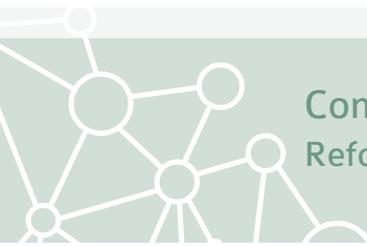
# Key Messages

- Diagnostic studies undertaken for the Knowledge Sector Initiative identified public procurement regulations as a key obstacle to the growth of Indonesia's knowledge sector.

- The Knowledge Sector Initiative adopted a problem-based approach to addressing this issue. Local leadership of reforms and using political knowledge and skills to navigate relationships and organisations were also critical elements of the approach.

- Locally led, collaborative approaches to defining and dissecting problems can help stakeholders build a common understanding of problems, identify realistic entry points for engagement, and develop feasible solutions.

- The willingness of individuals with decision-making authority to take leadership is a significant factor in moving reform efforts forward.

- Political knowledge, skills, and networks are critical for identifying and enlisting the support of stakeholders whose backing is necessary for the success of the reform.

- Donor programmes can play an important role in supporting reform processes, including by brokering relationships between stakeholders and providing neutral space to develop joint agendas, providing access to technical expertise, and translating and communicating evidence to policymakers.

- Problem-based approaches require a different set of skills, tools and knowledge and an authorising environment which is flexible, tolerates risk, and accepts uncertainty.

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# Figures, Boxes and Tables

# Acronyms and Abbreviations

| | | |
|---|---|---|
| AIIM | : | Alignment Influence and Interest Matrix, a stakeholder mapping tool developed by the RAPID programme |
| AIPI | : | *Akademi Ilmu Pengetahuan Indonesia*, Indonesian Academy of Sciences |
| Balitbang | : | *Badan Penelitian dan Pengembangan,* Research and Development Agency |
| *bansos* | : | *bantuan sosial*, social assistance funds, provided to individuals, families, communities, or non-government organisations by national or local governments on a non-ongoing basis to support social or community programs and activities relating to community empowerment, poverty reduction, or disaster relief |
| Bappenas | : | *Kementerian Perencanaan Pembangunan Nasional/Badan Perencanaan Pembangunan Nasional,* Ministry of National Development Planning/National Development Planning Agency |
| DIM | : | *Daftar Inventaris Masalah,* Inventory of Issues |
| ELSAM | : | *Lembaga Studi dan Advokasi Masyarakat*, Institute for Social Research and Advocacy |
| G20 | : | Group of Twenty, an international forum for the governments and central bank governors of 20 major economies |
| GDP | : | Gross Domestic Product |
| *kelompok masyarakat* | : | community group |
| KPK | : | *Komisi Pemberantasan Korupsi*, Corruption Eradication Commission |
| LIPI | : | *Lembaga Ilmu Pengetahuan Indonesia*, Indonesian Institute of Science |
| LKPP | : | *Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah*, National Public Procurement Agency |
| *naskah akademik* | : | policy paper |
| *ormas* | : | *organisasi kemasyarakatan*, social organisation |
| *Perpres* | : | *Peraturan Presiden*, Presidential Regulation |
| PMK | : | *Peraturan Menteri Keuangan*, Minister of Finance Regulation |

| | | |
|---|---|---|
| PSHK | : | *Pusat Studi Hukum dan Kebijakan*, Indonesian Centre for Law and Policy Studies |
| RAPID | | Research and Policy in Development, one of the Overseas Development Institute's fifteen thematic programmes. |
| *ratas* | | *rapat kabinet terbatas*, closed cabinet meeting |
| *reformasi* | | reform era, the period of democratisation ushered in by the resignation of long-serving president Soeharto in 1998 |
| ROMA | | RAPID Outcome Mapping Approach, a guide for policy influence and engagement developed by the RAPID programme. |
| SEKNAS FITRA | | *Sekretariat Nasional Forum Indonesia untuk Transparansi Anggaran*, Indonesian Forum for Budget Transparency's National Secretariat |
| *swakelola* | | self-managed project, a category within Indonesia's public procurement regulations in which the work is planned and carried out by a government agency or community group |

# Executive Summary

A number of Indonesia's laws, regulations and procedures make it difficult for researchers to produce and communicate high-quality, timely, and relevant policy research and for policymakers to source, commission and use research evidence to inform policy decisions. Diagnostic studies undertaken for the Knowledge Sector Initiative identified public procurement regulations as a key obstacle to the growth of Indonesia's knowledge sector.

The Knowledge Sector Initiative adopted a problem-based approach to addressing this issue. Problem-based approaches are most useful when the issue being addressed is complex, politically contentious, or has no known solution. Local leadership of reforms and using political knowledge and skills to navigate relationships and organisations are critical elements of the approach.

The programme's experience suggests that when stakeholders work together to define a problem and break it down into its component parts, they are able to identify realistic entry points for engaging on an issue and develop feasible solutions. Working collaboratively helped to build a shared understanding and a common strategy and enabled the program to draw on a wider range of resources in the form of knowledge and networks.

The willingness of key individuals to provide authority for the reform and to take leadership of it was a critical factor in moving the reform forward. Senior government officials provided initial authority for the programme to engage on the reform and later took an active leadership role, utilising their own political networks and understanding of bureaucratic systems and processes to bring in stakeholders from other government agencies.

The political knowledge, skills, and networks of programme staff and other key actors enabled the programme to identify and enlist the support of stakeholders whose backing was necessary for the reform to succeed. Programme staff used their political knowledge and networks to identify opportunities for reform and build links with key stakeholders across a number of government agencies. Senior government officials used their knowledge of the formal and informal rules for getting things done in Indonesia's bureaucracy to move the reform forward.

The Knowledge Sector Initiative played a number of important roles in the reform process. This included brokering relationships between universities and policy research institutes with an understanding of the problem and senior government officials in a position to do something about it. Meetings and discussions convened by the program provided neutral space in which stakeholders could develop joint agendas.

These efforts resulted in significant increase in key stakeholders' interest in, support for and engagement with the issues. The programme also provided access to technical expertise, and translated and communicated evidence generated by expert consultants to policymakers.

Problem based, politically smart and locally led approaches require a different set of knowledge, skills, and tools than typical 'project' approaches. They also require a different mindset, including flexibility, tolerance for risk, and acceptance of uncertainty. These approaches do not always fit with donors' and government counterparts' needs for quick results. As such, it is important that teams invest time in building understanding to ensure that everyone involved speaks the same language. This helps to create and preserve the kind of authorising environment necessary for these approaches to succeed.

The policy reform process described in this paper is a step in improving the enabling environment for evidence-informed policymaking. However, for the reform to be successful in improving the way policy research is commissioned and used, policymakers' attitudes and behaviour towards seeking and procuring research will also need to change. Universities and policy research institutes will also need to be willing to engage with government agencies and participate actively in government procurement processes.

# Introduction   1

T his case study examines efforts to address a key aspect of Indonesia's environment for quality policy research. It is based on work undertaken as part of the Australia-Indonesia Partnership for Pro-Poor Policy: The Knowledge Sector Initiative (henceforth, the Knowledge Sector Initiative). The Knowledge Sector Initiative is a joint programme between the governments of Indonesia and Australia that seeks to improve the lives of the Indonesian people through better quality public policies that make better use of research, analysis and evidence. The first phase commenced in May 2013 and is scheduled to conclude in June 2017.[1]

We define the knowledge sector as 'the overall institutional landscape of government, private sector, and civil society organisations that provide knowledge to support the development of public policy' (AusAID, 2012, 1-2). It is the space in which government actors at national and subnational levels identify, formulate, and communicate their evidence needs and where research-based and other types of evidence are produced and made available to policymakers to inform their decisions. The actors and activities within the knowledge sector are shaped by policies, regulations, practices, and procedures which we refer to as the enabling environment. We understand the knowledge sector to be a political space where interests and power play out: alongside factors such as the availability of evidence and the nature of policymaking processes, politics shapes the kinds of evidence that policymakers seek out, which sources of evidence they see as credible, and how they respond to and use evidence in making policy decisions.

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1    In 2010-2011, The Asia Foundation managed a pilot programme designed to build the capacity of Indonesian research organisations. See AusAID 2012, Appendix 3.

The Knowledge Sector Initiative is designed as an integrated programme (see Figure 1). As such, it provides core funding to 16 Indonesian policy research institutes to support organisational development, improve research quality, and strengthen communication with policymakers and the public. It also works with government actors to test ways to build their capability to source and use evidence to inform policy decisions. A distinctive feature of the programme is that it seeks to strengthen the enabling environment

development for two main reasons. First, it expands opportunities for non-government research organisations and universities to provide evidence to inform policymaking. This increases the potential sources of evidence and the range of viewpoints on which policymakers can draw. Second, by simplifying the rules for procurement of research, the reform potentially increases the funding available for research. This is critical for the financial health and sustainability of many resource-starved universities and



**Figure 1:** The Knowledge Sector Initiative: an integrated programme

Knowledge Demand & Use

Knowledge Intermediation

Knowledge Production

Policy Changes in the Enabling Environment

**Source**: Knowledge Sector Initiative website, http://www.ksi-indonesia. org/index.php/about-2/
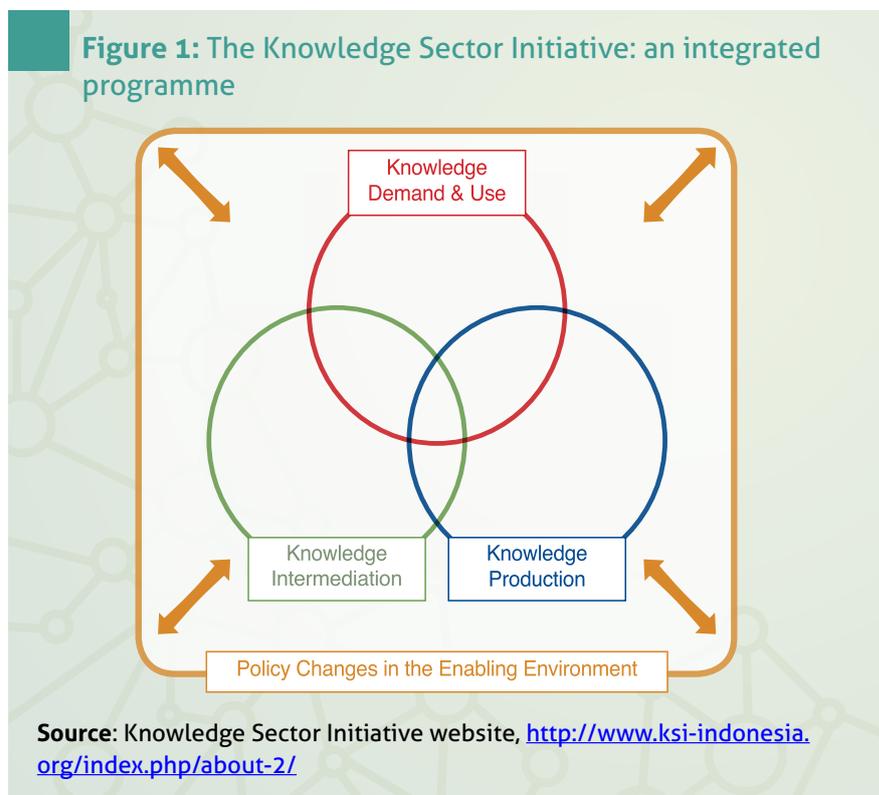
by promoting policy and regulatory reform.

