



# Technical Assistance Report

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Project Number: 48172-001  
Policy and Advisory Technical Assistance (PATA)  
December 2014

## Republic of Indonesia: Strengthening Knowledge Sharing in Indonesia

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 8 December 2014)

Currency unit	–	rupiah (Rp)
Rp1.00	=	\$0.00008
\$1.00	=	Rp12,383

## ABBREVIATIONS

ADB	–	Asian Development Bank
BAPPENAS	–	Badan Perencanaan dan Pembangunan Nasional (National Development Planning Agency)
MOF	–	Ministry of Finance
TA	–	technical assistance

## NOTE

In this report, "\$" refers to US dollars.

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## POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 48172-001</b>	
<b>Project Name</b>	Strengthening Knowledge Sharing in Indonesia	<b>Department /Division</b>	SERD/IRM
<b>Country Borrower</b>	Indonesia Bappenas, Government of Indonesia	<b>Executing Agency</b>	National Development Planning Agency (BAPPENAS)
<b>2. Sector</b>		<b>ADB Financing (\$ million)</b>	
✓ Public sector management	Economic affairs management		0.36
	Public administration		0.20
	Public expenditure and fiscal management		0.17
		<b>Total</b>	<b>0.73</b>
<b>3. Strategic Agenda</b>		<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>		<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Institutional development Organizational development	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas Knowledge sharing activities		
Private sector development (PSD)	Conducive policy and institutional environment		
<b>5. Poverty Targeting</b>		<b>Location Impact</b>	
Project directly targets poverty	No	Nation-wide	High
<b>6. TA Category:</b>	B		
<b>7. Safeguard Categorization</b>	Not Applicable		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>0.73</b>	
Sovereign Policy and advisory technical assistance: Technical Assistance Special Fund		0.73	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>0.73</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		No	
Use of country public financial management systems		No	

## I. INTRODUCTION

1. The Government of Indonesia has requested the Asian Development Bank (ADB) to provide policy and advisory technical assistance (TA) to facilitate the delivery of knowledge services under the government and ADB Knowledge Initiative.<sup>1</sup> This TA is in line with the government's priorities for improving knowledge sharing and knowledge-to-policy capability in Indonesia.<sup>2</sup> The TA is included in ADB's country operations business plan, 2014–2016 for Indonesia.<sup>3</sup> The scope of the TA was discussed in a series of meetings throughout 2014 that concluded on 27 November. ADB and the government reached an understanding on TA impact, outcome, outputs, cost estimates, financing plan, implementation arrangements, and outline terms of reference for consultants.<sup>4</sup> Government concurrence was obtained through the confirmation by the Ministry of Finance (MOF) and National Development Planning Agency (BAPPENAS) of an aide-mémoire dated 2 December 2014. The design and monitoring framework is in Appendix 1.

## II. ISSUES

Indonesia aims to become an upper-middle-income country by 2025 and has the largest population and largest economy in Southeast Asia. Developments such as changes in commodity prices, foreign exchange fluctuations, and anticipated changes in labor mobility when the ASEAN economic community comes in to force require effective and timely responses from the government. Increased natural disasters and changing weather patterns challenge Indonesia's capacity to respond to natural disasters and its goal of achieving food security. Recognizing these immediate demands, the government has identified the need to diversify the economy and strengthen its economic and environmental resilience. Key medium-term priorities include generating sufficient economic growth to avoid the middle-income trap, maximizing the benefits of the youth dividend, addressing the country's growing inequality, strengthening competitiveness, and improving productivity. To respond effectively, the government recognizes the importance of strengthening its knowledge-based policy development. Moreover, to compete regionally and globally, Indonesia will have to develop knowledge-based solutions to existing challenges and emerging opportunities. Exploiting its comparative advantages will require further research and analyses to identify innovations unique to Indonesia's natural and human assets.

2. To strengthen Indonesia's knowledge-based development, a range of knowledge services and approaches will be enhanced. Domestic centers of excellence need to be nurtured, and access to and twinning with international centers of excellence is also anticipated. Further strengthening the knowledge–policy nexus is also essential. In the short term, the government needs immediate access to domestic and international knowledge services to inform its policies. Issues that result in structural change will require detailed analysis and consideration. An example might be how to generate the foreign direct investment necessary to diversify the energy mix. Ad hoc advisory services will support policy that, by its nature, requires an immediate response. Such an example would be the macroeconomic policy responses to an exogenous shock. These ad hoc advisory services are referred to by the government as “just-in-time knowledge”, as they cannot be planned and scheduled.