This case study describes the Knowledge Sector Initiative's efforts to address one of the key regulatory issues within the enabling environment, namely Indonesia's public procurement regulations, as set out in Presidential Regulation 54/2010 (*Perpres* 54/2010). These regulations make it difficult for government organisations to commission policy-relevant research by restricting government tenders for research to commercial entities. The successful reform of these regulations is an important

research institutes, and an important step towards strengthening the knowledge sector in Indonesia. However, while this legislative change is a significant achievement, changes in the behaviour of both universities and research organisations and policymakers are critical if the reform is to be effective in improving policymakers' access to and use of evidence (see Figure 2).

While the *what* and the *why* of this reform is important for the growth of the knowledge sector in Indonesia, our focus in this case study is on *how* the policy change was

**Figure 2** : Five types of policy change

**1 stimulating *attitudinal change***
framing debates and getting issues onto the policy agenda

**2 encouraging *discursive change***
the language and concepts used to think and talk about policy issues

**3 securing *procedural change***
the process through which policy decisions are made

**4 affecting *legislative change***
the content of policy

**5 influencing *behavioural change***
changes in behaviour and implementation resulting from the policy

**Source**: Adapted from Keck and Sikkink 1998, cited in Jones and Villar, 2008 and Jones, 2011

achieved. As such, we examine the process that led to the policy reform, exploring how the policy problems were defined, how the entry points were identified, how engagement with the key stakeholders evolved over time, and how the programme team navigated the politics surrounding the reform. Our aim is to highlight the importance of adopting a problem driven, locally led, politically smart, and adaptive approach to undertaking policy reforms. In doing so, we aim to contribute to the growing literature on problem-based approaches to institutional change and strengthening of state capability (see Andrews, Pritchett and Woolcock, 2012; Booth, 2014; Booth and Unsworth, 2014; Faustino and Booth, 2014; Young et al, 2015;

Williamson, 2015; Green, 2016; Andrews Pritchett and Woolcock, forthcoming). Our hope is that this case study can assist others seeking to achieve regulatory reforms in the enabling environment for research and who are interested in exploring problem driven, locally led, politically smart, and adaptive approaches rather that prescriptive, linear interventions.

We begin by describing the background to the policy change and outlining the process which led to the reform of the procurement regulations. We then reflect on what we have learned about applying a problem driven, locally led, politically smart, and adaptive approach to policy reforms and the role that development programmes can play in helping to catalyse change.

# 2 Key Challenges in Indonesia's Knowledge Sector

Over the last decade, strong economic growth has enabled Indonesia to re-transition to a lower-middle-income country following the Asian financial crisis of 1997-98. The number of people living in poverty has declined steadily, although inequality has risen and tens of millions live just above the poverty line (World Bank, 2016). Indonesia's continued growth and prosperity depends on the ability of national and subnational governments to develop effective public policies which increase productivity and competitiveness and ensure that the benefits of growth translate into better public services and increased economic opportunities for all. To develop effective public policies, Indonesian policymakers need access to a range of evidence types, including high-

**Figure 3:** Research and development expenditure (% of GDP)
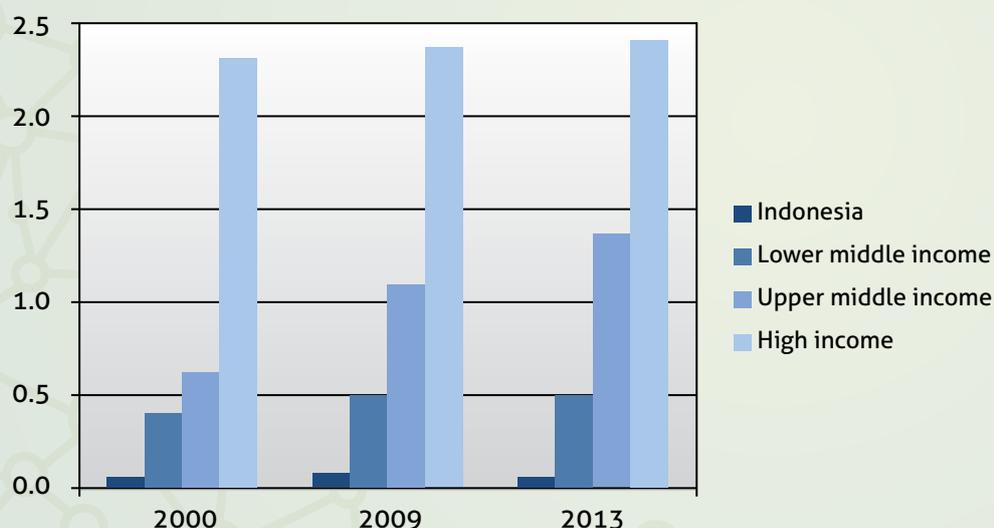


**Source**: UNESCO Institute for Statistics, 2015 and World Bank, 2013

quality, timely, and relevant policy research. Yet Indonesia's investment in research and development is low. For example, in 2013 Indonesia spent just 0.085% of its GDP on research and development, which includes expenditure on institutional overheads and other costs as well as research activities.[2] This compares to an average of 0.5% in lower-middle-income countries, 1.4% in upper-middle-income countries, and 2.4% in high-income countries (see Figure 3).

Indonesia's authoritarian past and the ongoing processes of democratisation and decentralisation have shaped the knowledge sector in important ways. Under the 32-year rule of President Soeharto (1966-1998), scholarship was directed towards reinforcing state-sanctioned interpretations of social and economic development. Critical voices in universities, research organisations, and civil society were suppressed and the bureaucracy maintained rigid control over universities, allowing them very little autonomy or academic freedom (Hadiz and Dhakidae, 2005, 7-11; Nugroho, 2005, 155-6). The result was that Indonesia '… did not develop a policy and funding framework to support high quality social science research' (McCarthy and Ibrahim, 2010, 3).

Policymaking was highly-centralised, with very little space for contesting alternative ideas and almost no accountability to the public. Policies tended to be 'one size fits all' and were developed in a top-down way, with subnational governments expected to adhere closely to the prescriptions of national policy (Datta et al 2011, 14-16; Guggenheim, 2012, 148). Almost two decades after Indonesia's *reformasi* (reform era) began, the national government retains responsibility for setting

the broad policy agenda but decentralisation has given local governments more scope for interpreting national policies and adapting them to the local context. Direct elections at the national and subnational levels are beginning to shift the incentives for elected leaders to be more accountable to citizens while also providing opportunities for more populist policymaking, such as the introduction of local-level health care schemes (Aspinall, 2014). These new dynamics mean that local governments' needs for information and analysis are growing, as they strive to develop policies which meet the needs of local constituencies. At the same time, developing policy responses to the complex social and economic challenges that Indonesia faces means that national government agencies require access to increasingly sophisticated data and nuanced analysis from multiple sources to inform policy decisions. Democratisation is also increasing demand from civil society for greater openness in the policymaking process (see Figure 4) (Karetji, 2010, 25-6; Guggenheim, 2012, 141-2, 149).

Yet the legacy of top-down policymaking and the suppression of quality, independent scholarship persists. Diagnostic studies undertaken during the design phase of the Knowledge Sector Initiative between 2010 and 2012 identify a range of issues which inhibit the production of research evidence and its use in policymaking at both the national and the local levels.[3] This includes inadequate funding for independent policy research institutes, lack of quality assurance processes, insufficient demand for policy research from public sector agencies, and limited capacity within sectoral ministries to translate research findings into policy recommendations (Guggenheim, 2012; Rakhmani and Siregar, 2016).

Many of these issues are symptomatic of obstacles within Indonesia's broader systems

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2    Indonesia's Ministry of Research, Technology and Higher Education, has recently introduced a new formula for calculating the percentage of GDP spent on research and development. Using the new formula, the Ministry has calculated expenditure on research and development to be 0.2% of GDP (see http://risbang.ristekdikti.go.id/admin/media/Kompas-20160915-1.pdf)

3    See http://www.ksi-indonesia.org/index.php/publications/2015/08/10/14/diagnostic-studies-on-the-knowledge-sector.html

**Figure 4:** Central- and local-level policymaking and types of knowledge



*(Dominance of one type of knowledge makes it difficult to scale up policies)*

More localised policy making

Bottom up, emergent and explicitly political processes: policy making as constant negotiation

Policy making as consensus building at various levels: politics can be explicit or implicit

Top down, 'rational' processess: politics of knowledge use are generally implicit. Policy making as 'instruction' by the elite

More centralised policy making

*(Micro management by the centre gives little leeway for local adaptation)*

Policy making dominated by single type of knowledge

Multiple types of knowledge used in policy making

**Source**: Jones et al, 2012, 109

and processes for evidence-informed policymaking. State funding for research, for example, has remained consistently low over the past two decades, with figures under 0.1% of GDP since 2000 (PAPPIPTEK LIPI, 2014, 11). The Ministry of Education and Culture and Ministry of Research, Technology and Higher Education offer a limited number of competitive research grants. Funding is usually provided for a one year period only, although some three-year grants are available. Research budgets are inflexible, making it difficult for researchers to adapt research to emerging findings or explore promising avenues of enquiry, and reporting requirements are onerous (McCarthy and Ibrahim, 2010, 17; Brodjonegoro and Greene, 2012, 33, 24). This situation makes conducting innovative scientific enquiry or rigorous, long-term social research very difficult. The Government of Indonesia has recognised the need to increase funding for research: the 2011 Masterplan for the Acceleration and Expansion of Indonesian Economic Development, for example, proposed an increase in funding for research to 1% of GDP, reaching 3% of GDP by 2025 (Kemenko Perekonomian, 2011, 41-2). However, despite this commitment, the targets have proven difficult to achieve.

The impact of Indonesia's underinvestment in research is evident in the low research productivity of Indonesian scientists and researchers, as measured by the number of academic publications produced. As Figure 5 shows, Indonesia lags significantly behind other G20 countries such as Mexico and South Africa as well as neighbours Singapore and Malaysia, although it performs slightly better than the Philippines and Vietnam.

**Figure 5:** Academic publications by country, 5 year averages 1996-2014

Source: Scimago Journal & Country Rank, http://www.scimagojr.com
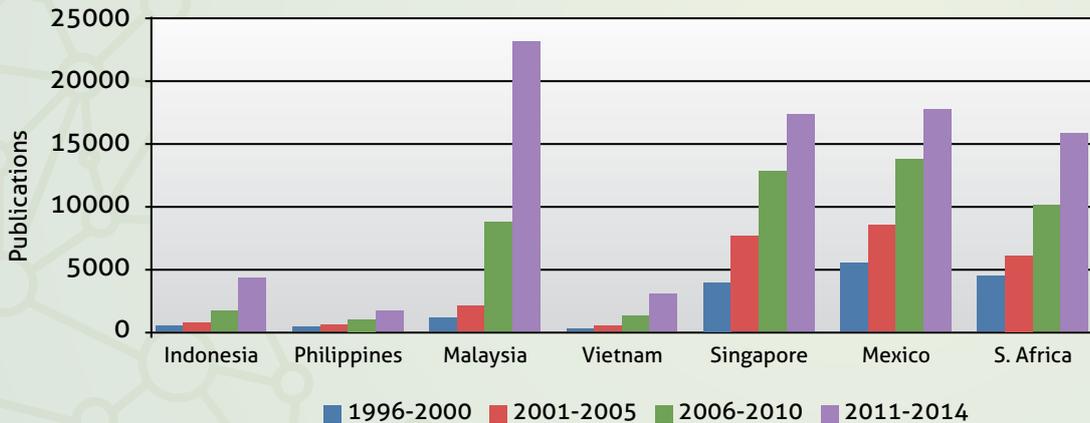
Indonesia's research output is also low in relation to the size of the economy. The country produces 2.2 publications per US$1 billion of GDP compared to 2.7 in Philippines, 7.2 in Vietnam, and 35 in Malaysia (see Figure 6).