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<sup>1</sup> Knowledge services encompass knowledge products such as working papers, policy notes, and publications, and knowledge services such as seminars, conferences, workshops, and policy discussions.

<sup>2</sup> Knowledge-to-policy is a growing body of public policy literature aimed at processes and systems that strengthen the linkages between research and policy development.

<sup>3</sup> ADB. 2014. *Country Operations Business Plan: Indonesia, 2014–2016*. Manila.

<sup>4</sup> The TA first appeared in the business opportunities section of ADB's website on 5 November 2014.

3. **Knowledge transfer.** Sharing indigenous knowledge strengthens the development of appropriate local solutions. The government takes seriously its obligations to share its knowledge with its neighbors and has invested heavily in south–south and triangular knowledge cooperation.<sup>5</sup> Equally, knowledge needs to be shared in a form that is relevant to the political economy. Matters such as the learning modalities and approaches to knowledge transfer that are most effective in the country need to be incorporated into knowledge service design. Using appropriate modes for the delivery of ideas or the language for transferring knowledge all influence the effectiveness of turning knowledge into effective policy.

4. The government has requested support in areas including macroeconomic analysis and policy advice, technical expertise in infrastructure development, education, energy security, food security, water security, public sector management, regional integration, private sector development, governance and project implementation. As importantly, new areas of support for knowledge services will emerge as Indonesia continues to implement its next 5-year development plan. The government seeks partners who can be responsive to these emerging knowledge sharing and analytical needs.

5. In recognition of these challenges, the government and ADB have developed a draft country knowledge strategy, 2013–2015.<sup>6</sup> The draft strategy’s objectives are to (i) provide demand-driven, responsive, and timely knowledge support; (ii) maximize the operational benefits of knowledge; (iii) coordinate knowledge support with other development partners and effectively mobilize cofinancing; (iv) collaborate closely with non-state knowledge users; and (v) enhance in-country knowledge dissemination. Planned ADB support under the draft knowledge strategy includes (i) planned knowledge services delivered through various resources as appropriate; (ii) business process and system development to capture, store, and disseminate government knowledge; and (iii) just-in-time knowledge services primarily supported through this TA. To facilitate responsive and timely knowledge support, the ADB–Indonesia draft Knowledge Partnership Statement of Intent has also been developed.<sup>7</sup> The statement responds to the need for just-in-time knowledge and longer-term studies on structural change.<sup>8</sup> Moreover, the drafts reflect ADB’s Finance++<sup>9</sup> approach to its client relationships, which is reflected in ADB’s current strategies, policies, and action plans.

6. The proposed TA is intended to supplement the resources available to the government for supporting just-in-time knowledge requests and where prioritized by government but not funded through alternative sources or longer-term studies.<sup>10</sup>

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<sup>5</sup> South-south knowledge transfer is term used to describe knowledge cooperation between two developing countries. Triangular cooperation is a term used to describe south-south cooperation with a development partner being a third party.

<sup>6</sup> ADB. Forthcoming. *Draft ADB Country Knowledge Strategy: Indonesia, 2013–2015*. Manila.

<sup>7</sup> ADB. Forthcoming. *ADB–Government of Indonesia draft Knowledge Partnership Statement of Intent*. Manila.

<sup>8</sup> “Just-in-time knowledge” is a government term for ad hoc advisory services requested during the course of the year. They are expected to be short term in nature but may lead to longer-term planned analysis.

<sup>9</sup> Finance++ is a term used by ADB to refer to its approach of financing development, leveraging additional development financing, and providing knowledge solutions and innovation.

<sup>10</sup> Through the annual planning of knowledge services and through the knowledge database managed by ADB’s Research and Sustainable Development Department, existing support to a knowledge request will be identified. At the government level, collaboration with development partners and local think tanks will be necessary to minimize duplication of work.

### III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE

#### A. Impact and Outcome

7. The impact will be improved knowledge-based policy dialogue. The outcome will be strengthened knowledge management and sharing in Indonesia. Knowledge-based policy dialogue stemming from ADB support will be evident in the policies. The effectiveness of this TA will be evident if there is an increase in demand. This will be tracked and reported at the annual discussions of knowledge services.