In addition to Indonesia's limited investment in research, overly complex, inflexible and contradictory government procurement regulations make sourcing research from universities and non-government policy research institutes problematic.[5] While the current regulations in theory allow for the procurement of research or other services from universities and non-government organisations, in practice this requires such

**Figure 6:** Academic publications per US$1bn of GDP, PPP measure, 2014[4]

Source: Scimago Journal & Country Rank, http://www.scimagojr.com. GDP data from World Development Indicators http://data.worldbank.org/

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4   The average growth rate of citable publications is taken over 18 years, whereas the growth rate of cited publications is taken over 15 years, with the last three years removed to adjust for the citation time lag.

5   Other contributory factors include the quality of researcher training and capacity to plan and manage research projects.

organisations to establish a commercial entity (Guggenheim, 2012, 160; Sherlock and Djani, 2015, 18). The financial and human resource costs of tendering, complex bureaucratic procedures, and slow disbursement of funds make many research organisations reluctant to tender for government contracts (Sherlock, 2010, 3-4). An aversion to what are perceived to be corrupt procurement practices also deters many organisations (see Box 1).[6] Moreover, when policy research is commissioned, the poor quality of reports and lack of relevant policy recommendations inhibits policymakers from incorporating findings into decision-making and reduces future demand for research.

Despite this somewhat daunting picture, the Knowledge Sector Initiative has been able to engage with a range of actors both within and outside government to build understanding of the issues and constraints within Indonesia's enabling environment for research, identify opportunities for reform, and test technically sound and politically feasible solutions to specific problems identified by and with programme partners.

> **Box 1: A culture of corruption in public procurement**
>
> "There is a "culture" of government where rules and regulations are slavishly followed for their own sake, to the detriment of good results, but where the same regulations are manipulated for the personal benefit of the officials involved. Regulations are interpreted and applied in ways that reinforce personnel practices based on nepotism and patronage and where public resources are used to bolster the power and wealth of office holders and their private connections and networks outside government." (Sherlock, 2010, 25)

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6    Indonesia's Corruption Eradication Commission (*Komisi Pemberantasan Korupsi*, KPK) recently stated that 78% of the corruption cases it handled in 2016 involved procurement (see http://www.antaranews.com/berita/594775/mayoritas-kasus-ditangani-kpk-penyuapan-pengadaan-barang).

# The Reform Process <span>3</span>

The enabling environment for Indonesia's knowledge sector is a vast landscape of overlapping and often contradictory laws, regulations, and practices. In deciding where to begin the reform process, the Knowledge Sector Initiative took a problem-driven approach, which advocates starting with well-defined problems. As Williamson (2015, 2) argues:

**"**

The starting point of reforms need not, and should not be, a comprehensive reform plan. It is impossible to find solutions to all problems at once, or even a perfect solution to one problem. Reformers need to select a few immediate problems, understand them as best as they can and devise solutions. This means looking for opportunities to address these problems. It involves thinking strategically, but it does not require a strategy to begin.

**"**

This approach is useful for addressing problems that are complex, politically contentious, or have no known solution (Pritchett, 2012; Andrews et al, 2015). In this section, we describe how the Knowledge Sector Initiative team used this approach to facilitate its' partner policy research institutes and government stakeholders to lead a process of identifying and diagnosing the problem and collaboratively developing a solution.

## 3.1 Identifying the Problem

The diagnostic study on the regulatory obstacles to evidence-informed policymaking -undertaken as part of the design of the program – had outlined a number of issues and challenges in enabling environment (Sherlock, 2010). In mid-2014, the programme commissioned an update to this study: four years had passed since the original study was carried out, and there had been several changes, including a new presidential regulation on procurement (*Perpres* 54/2010). The updated study found that despite some reforms, Indonesia's policy and institutional environment continued to inhibit the production and use of timely and high-quality policy research (see Box 2 and Annex A) (Sherlock and Djani, 2015).

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**Box 2: Change, but no improvement**

"There have been reforms to procurement regulations since 2010, but none of them have improved the situation for the procurement of knowledge by government. The regulations are still designed for major contracts for goods and services and make it difficult for knowledge suppliers, such as universities, think tanks and consultancies, to work with government (Sherlock and Djani, 2015, 2)."

During a meeting between partner policy research institutes and the programme's key counterpart in the Ministry of National Development Planning/National Development Planning Agency (*Kementerian Perencanaan Pembangunan Nasional/Badan Perencanaan Pembangunan Nasional*, Bappenas) in September 2014, obstacles in the enabling environment were a key topic of discussion. Several of the partner policy research institutes expressed an interest in finding ways to address these issues. Two organisations in particular – Article 33 and the Indonesian Forum for Budget Transparency's National Secretariat (*Sekretariat Nasional Forum Indonesia untuk Transparansi Anggaran*, SEKNAS FITRA) – were engaged from early in the process.[7] Both organisations cited procurement regulations as a key factor inhibiting them from bringing research evidence to bear on policymaking as well as impacting negatively on their financial sustainability. AKATIGA was also interested in engaging on this issue.[8]

To raise broader awareness of the issues, the findings of the study were presented at a knowledge sharing event in February 2015 organised by the programme. The event included representatives from the programme's partner policy research institutes as well as civil society organisations, universities and policy research institutes from outside the program. Discussion at the event centred on the mismatch between demand for and supply of research-based evidence, low rates for researchers hired as consultants by government agencies, reluctance of established policy research institutes to participate in government tenders for research, and issues of corruption. Together with the findings of the research, this confirmed that procurement regulations remained one of the key obstacles to the growth of Indonesia's knowledge sector and kick started the process of building a shared understanding of the policy problem.

### 3.2 Early Stakeholder Engagement

In mid-2015, an opportunity arose for the programme team and research partners to engage on the issue of procurement. During a meeting to discuss Bappenas' policy priorities and evidence needs, the Directorate for State Apparatus, which oversees the work of the National Public Procurement Agency (*Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah*, LKPP), informed the Knowledge Sector Initiative team that LKPP was in the process of revising the procurement regulations as part of their annual review process. At Bappenas' request, the programme team provided a summary of the updated diagnostic study which included recommendations - developed in collaboration with the programme's partner policy research institutes – that the procurement regulations be revised to incorporate research and that this be informed by input from universities and civil society organisations (see Annex A). Bappenas provided this policy brief to LKPP and suggested that the Knowledge Sector Initiative team meet with LKPP to follow up.

In early July 2015, the programme team, together with a representative from SEKNAS FITRA, met with LKPP's Deputy for Human Resources Development/Deputy for Strategy and Policy Development and several LKPP Directors to discuss the obstacles faced by government actors in procuring policy research.[9] The same Deputy had in fact been

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7    Article 33 is a Jakarta-based research and policy advocacy organisation founded in 2009. Article 33's work addresses issues of governance, accountability and transparency in the areas of social policy (education and health), extractive industries, forestry, and climate change (http://www.article33.or.id). Established in 1999, SEKNAS FITRA is an advocacy organisation working the areas of financial transparency and accountability and analysis of local and national budgeting and expenditure (www.seknasfitra.org).

8    AKATIGA is a research and advocacy organisation founded in 1991 which conducts research on poverty, marginalisation and social issues in four main areas: agrarian reform, labour, micro-enterprise and governance (www.akatiga.org).

9    Several days later the Deputy was inaugurated as the Head of LKPP.

interviewed a year earlier – together with a colleague - as part of the process of updating the diagnostic study and had responded very positively to the study's aims. During the meeting, the Deputy acknowledged that the current regulations did not address procurement of research and welcomed the programme's input.

### 3.3 Analysing the Problem

To follow up LKPP's invitation to provide input, the Knowledge Sector Initiative convened a meeting with interested partner policy research institutes to discuss a plan for engaging with LKPP. The group decided that a procurement specialist should be contracted to undertake an in-depth analysis of the existing regulations and provide recommendations for changes. The individual hired by the programme had worked for Transparency International Indonesia and with LKPP on issues of procurement transparency. His analysis of the procurement regulations identified several areas where changes to the content of the regulations could be suggested to accommodate procurement of policy research. This analysis was then presented to a number of the programme's partner policy research institutes in a workshop. The analysis and the key points from the workshop were captured in a policy brief highlighting the importance of open competition, fairness, consistency and transparency, and streamlined processes for multi-year funding for research projects, which was sent to LKKP (see Box 3).

### 3.4 Developing a Change Strategy

In August 2015, the Knowledge Sector Initiative team established a working group around the broad theme of research and higher education. The group consisted of representatives from the programme's partner policy research institutes, the Indonesian Academy of Sciences (*Akademi Ilmu Pengetahuan Indonesia*, AIPI), and the Ministry of Research, Technology and Higher Education. Its' purpose was to bring together members of the 'knowledge community' and to facilitate interaction between the organisations which produce knowledge and those who use it. The working group was tasked with leading the work on addressing issues in the enabling environment. A sub-working group was assigned to work on the specific issue of procurement of research and with developing a strategy for change (see Figure 7).

Throughout September 2015, the programme also intensified its engagement with the Ministry of Research, Technology and

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**Box 3: Policy brief: The urgency of procurement reform**

*Key points:*
- Existing public procurement regulations have no specific provisions relating to procurement of research and do not recognise that many research providers are small, not-for-profit entities or educational institutions which struggle to compete against large commercial organisations in tendering for government contracts.
- Reform of procurement regulations needs to consider:
  o maximising transparency of procurement processes, including by ensuring that tender announcements are advertised widely and are accessible to all potential suppliers;
  o giving non-government research organisations and educational institutions fair opportunities to compete for government projects, win contracts, and carry out research projects which can support their longer-term sustainability;
  o including clear provisions for declaring and managing conflicts of interest; and
  o making requirements for expenditure and financial acquittal for multi-year projects less complicated and inflexible.

**Figure 7:** Structure of the Working Group on Research and Higher Education

Working Group on Research and Higher Education

Sub-Working Groups

Indonesian Science Fund

Procurement regulations

Philanthtrophy and research funding

Regulatory barriers to research in universities
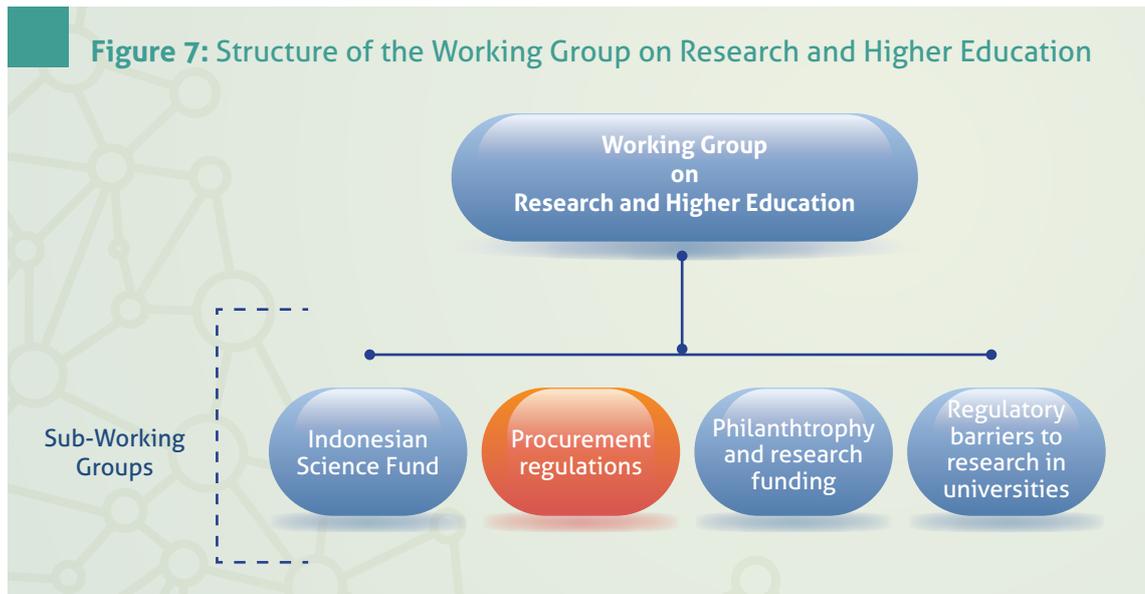
Higher Education, specifically the Director General of Research and Development Strengthening and the Director of Research and Community Service. The latter had been invited to speak at the Knowledge Sector Initiative's conference in late August, where he had presented on the challenges of carrying out research in Indonesia based on his experience as an academic and research administrator at Diponegoro University. Over the following months, these two individuals took on a leading role in the reform of the procurement regulations.

The sub-working group's first meeting in October 2016 included representatives from Bappenas and five of the Knowledge Sector Initiative's partner policy research institutes: Article 33, SEKNAS FITRA, AKATIGA, the Institute for Social Research and Advocacy (*Lembaga Studi dan Advokasi Masyarakat*, ELSAM), and the Indonesian Centre for Law and Policy Studies (*Pusat Studi Hukum dan Kebijakan*, PSHK).[10] At the meeting, the

programme team summarised the work done to date, including the findings of the diagnostic studies as well as the discussions that the programme team had had with government stakeholders. They then facilitated a discussion using the RAPID Outcome Mapping Approach (see Box 4) to define policy change objectives as well as mapping key stockholders based on their degree of alignment and interest in relation to changes in the procurement regulation using the Alignment Influence and Interest Matrix (Hearn, 2014) (see Box 5). This exercise helped the team and the programme partners to discuss strategies for engaging key stakeholders whose support was needed but who might not yet see the reform as a priority. It also helped to identify several important actors who had not yet been engaged, such as the Office of the President and the University Rector's Forum (Figure 8). The discussion also produced a strategy for engaging key stakeholders in pursuit of the reform over the following 18 months (see Table 1 and Table 2).

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10    ELSAM was established by a group of human rights defenders and lawyers in 1993 as a human rights policy and advocacy organisation. The organisation's flagship publication is an annual report on human rights in Indonesia (www.elsam.or.id). Established in 1998, PSHK is a legal reform research and advocacy organisation focused on parliamentary and judicial reform. PSHK co-founded hukumonline.com, which provides an online database of laws, regulations and legal decisions as well as offering online legal

consultations and news, and established the Indonesia Jentera School of Law to train future legal reformers (www.pshk.or.id).

## Box 4: The RAPID Outcome Mapping Approach

The RAPID Outcome Mapping Approach (ROMA) was developed by the Overseas Development Institute's Research and Policy in Development (RAPID) programme. ROMA provides a set of tools for defining policy problems, setting realistic objectives, developing a plan for influencing policy change, monitoring progress, and integrating learning into ongoing programming. It is designed to facilitate collaborative engagement with policy actors, thereby engaging them throughout the reform process.

As part of developing a strategy for influencing policy change, stakeholders work together to identify a desired policy objective, define the behavioural changes that are necessary for this objective to be to achieved, and develop a strategy for facilitating change. Behavioural changes are divided into those that stakeholders 'expect to see', namely early positive responses or engagement with the issue; those they would 'like to see', namely messages being taken on board and proactive changes to the way things are done; and those they would 'love to see', namely transformations in behaviour that demonstrate change has been internalised.

http://www.roma.odi.org/index.html

## Box 5: The Alignment Influence and Interest Matrix

Developed by the Research and Policy in Development (RAPID) programme at the Overseas Development Institute, the Alignment Influence and Interest Matrix (AIIM) is a tool for mapping individuals and organisations with a stake in a particular initiative along three dimensions:

**alignment**, the extent to which the individual or organisation agrees with the objectives of the initiative;

**influence**, the degree of authority that an individual or organisation has in relation to the issue and their ability to shape debate or decision-making; and

**interest**, the individual or organisation's existing level of engagement in the issue.

http://www.outcomemapping.ca/nuggets/alignment-interest-influence-matrix

**Figure 8:** Initial mapping of stakeholder alignment, influence and interest
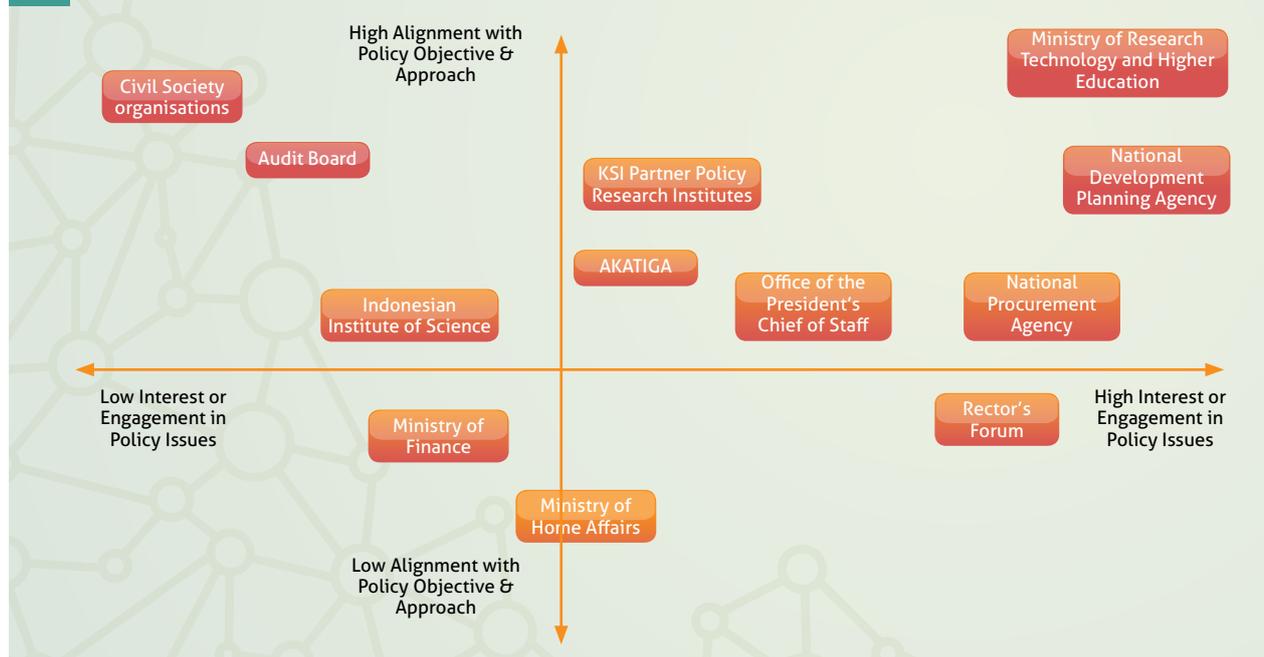
**Table 1:** Policy outcome, behavioural changes, and strategies for engagement

| Policy outcome |
|---|
| Effective implementation of revised procurement regulations which allow universities and policy research institutes to compete for government research contracts and enable government agencies to commission research more easily from these organisations. |

| Expect to see: Early positive responses and engagement with the issue | |
|---|---|
| **Key changes** | **Strategies** |
| LKPP solicits input from universities and policy research institutes to inform the revision of the procurement regulations. | Facilitate meetings and workshops with universities and policy research institutes to identify key issues in the existing procurement regulations. <br><br> Conduct in-depth analysis of key issues in the existing procurement regulations. <br><br> Work with universities and policy research institutes to formulate and communicate policy recommendations. <br><br> Facilitate meetings and workshops between LKPP and universities and policy research institutes. |

| Like to see: Messages taken on board and changes to the way things are done | |
|---|---|
| **Key changes** | **Key strategies** |
| LKPP uses input from universities and policy research institutes to revise the procurement regulations. <br><br> The revised regulations recognise policy research institutes as suppliers of research, and incorporate specific provisions regarding open competition, fairness, consistency, transparency, and streamlined reporting requirements. | Develop and nurture relationships with LKPP and other key actors identified in stakeholder mapping. <br><br> Communicate the rationale for revising the regulations to key stakeholders including senior officials in relevant government agencies, universities and policy research institutes, and the wider public. |

| Love to see: Transformations in behaviour | |
|---|---|
| **Key changes** | **Key strategies** |
| Government agencies use the revised regulations effectively and transparently to commission policy research. <br><br> Universities and policy research institutes participate actively in open tenders for government research services contracts. | Support LKPP to communicate user-friendly information regarding the revised regulations to national and subnational government agencies, universities and policy research institutes, and the wider public <br><br> Support LKPP to monitor and evaluate implementation of the new regulations and their impact. |

**Table 2:** Policy engagement plan

| Stakeholder | Institutions | Area of interest | Information requirements | Method of engagement | Frequency |
|---|---|---|---|---|---|
| Ministry of National Development Planning | - Directorate for Education<br>- Directorate for Science and Technology | - K2P Legislation and enabling environment<br>- Improved policy outcome<br>- Improved research for policy makers | - Highlight reports<br>- KC progress<br>- Workshops<br>- Toolkits | - Programme Advisory Group meetings<br>- Knowledge sharing events<br>- Working group meetings<br>- Power breakfasts<br>- Sharing of executive summaries of research and analysis | Monthly or as required |
| Presidential institutions | - Office of the President<br>- Cabinet Secretariat | - Improved research for policy makers<br>- K2P legislation and enabling environment<br>- Improved policy outcome | - Highlight reports | - Programme Advisory Group meetings<br>- Knowledge sharing events<br>- KSI interviews<br>- Power breakfasts<br>- Sharing of executive summaries of research and analysis | Quarterly or as required |
| Ministries and government agencies | - Goods/Services Procurement Policy Agency<br>- Ministry of Research, Technology and Higher Education<br>- Ministry of Finance<br>- Audit Board<br>- AIPI | - K2P Legislation and enabling environment<br>- Improved policy outcome<br>- K2P Capacity development | - KC progress<br>- Workshops<br>- Toolkits | - Working group meetings<br>- Capacity building activities<br>- Knowledge sharing events<br>- KSI interviews | Monthly |
| Universities and higher education | - Selected state and private universities<br>- Ministry of Research, Technology and Higher Education<br>- University Rector's Forum | - K2P Legislation and enabling environment<br>- Improved policy outcome<br>- K2P Capacity development | - KC progress<br>- Workshops<br>- Toolkits | - Working group meetings<br>- Capacity building activities<br>- Knowledge sharing events<br>- KSI interviews | Quarterly |
| Civil society organisations and media | - Partner policy research institutes<br>- Interested civil society organisations<br>- National print (and online?) media | - Improved policy outcome<br>- K2P Capacity development | - Toolkits<br>- KC progress | - KSI Partner meetings<br>- Knowledge sharing events<br>- Working group meetimgs<br>- Media briefings | Quarterly or as needed |

Some of the policy research institutes involved in the sub-working group were interested in more than just research. One of AKATIGA's senior researchers, for example, saw the discussions around the revisions as an opportunity to open public procurement to enable non-government organisations to tender for any government contract, specifically, contracts to deliver social and community services. This would provide non-government organisations with much-needed funding to deliver these services, particularly for marginalised communities, and improve the quality and reach of services. Under the existing rules, community groups (*kelompok masyarakat*) consisting of volunteers who collaborate to work on a specific project are eligible to self-manage government contracts, but non-government organisations are not. In pursuing this agenda, the AKATIGA researcher - who also worked part-time for the World Bank - used his personal connection to the Head of LKPP. At a meeting in early November 2015, the Head of LKPP responded positively to this idea. AKATIGA provided LKPP with a policy brief outlining its' recommendations (see Box 7) and continued to engage with them over the following months.

### 3.5  From Strategy to Action

With the regulatory change now gathering momentum, in late December 2015 the programme team convened all the relevant stakeholders – including LKPP, the Ministry of Research, Technology and Higher Education, the University Rector's Forum, Bappenas, the Ministry of Finance, and the Audit Board – along with the partner policy research institutes to discuss what had been achieved to date and the next steps. A sign of the high-level interest the issue had attracted was the attendance of Minister of Research, Technology and Higher Education and the Head of the Audit Board to express their support. This meeting helped to build consensus among the stakeholders of the issues in the current regulations.

Over the following months, the Ministry of Research, Technology and Higher Education held a number of meetings with LKPP and the Ministry of Finance to follow up on these discussions. As a result, in addition to the revisions to *Perpres* 54/2010, it was agreed that the Minister of Finance's annual regulation on standard output costs needed to include standard costs for research. This would streamline financial reporting requirements for research commissioned by ministries and government agencies. Implementing

## Box 7: Policy brief: Procurement of social and community services

Non-profit and non-government organisations in Indonesia deliver a range of social and community services including assisting the poor, addressing social conflict, empowering women and communities, and supporting community-based development. These organisations are often best placed to deliver such services because they are community-based, not driven by profit or political interest, and have the necessary skills, capacity, and experience.

Government funding to deliver social and community services is limited to social assistance (*bantuan sosial, bansos*) funds. While these are adequate for funding disaster relief efforts, they are not always used transparently or accountably. Government procurement regulations currently only allow commercial entities to tender for government contracts. Social organisations (*organisasi kemasyarakatan, ormas*) are not eligible for self-managed project (*swakelola*) funds, which only cover government agencies and community groups (*kelompok masyarakat*). This means that social organisations can access only very limited government funds for providing social and community services.

It is therefore recommended that the revision of Presidential Decree 54/2010 (and any amendments) incorporates procurement of social and community services as part of the self-managed project mechanism and that social organisations be included among the organisations eligible to receive these funds. Planning and monitoring of self-managed projects delivered by social organisations should be carried out by the government agency with budgetary responsibility and funds should be provided in tranches with 40% provided on project commencement, 30% on completion of one third of the project, and 30% on completion of two thirds of the project.

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regulations for the section on procurement of research and technical guidelines for assessing supplier responses to tenders for research services would be issued by the Ministry of Research, Technology and Higher Education (see Figure 9). Implementing regulations on self-managed projects implemented by social organisations would be developed by LKPP. To support the development of these documents, the programme engaged a research administration specialist from Diponegoro University and a legal drafting specialist from PSHK. Together with the procurement specialist, they also developed the policy paper (*naskah akademik*) to be submitted along with the draft regulation as part of the legal process. The policy paper provides the background and rationale for the proposed changes, an explanation of their purpose, and an outline and evaluation of how the issues in the regulations have been addressed.

Over the course of several workshops facilitated by the Knowledge Sector Initiative, staff from LKPP and the Ministry of Research, Technology and Higher Education worked together with the research partners to draft the new section of the procurement regulations on research. Following the workshops, the programme continued to engage with LKPP and the Ministry of Research, Technology and Higher Education to refine the draft and to ensure that the content of the LKPP regulations, and the guidelines to be issued by the Minister of Research, Technology were consistent. LKPP has confirmed that the final draft of *Perpres* 54/2010 includes both the section on procurement of multi-year research, as well as provisions allowing non-government organisations to tender for government contracts under the self-managed project mechanism.

- **Amendment of public procurement regulations**
Draft Presidential Regulation on the Fourth Amendment to Presidential Regulation No. 54 of 2010 on Public Procurement of Goods and Services
This proposed amendment includes a new section on procurement and includes social organisations among those eligible to implement self-managed (*swakelola*) projects

- **Guidelines for procurement of research services**
Minister of Research, Technology and Higher Education draft Regulation on the Selection of Research Services Suppliers
This draft Regulation outlines detailed provisions for procurement of research services, including the definition of research, eligible individuals and organisations, selection procedures, quality assurance mechanisms, and contractual issues

- **Guidelines for self-managed projects implemented by social organisations**
Head of National Public Procurement Policy draft Regulation on Self-Managed Projects
This draft Regulation describes the procedures for planning, implementing, monitoring and evaluating self-managed projects

- **Standard unit costs for research outputs**
Minister of Finance Regulation Number 106/PMK.02/2016 of 30 June 2016 on Standard Output Costs for the 2017 Fiscal Year
This regulation simplifies the financial reporting requirements for research services contracts, allowing for payment to be made based on the submission of research reports or other research products, rather than on the inputs to the research (researcher time, travel costs for field trips and so on).

- **Quality assurance processes for research outputs**
Minister of Research, Technology and Higher Education Regulation Number 69 of 2016 on Guidelines for Establishing Review Committees and Procedures for Evaluating Research against Standard Output Costs
This regulation outlines procedures for assessing the technical quality and value for money of supplier responses to tenders for research services. It also sets out processes for evaluating research products.

## 3.6 Generating Broad Support

The Knowledge Sector Initiative team also worked with LKPP and the Ministry of Research, Technology and Higher Education to generate broader high-level support for the reform and prepare for its implementation. In May 2016, the programme facilitated a meeting to discuss reform of Indonesia's research environment, including the revision of the procurement regulations. The meeting was chaired by the Deputy for Management and Evaluation of Priority Programs from the Office of the President - who is a member of the programme's Advisory Board - and attended by senior officials from LKPP, the Ministry of Research, Technology and Higher Education, the Coordinating Ministry for Human Development and Cultural Affairs, the Indonesian Institute of Sciences (*Lembaga Ilmu Pengetahuan Indonesia*, LIPI), various ministerial research agencies (*Badan Penelitian dan Pengembangan*, *Balitbang*), and the University Rector's Forum. The meeting helped ensure that other ministries and government agencies understood the issues and were aware of the proposed changes to the regulations in advance of the inter-departmental discussions which took place before the regulation was sent to the Cabinet Secretariat for presidential approval.

The programme also facilitated meetings with representatives of faith-based women's

organisations to inform them about the changes to the procurement regulations and the implications for social organisations delivering social and community services. These organisations have a long history of providing health services, education, disaster relief and support for vulnerable children, the elderly, and the poor in Indonesia. AKATIGA took a leading role in these meetings and LKPP representatives attended to solicit input from social organisations into the implementing regulations which they will develop. The programme also convened a meeting of the Knowledge Sector Initiative's partner policy research institutes at which AKATIGA and ELSAM provided an update on recent developments relating to the self-managed project mechanism.

The programme's engagement with the key actors identified in the initial mapping (see Figure 8) led to some significant shifts in the level of alignment and engagement of many of these stakeholders (see Figure 10). These changes were also reflected in the shifts in membership of the procurement reform 'network', which the programme captured using social network analysis (see Box 7).

With the Ministry of Finance decree issued in June 2016, the Ministry of Research, Technology and Higher Education's technical guidelines issued in October 2016, the revisions to *Perpres* 54/2010 is expected to be approved during 2017. Likewise LKPP's implementing regulations on procurement of research services expected to be finalised in 2017. Government agencies at all levels will soon be able to commission research from a wider range of organisations, opening the way for better-informed decision-making and more inclusive policy processes.



**Figure 10:** Changes in stakeholder alignment, influence and interest
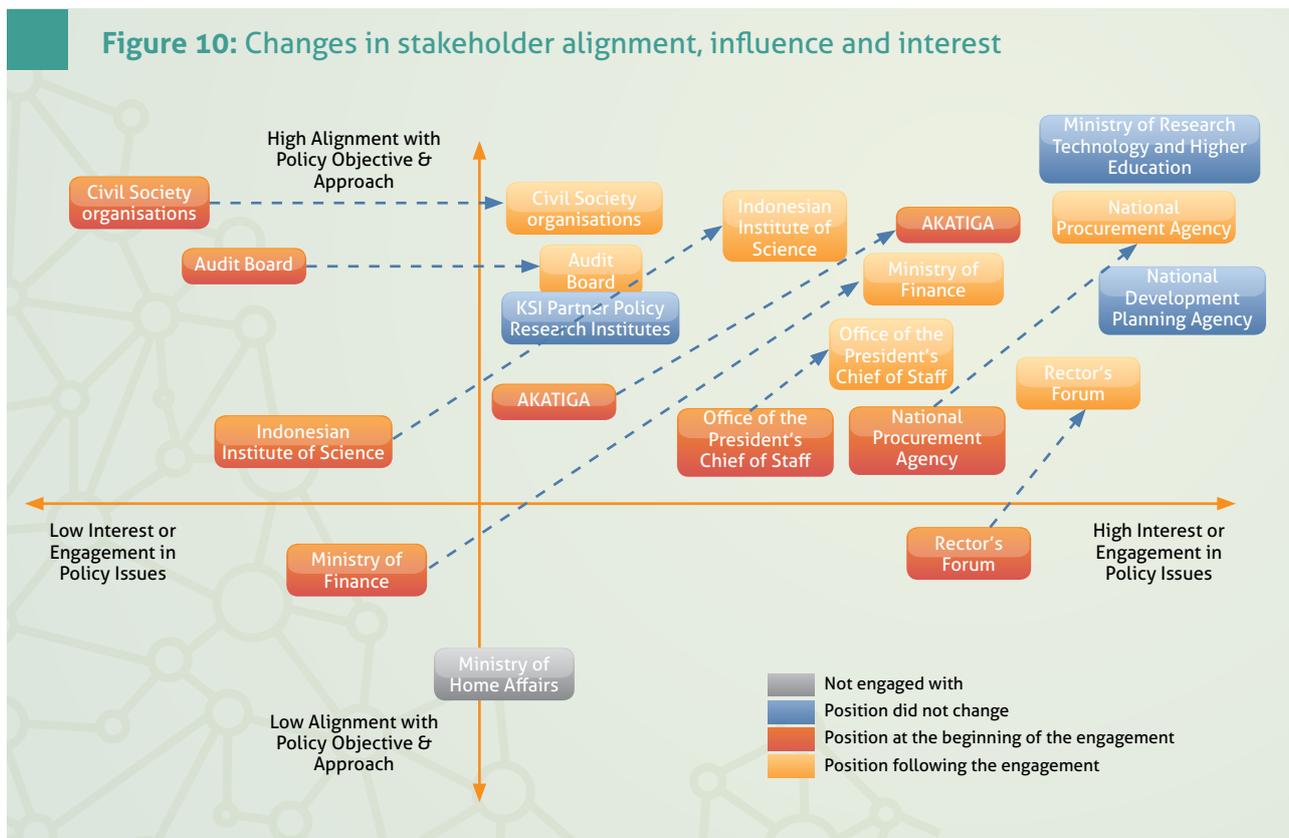
**Box 8: Social network analysis: Mapping actors and connections**

Social network analysis is a method of visualising the connections and communication flows between people, groups and organisations. The Knowledge Sector Initiative's Monitoring and Evaluation team developed a simple tool based on existing social network analysis software to record and analyse instances of communication between the organisations and individuals involved in the procurement reform at various stages of the reform process. This generated a series of network maps which show the relationships between the key actors and how these developed over time.

In the early stages of the reform process, the key actor in the network was the Knowledge Sector Initiative, which initiated the update to the diagnostic study on regulatory constraints, convened the knowledge sharing workshop, and opened communications with the relevant directorate in Bappenas (see Figure 8A). The programme's partner policy research institutes are also engaged, with Seknas FITRA and Article 33 expressing strong interest early on. From July 2015, the programme began to engage with LKPP.

**Figure 8A**: Development of the network during the 'Developing a strategy' phase, August to November 2015
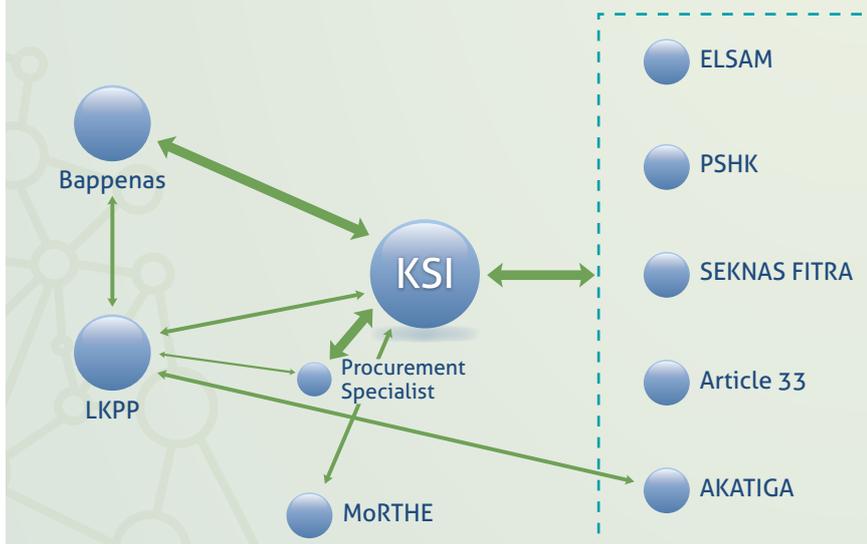


From August 2015, the configuration of the network began to change, with the establishment of the Working Group on Research and Higher Education and the sub-working group on procurement of research (see Figure 8A). The Ministry of Research, Technology and Higher Education also became involved in the network. AKATIGA connected directly with LKPP on the issue of non-government organisations accessing funds for delivering social and community services. The procurement specialist hired by the Knowledge Sector Initiative played an important role in this phase of the reform. The Knowledge Sector Initiative remained a central actor, connecting the policy research institutes to Bappenas, the Ministry of Research, Technology and Higher Education, and LKPP.

**Figure 8B**: Consolidation of the network, 'From strategy to action' phase, December 2015 to March 2016
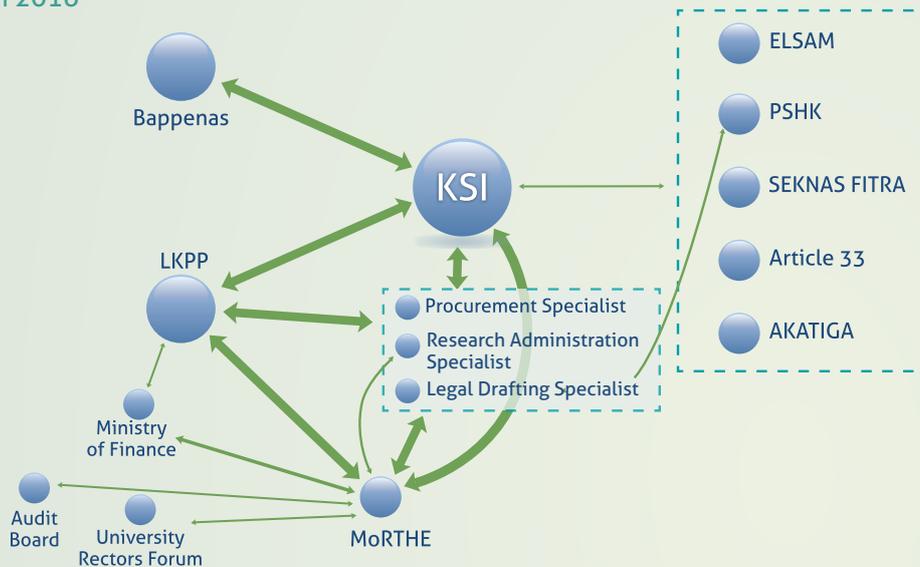
From December 2015, the network consolidated as discussions intensified around the development of the draft section on procurement of research services and the need for supporting regulations (see Figure 8B). Several new actors also became involved at this stage, including the research administration specialist and the legal drafting specialist as well as the Audit Board, the Ministry of Finance and the University Rector's Forum. While the Knowledge Sector Initiative continued to play an important brokering role, other partners contributed equally to moving the reform forward, providing input into drafts and hosting discussions where these drafts were discussed and debated.



**Figure 8C**: Securing broad support for the reform, 'Generating broad support' phase, March 2016 to present
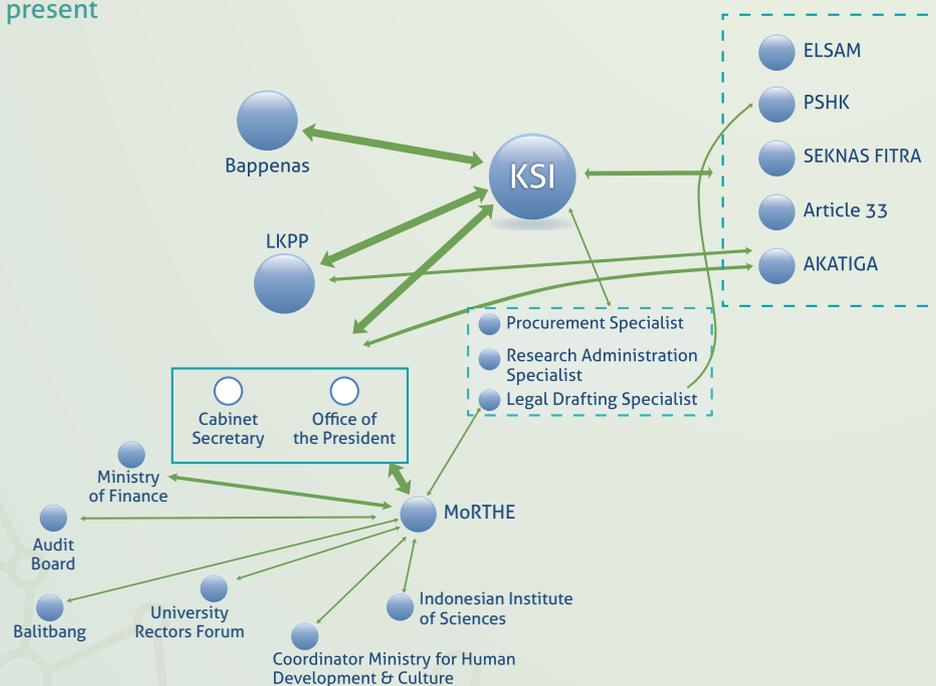
Following the completion of the drafting of the procurement regulations in April 2016, efforts focused on generating broader high-level support (see Figure 8C). The programme continued to play a significant role as a facilitator and convener while the Ministry of Research, Technology and Higher Education and LKPP led efforts to inform other ministries and agencies about the new regulations. The entry of the Office of the President as an important new actor in the network was critical in helping to build broad support for the draft regulations.

# 4

# Lessons from Management and Implementation

The reforms to government procurement regulations provide useful insights into how donor-funded programmes such as the Knowledge Sector Initiative can apply problem driven, politically smart, locally led and adaptive approaches in support of policy reforms. In reflecting on the process of the reform, we identify several lessons about how such approaches support policy change and the role that donor programmes can play.

One of the most important roles that the Knowledge Sector Initiative played was as a provider of technical expertise on the issue of procurement to key government stakeholders. This is to some extent symptomatic of the very issues that the procurement reform aimed to address, namely that policymakers are not able to quickly or easily access evidence and analysis to inform policy. However, it worked to the programme's advantage, providing an entry point for engaging with key government stakeholders. The programme was then able to supply a valuable service in the form of a procurement specialist, and later a research administration and legal drafting specialist.

Linked to this is the programme's role as both a producer and a broker of knowledge. The revised diagnostic study on the enabling environment constraints in Indonesia's knowledge sector was a catalyst for opening up dialogue with Bappenas and LKPP on the need for reform. Analysis produced by the procurement specialist was developed into a policy brief outlining recommendations for revising the content of the regulations. This

helped deepen understanding of the problems and inform the draft of the new section of the procurement regulations.

The team took a collaborative, locally led, problem solving approach to addressing the issues. At the knowledge sharing event, the team brought together universities, policy research institutes and decision makers to discuss the issues in Indonesia's enabling environment for research. The team then worked with these stakeholders over a number of months to build a shared understanding of the problem, break it down into root causes, and develop a strategy for addressing it. Importantly, both the policy research institutes and the Ministry of Research Technology and Higher Education were able to explain the issues from their perspective directly to LKPP. This revealed that one of the key problems was that research services were not adequately accommodated in the existing procurement regulations. LKPP then proposed a new section within the procurement regulations as a solution to the problem, along with implementing regulations and technical guidelines. Working in a collaborative way meant that the programme was able to capitalise on the knowledge and networks that each of the group members brought in moving the reform forward.

Authority and leadership provided by key individuals was an important factor in achieving the reform. The Deputy within LKPP (later its Head) provided initial authority for the programme to engage on

the reform, although it was like-minded mid-level staff from LKPP which attended the working meetings in which the issues were discussed and the regulations drafted. The team continued to build the authority needed to move the reform forward through on-going engagement with the responsible government agencies, including LKPP, the Ministry of Research, Technology and Higher Education, and the Ministry of Finance. The two senior bureaucrats from the Ministry of Research, Technology and Higher Education took on a much more active leadership role, utilising their own political networks and understanding of bureaucratic systems and processes to bring in stakeholders from other government agencies whose support was necessary for the reform to succeed.

Personal and professional incentives contributed to the willingness of stakeholders to take leadership of the reform. Two of the key champions of the reform process were new appointees in the newly-merged Ministry of Research, Technology and Higher Education. A desire to perform in their new roles therefore provided an incentive to address the issue. Collaboration with a bilateral donor program helped provide support for achieving the reform as well as raising these individuals' visibility. In addition, the Director of Research and Community Service had keen understanding of the problem and its impact on Indonesia's research environment, having spent most of his career in academia,

including, most recently, as Director of the Research and Public Engagement Office at a university.

Programme staff used their political knowledge and networks to identify and build links with key stakeholders across a number of government agencies. They learned early on the importance of having the 'right people' at a meeting, namely staff from the directorate responsible for the issue with the seniority to make decisions. The Knowledge Sector Initiative's networks in government were important in helping to identify opportunities for reform: the information about the planned revision of the procurement regulation, for example, was provided through the programme's contacts in Bappenas.

A key aspect of the political knowledge that the programme's government counterparts had was knowledge about how to get things done in the context of Indonesia's bureaucracy. This meant understanding both the formal procedures for revising the regulations as well as the informal processes that would ensure high-level support for the reform. In addition, while staff from the Knowledge Sector Initiative directed the early stages of the reform, both they and the senior officials with whom they were working knew when the programme should step back to allow the process to be Indonesian-led. At this point, the role of the programme shifted to convening and providing space for the appropriate people to meet.

# 5 Conclusions

This case study has described how the Knowledge Sector Initiative and its partners applied a problem driven, locally led, politically smart, and adaptive approach to addressing one of the key issues in Indonesia's enabling environment for evidence- informed policymaking. The programme's experience suggests that when stakeholders work together to define a problem and break it down into its component parts, they are able to identify realistic entry points for engaging on an issue and develop feasible solutions. Working collaboratively helped to build a common understanding and a common strategy and enabled the program to draw on a wider range of resources in the form of knowledge and networks. The willingness of key individuals to provide authority for the reform and to take leadership of it was a critical factor in moving the reform forward. The political knowledge, skills, and networks of programme staff and other key actors enabled the programme to identify and enlist the support of stakeholders whose backing was necessary for the reform to succeed. The Knowledge Sector Initiative played a number of important roles in the reform process, including brokering relationships between key stakeholders, providing space in which stakeholders could develop joint agendas, providing access to technical expertise, and translating and communicating evidence to policymakers.

Problem based, politically smart and locally led approaches require a different set of knowledge, skills, and tools than typical 'project' approaches. They also require a different mindset, including flexibility, tolerance for risk, and acceptance of uncertainty. These approaches do not always fit with donors' and government counterparts' needs for quick results. As such, it is important that teams invest time in building understanding to ensure that everyone involved speaks the same language. This helps to create and preserve the kind of authorising environment necessary for these approaches to succeed.

The policy reform described in this paper is an initial step in improving the enabling environment for evidence-informed policymaking. However, for the reform to be successful in improving the way policy research is commissioned and used, policymakers' attitudes and behaviour towards seeking and procuring research will also need to change. Universities and policy research institutes will also need to be willing to engage with government agencies and participate actively in government procurement processes. As the Knowledge Sector Initiative moves into its second phase from mid-2017, we will continue to monitor this and other reforms in the enabling environment to evaluate whether the programme's interventions are having the expected impact.

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# Executive Summary from Sherlock and Djani (2015)

This report is an update of the report on constraints in the enabling environment produced by Stephen Sherlock in 2010 which examined issues in human resources and procurement regulations that create obstacles to the creation and supply of knowledge for policy. The aim of this report is to identify how much change has occurred in the executive and legislative government sectors since 2010 and whether the environment today is more conducive for engagement by KSI.

The report finds that change since 2010 has been limited: under the SBY administration progress in reforms to the machinery of government was disappointing. But the political situation today is more encouraging. President Jokowi has a reputation for challenging the bureaucracy and has promised to reform government administration. The Civil Service Law (ASN) (5/2014) has the potential to bring new leadership and new expertise to the civil service; the new civil service Policy Analyst position could strengthen the quality of policy-making; changes to management of non-PNS staff in the DPR may bring significant changes; and the new Ministry of Research, Technology and Higher Education is potentially very important for the knowledge sector, once more detail is known.

The ASN Law aims to create a professional, non-politicised civil service, free of corruption and nepotism that serves the community. It establishes a Civil Service Commission (KASN) to safeguard the neutrality of the civil service and monitor the application of the merit principle in senior staff appointments. It mandates the creation of a Senior Executive Service (JPT) to introduce a new leadership and management, and for the recruitment of civil servants on a contract basis (P3K), to increase flexibility in hiring and bring more specialised expertise into the civil service. But the law does not eliminate the division between administrative and functional staff which is a major obstacle to the use of knowledge for policy. Positive effects of the ASN law could be a more professional civil service which improves the policy making process, thus increasing demand for knowledge, greater funding for research and better managed research. This would in turn generate opportunities for supply-side organisations, make government contracts more attractive and create openings to lobby for reform of procurement regulations. The biggest risk is that unclear implementing regulations might enable vested interests to mouth reformist rhetoric while continuing with "business as usual". Success depends on an influx of new high quality management leadership and policy experts in the JPT and P3K who are able to do their job effectively. The changes introduced by ASN represent some of the best opportunities for KSI engagement since the creation of the Initiative. KSI should investigate ways to support the new KASN, and provide assistance on the development of

structures and procedures for JPT and P3K, especially recruitment and HR management systems. High level engagement and peer review on policies and procedures could be combined with training for new personnel.

The Bureaucratic Reform Allowance (BRA) (Tunjangan Kinerja) is part of the Reformasi Birokrasi program and is designed to create incentives for government agencies to reform procedures and for individual staff to improve performance quality. It is conceptually well founded, but its interpretation and implementation has been flawed. The criteria for receipt of the allowance are often not relevant to the mission of the agency and/or do not provide appropriate incentives for staff. There is scope for KSI to work with MenPAN-RB, as the responsible agency, to strength this and other aspects of Reformasi Birokrasi and with participating agencies (K/L) to support implementation of the program.

There have been reforms to procurement regulations since 2010, but none of them have improved the situation for the procurement of knowledge by government. The regulations are still designed for major contracts for goods and services and make it difficult for knowledge suppliers, such as universities, think tanks and consultancies, to work with government. The procurement policy agency (LKPP) considers that swakelola procedures are appropriate for research contracts. There appears to be interest within LKPP to engage with KSI, but not necessarily on regulatory reform. There may be more scope to work with CSOs that are interested in lobbying for change.

The establishment of the Policy Analyst position, implemented by LAN, is an important development which could increase the demand for knowledge from government. The creation of a new cadre of well-trained policy staff could improve uptake of evidence into policy-making. However, its effectiveness could be undermined by problems with the inappropriate incentives created by the division between administrative and functional staff identified as a major constraint to use of knowledge in policy in the 2010 Report. There are opportunities for KSI engagement (in addition to the peer review of policy analyst training currently being developed), with both LAN and participating agencies, in relation to methods for the assessment of Policy Analysts and their integration into policy decision-making within their respective agencies.

The legislative branch of government (DPR & DPD) has gradually strengthened its capacity to participate in policy-making in recent years and has increased numbers of specialist staff, both PNS functional staff and contract-based staff working for committees, party caucuses and individual legislators. A major development is the reorganisation of all DPR functional staff into a single unit (BKD), designed to overcome the scattering of functional across different parts of the DPR and to improve management of these staff. The BKD was mandated in legislation five years ago, but the DPR Secretariat is still having difficulty establishing the unit. There are questions about how the BKD will be structured and its relationship with the Secretariat, as well as doubts about how effective it will be in achieving its objectives of better management of specialist staff. There are important opportunities for KSI engagement with the legislature to train PNS and contract staff on research and knowledge-to-policy issues, including improving working relationships amongst staff. KSI should also investigate openings to work with the DPR Secretariat on the structure and functioning of the BKD.

Law 17/2013 on civil society organisations (Ormas Law) has generated uncertainty amongst domestic CSOs about its effects on their independence and amongst international organisations about their capacity to support local CSOs. Most provisions of the law are unclear and there are still doubts about what effects it will have, but many CSOs believe that it is an ineffective law that will have no significant impact on their operations. There

is probably no scope for KSI engagement on this issue.

Few changes in the enabling environment have had a clearly positive effect on the capacity for universities to work with government on policy. The creation of PTN-BH status for universities has provided for greater management autonomy for a number of the more prominent institutions, but the effect has been felt more in terms of student intake and management of teaching. It is not clear whether the reform has increased total research output or increased engagement with government. The creation of the Ministry of Research, Technology and Higher Education is potentially important, but it is too early to make an assessment. KSI should prioritise the development of dialogue and peer relationships with the individuals and institutions involved in these reforms

# Annex B:

# Timeline of Key Events

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| June 2010 | Publication of diagnostic study on the enabling environment for evidence-informed policy, *Knowledge for policy: Regulatory obstacles to the growth of a knowledge market in Indonesia*, by Stephen Sherlock. |
| May 2013 | The Knowledge Sector Initiative commences implementation. |
| July 2014 | Stephen Sherlock and Budiati Prasetiamartati meet with LKPP's Deputy for Human Resource Development and Director for Procurement Competency Training to obtain information about changes in the procurement regulations (*Perpres* 54/2010) for the purposes of updating the 2010 diagnostic. |
| September 2014 | The Knowledge Sector Initiative's partner policy research institutes meet with the programme's key counterpart in Bappenas, the Director for Industry, Science and Technology, Tourism and Creative Economy, to discuss issues in the enabling environment. The Executive Director of Article 33 expresses interest in working with the programme to address these issues.<br><br>Budiati Prasetiamartati meets with a senior researcher from AKATIGA interested in discussing the programme's plans for addressing enabling environment issues. |
| January 2015 | Publication of *Update on constraints in the enabling environment to the provision of knowledge in executive and legislative government* by Stephen Sherlock and Luky Djani. |
| February 2015 | Stephen Sherlock and Luky Djani present their findings in an open knowledge sharing event attended by policy research institutes and civil society organisations. |
| June 2015 | The Knowledge Sector Initiative team meets with relevant directorates in Bappenas to discuss their policy priorities and evidence needs. A meeting with the Directorate for State Apparatus reveals that LKPP is currently revising the procurement regulations as part of their annual review process. At Bappenas' request, the program team provide a policy brief outlining the key findings from Sherlock and Djani's updated diagnostic and recommendations developed in collaboration with several of the partner policy research institutes. |

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| July 2015 | The Knowledge Sector Initiative team, together with a representative from SEKNAS FITRA, meet with LKPP's Deputy for Human Resource Development/Deputy for Strategy and Policy Development and colleagues to discuss the inclusion of research in the revisions to the procurement regulations. LKPP invites the programme to provide input.<br><br>The programme convenes a meeting of interested policy research institutes (SEKNAS FITRA, PSHK, ELSAM) to discuss a plan for engaging with LKPP. The group decides that a procurement specialist should be contracted to provide technical advice to support the group's input to the draft regulations. Article 33's Executive Director sets up a WhatsApp group to facilitate communication between those interested in engaging on the issue.<br><br>The Deputy for Human Resource Development is appointed as Head of LKPP. |
| August 2015 | The programme hires a procurement specialist who previously worked for Transparency International Indonesia. The procurement specialist presents his analysis of the content of the regulations (*Daftar Inventaris Masalah*, DIM) and recommendations for how procurement of policy research could be incorporated to interested policy research institutes.<br><br>The Working Group on Research and Higher Education is established.<br><br>At the Knowledge Sector Initiative's international conference, the Ministry of Research, Technology and Higher Education's Director of Research and Community Service reflects on the barriers to evidence-informed policymaking, including issues of procurement for research. Following the conference, the programme team follows up with the Director to inform him about the programme's work in this area. |
| September 2015 | The procurement specialist prepares a policy brief based on his analysis of the procurement regulations, which the programme sends to the Head of LKPP. The Head of LKPP responds indicating that the revision is on hold but that the programme's input will inform LKPP's internal discussions.<br><br>The Knowledge Sector Initiative team and the procurement specialist meet on several occasions with the Ministry of Research, Technology and Higher Education's Director of Research and Community Service to discuss the issues with the regulations and recommended changes.<br><br>The first meeting of the Working Group on Research and Higher Education takes place. Members include LKPP, the Ministry of Research, Technology and Higher Education, the Indonesian Academy of Sciences, Bappenas, Article 33, AKATIGA, ELSAM, PSHK, and SEKNAS FITRA. Four sub-groups are established, including a sub-working group on the issue of procurement of research. |

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| October 2015 | At the request of the Ministry of Research, Technology and Higher Education's Director General of Research and Development Strengthening, the programme team provides the Ministry with a copy of the procurement specialist's policy brief.

The sub-working group holds its' first meeting to discuss progress and develop a strategy and action plan for pursuing the reform using the RAPID Outcome Mapping Approach and Alignment Influence and Interest Matrix. |
| November 2015 | AKATIGA and members of the programme team meet with the Head of LKPP and the Deputy for Strategy and Policy Development. AKATIGA provides LKPP with a policy brief recommending that social organisations be recognised as suppliers of social and community services under the self-managed project mechanism.

The programme team meets with the Deputy for Management and Evaluation of Priority Programs from the Office of the President to inform him about the programme's work on the procurement regulations. The Deputy is a member of the Knowledge Sector Initiative's Advisory Board and will be an important ally in generating support for the revisions within the Office of the President and the Cabinet Secretariat.

In recognition of the increasingly important role of the Ministry of Research, Technology and Higher Education, the programme team adapts its' strategy to intensify engagement with key individuals within the Ministry. |
| December 2015 | At the request of the Ministry of Research, Technology and Higher Education's Director General of Research and Development Strengthening, the programme team organises a focus group discussion involving LKPP, Bappenas, the Ministry of Finance, the Audit Board, the University Rector's Forum, and the programme's partner policy research institutes to discuss the link between research funding – particularly financial reporting requirements – and researcher productivity. The event attracts the attention of the Minister of Research, Technology and Higher Education and the Head of the Audit Board, both of whom attend.  The discussion builds consensus among the stakeholders of the issues in the current regulations. |
| January 2016 | The programme holds follow up discussions with the Ministry of Research, Technology and Higher Education and LKPP regarding the changes needed to the regulations governing research funding and the need for a specific section on research in the procurement regulations. The Ministry of Research, Technology and Higher Education takes a leading role in convening coordination meetings within the Ministry to discuss the issues.

AKATIGA and the programme prepare a draft of suggested changes to the self-managed project mechanism. |

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| February 2016 | Representatives from the Ministry of Research, Technology and Higher Education, the programme, and Bappenas meet on several occasions with the Ministry of Finance to discuss the need for standard costs for research to be included in the annual Minister of Finance Regulation (*Peraturan Menteri Keuangan*, PMK) on standard output costs. The Minister for Research, Technology and Higher Education follows up by providing a formal letter to the Minister of Finance outlining this proposal.<br><br>The programme contracts a research administration specialist from Diponegoro University and a legal drafting specialist from PHSK. Together with the procurement specialist, they develop a draft for a new section of the regulations on research and prepare a policy paper (*naskah akademik*). The Ministry of Research, Technology and Higher Education provides input to the latter. This will be submitted along with the draft regulation as part of the legal process. |
| March 2016 | The programme organises two workshops to facilitate a collaborative process of drafting the new section on procurement of research. LKPP and the Ministry of Research, Technology and Higher Education co-lead the drafting, with input from the procurement and legal drafting specialists, and representatives from the programme's partner policy research institutes, LIPI and the Ministry of Agriculture's Research and Development Agency (*Balitbang*). The group agrees that the Ministry of Research, Technology and Higher Education will develop a separate regulation outlining detailed provisions for procurement of research services as implementing regulations for this section of *Perpres* 54/2010. |
| April 2016 | The Ministry of Research, Technology and Higher Education's Director General of Research and Development Strengthening formally submits the draft section on procurement of research, together with the policy paper, to the Head of LKPP.<br><br>The Knowledge Sector Initiative facilitates a meeting between the Ministry of Research, Technology and Higher Education's Director General of Research and Development Strengthening and the Deputy for Management and Evaluation of Priority Programs from the Office of the President to discuss a strategy for generating high-level support for the changes to the regulations. |
| May 2016 | The Deputy for Management and Evaluation of Priority Programs from the Office of the President convenes a meeting of high-level officials from the Ministry of Research, Technology and Higher Education, LKPP, the Indonesian Institute of Sciences, the Coordinating Ministry for Human Development and Culture, various ministerial research and development agencies (*Balitbang*) and the University Rector's Forum. The meeting aims to inform relevant stakeholders about the changes, solicit feedback and enlist their support.<br><br>The revised draft of *Perpres* 54/2010 – which includes both a new section on procurement of research and recognition of social organisations as suppliers under the self-managed project mechanism - is discussed internally within LKPP. |

| June 2016 | The Minister of Finance issues Regulation Number 106/PMK.02/2016 on Standard Output Costs for the 2017 Fiscal Year. |
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| July 2016 | LKPP, the Ministry of Research, Technology and Higher Education, the procurement, research administration and legal drafting specialists, and representatives of the programme and its partner policy research institutes meet to discuss revisions to the draft section on procurement of research, and the inclusion of social organisations as suppliers under the self-funded project mechanism. The group also discusses the development of the implementing regulations on research and technical guidelines outlining procedures for assessing supplier responses to tenders for research services to be issued by the Ministry of Research, Technology and Higher Education.<br><br>AKATIGA meets with the Head of LKPP and the Deputy for Management and Evaluation of Priority Programs from the Office of the President to discuss the revisions relating to social organisations and self-managed projects.<br><br>As part of the legal process for approving the revised regulations, LKPP presents the draft in a series of discussions with other ministries and agencies for their feedback and endorsement. |
| August 2016 | LKPP, the Ministry of Research, Technology and Higher Education, the procurement, research administration and legal drafting specialists, and representatives of the programme meet on several occasions to finalise the draft section on procurement of research, and to ensure that the implementing regulations and technical guidelines are consistent. A senior official from LIPI attends one of the meetings.<br><br>The Ministry of Research, Technology and Higher Education explains the revisions to the procurement regulations and the new standard output costs for research at its' annual coordination meeting attended by Ministry officials, universities, and the private sector.<br><br>AKATIGA meets on several occasions between late August and October 2016 with representatives of faith-based women's organisations to inform them about the changes to the procurement regulations and the implications for social organisations and to solicit input to inform the development of implementing guidelines for this section of *Perpres* 54/2010. LKPP attends one of these meetings. |
| September 2016 | LKPP submits the draft of the revised procurement regulations to the Cabinet Secretariat. |
| October 2016 | Senior officials within LKPP meet to discuss the final draft of *Perpres* 54/2010.<br><br>The Minister of Research, Technology and Higher Education issues Regulation Number 69 of 2016 on Guidelines for Establishing Review Committees and Procedures for Evaluating Research against Standard Output Costs. The programme facilitates a series of discussions with 12 state universities throughout October and November to inform them about the guidelines. |

| November 2016 | AKATIGA and ELSAM convene a meeting of the Knowledge Sector Initiative's partner policy research institutes to update them on recent developments relating to the self-managed project mechanism. At the meeting LKPP requests input to support the development of implementing guidelines. |
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| December 2016 | The Cabinet holds a closed meeting (*rapat kabinet terbatas*, *ratas*) to discuss the amendments to *Perpres* 54/2010. |

**Elisabeth Jackson**

Elisabeth Jackson is a consultant to the Knowledge Sector Initiative in Jakarta where she has lived and worked for over 7 years. She has worked for international NGOs and bilateral donors managing development programs in education, democratic governance and civil society capacity building. Most recently, she was responsible for overseeing the Knowledge Sector Initiative for the Australian Department of Foreign Affairs and Trade. She has worked in higher education and development for over 12 years and has written on a range of issues including state accountability, student politics, civic education and democracy, Islamic education, private schooling, civil society development and approaches to policy reform in Indonesia. She has a PhD in Southeast Asian studies and a master's in development studies, both from the Australian National University.

**Budiati Prasetiamartati**

Budiati Prasetiamartati manages the Knowledge Sector Initiative's work on the enabling environment, including the multi-stakeholder working group on research and higher education. She has worked for the Ministry of National Development Planning/National Development Planning Agency on spatial planning and land management policy and consulted on community participation in urban spatial planning and community-based management of natural resources. Before joining the Knowledge Sector Initiative, she managed programs in decentralisation and local governance for the United Nations Development Programme in Indonesia. She has an undergraduate degree in urban and regional planning from Bandung Institute of Technology, a master's in public policy and administration from the Institute of Social Studies in the Netherlands, and a PhD in coastal and marine resources management from Bogor Agricultural University.

**Marendra Cahya Sadikin**

Marendra Cahya Sadikin is a program officer at the Knowledge Sector Initiative, where he works with policymakers, policy research institutions, civil society organisations and the private sector to identify and implement strategies to addresses systemic barriers to an effective knowledge sector. He has extensive experience working with Indonesian legislators, having managed parliamentary strengthening programs, and served as a policy analyst and advisor to Indonesia's House of Representatives on a range of policy issues, including politics, defence and security, foreign affairs, and legislative review. He has also worked as an advisor to private sector companies on government policy and government relations. Marendra has an undergraduate degree in international relations from Parahyangan Catholic University and a master's in development studies from Bandung Institute of Technology.

**Sugiyanto**

Sugiyanto is a monitoring and evaluation officer for the Knowledge Sector Initiative. Prior to joining the programme, he worked on a range of multilateral and bilateral donor projects in the areas of education, poverty reduction, and disaster recovery. He has extensive experience in training and capacity building programmes for civil society organisations and government institutions, including network development and implementation of data-driven decision-making systems. He is interested in innovative approaches to monitoring, evaluation and learning and has used a smartphone application to support the National Team for Acceleration of Poverty Reduction's (TNP2K) monitoring and quality assurance systems, and developed a social network analysis tool to map the development of multi-stakeholder policy networks. Sugiyanto has an undergraduate degree in education from Walisongo State Islamic University in Semarang and a master's in humanities with a specialisation in anthropology from the University of Leiden.

**Arnaldo Pellini**

Arnaldo Pellini is a Research Fellow in the Research and Policy in Development (RAPID) programme at the Overseas Development Institute. He is currently seconded to the Knowledge Sector Initiative in Jakarta where he leads the programme's experiential learning and research work. Over the course of his 15-year career he has worked as a researcher, adviser and project manager in Cambodia, Vietnam, the Philippines, and Indonesia and has considerable experience working on systems and processes to support the production, demand, and use of evidence to inform policy decisions. He is particularly interested in local governance reforms to improve the quality of service delivery and in testing ways for government officials to demand and access robust evidence to inform policy decisions. Arnaldo has a PhD in education and development from the University of Tampere (Finland) and has written extensively on local governance in Southeast Asia and on the role of evidence in policy processes.

The Knowledge Sector Initiative (KSI) is a joint program between the governments of Indonesia and Australia that seeks to improve the lives of the Indonesian people through better quality public policies that make better use of research, analysis and evidence.

KSI is a consortium led by RTI International in partnership with Australian National University (ANU), Nossal Institute for Global Health, and Overseas Development Institute (ODI).