#### B. Methodology and Key Activities

8. To achieve the TA outcome the following outputs will be delivered: (i) delivery of the annual ADB–Government of Indonesia knowledge plan and its implementation; (ii) providing responses to just-in-time knowledge requests through ADB resource persons and consultants as needed based on requests from the MOF and BAPPENAS; and (iii) TA products disseminated through the production of targeted publications and holding of seminars and workshops on key policy and sector issues. Key activities supporting these outputs include (i) conducting an annual discussion among ADB, ADB Institute, and key government ministries and state-owned enterprises to develop the annual knowledge plan; (ii) establishing a mechanism with government for it to prioritize just-in-time knowledge requests; (iii) supporting policy dialogue on sector and thematic issues; (iv) putting in place panel contracts for editing, translation, and publication; (v) establishing commercial arrangements for hosting knowledge events; and (vi) monitoring and managing planned and ad hoc requests, including knowledge services.

9. Risk management within the TA will be important to ensure the anticipated development outcome. The following are the most important risks in the TA: (i) inadequate country resources are directed to knowledge management, (ii) key ministries do not respond to government requests to plan analytical requirements, (iii) requests for knowledge services are made without adequate time to respond, and (iv) requests for knowledge services are not sufficiently detailed to provide a specific and valued response. In managing these risks (i) ADB will need to work closely with the implementing agencies to ensure sufficient resources are provided, (ii) ADB sector specialist policy dialogue with key ministries should be used to facilitate the identification of their analytical requirements, (iii) a clear planning schedule should be developed and communicated effectively, (iv) quality products should be delivered in a timely manner to generate further demand, and (v) there should be collaboration with BAPPENAS and the Knowledge Sharing Initiative (financed by the Government of Australia) to strengthen ministries' capacity to prepare requests for knowledge services.

#### C. Cost and Financing

10. The TA is estimated to cost \$732,000, of which \$725,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The government will provide counterpart contributions in the form of counterpart staff, office space, office materials, and other in-kind contributions. The cost estimates and financing plan are in Appendix 2.

## D. Implementation Arrangements

11. The TA will be implemented from January 2015 to December 2017. BAPPENAS will be the executing agency, while BAPPENAS and the MOF will be the implementing agencies.

12. To facilitate knowledge services being demand driven and to leverage the expertise of ADB, an annual discussion of the government's requirements for knowledge services will be conducted through the country operations business planning process. Knowledge departments of ADB, the ADB Institute, as well as thematic groups and communities of practice will identify all knowledge services planned for Indonesia in the following year. This will include all knowledge services for which the government might be engaged or interested in, including those of a regional nature. Once compiled, ADB will discuss with the government its identified needs and seek approval for—or adjust in light of the government's requests and priorities—the planned list of ADB knowledge services.

13. Ad hoc or just-in-time knowledge services will also be supported based on requests from either BAPPENAS or the MOF. These will include sector and thematic issues, short policy notes, seminars, and the engagement of eminent persons. Draft guidelines for the identification and management of just-in-time knowledge services have been developed and include the following: (i) the request is a priority with respect to implementing the government's development plan; (ii) the level of the service required, such as short consultancy, seminar of an eminent speaker, or a short paper; and (iii) checking to see if the service or knowledge is available within the government or ADB. Initial screening by the implementing agencies will then be provided to ADB for further screening to identify if ADB resources with the necessary expertise are available before considering contracting for the service. ADB will identify possible ADB resource persons where applicable with the support of the Knowledge Sharing Service Center and through direct engagement with the communities of practice and thematic groups.

14. Requests on macroeconomic matters will be received through the MOF with government-wide requests for knowledge services being received through BAPPENAS. Financing, endorsing, and delivering against these requests will be done jointly by government and ADB. Where high-priority requests of the government do not have existing financing, the implementing and executing agencies will consider the request for financing under this TA.

15. In supporting just-in-time knowledge services, the TA will maximize the use of ADB expertise wherever possible. The TA will therefore finance ADB personnel travel as resource persons. The TA will finance the costs of conferences, workshops, seminars, and, if necessary, leased equipment, in accordance with the *Technical Assistance Disbursement Handbook* (2010, as amended from time to time) and in line with ADB's Procurement Guidelines (2013, as amended from time to time). Where applicable, ADB will utilize the services of the existing, competitively tendered United Nations contracts for the provision of preparing and managing conferences and seminars. Where the implementing agency is managing the event, financing will be undertaken through the advance payment facility. Where a consultant is managing the event, the requirements will be incorporated into the terms of reference and financed as an advance through the consultant's contract. This will be determined in consultation with the executing agency on a case-by-case basis.

16. The TA will finance an estimated 12 person-months of international consulting services and 15 person-months of national consulting services. Consultants will be engaged through a firm using the quality and cost-based selection method with a quality-cost ratio of 80:20 biodata technical proposal, or individually, depending on the best approach for each terms of reference, in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time



to time). To reduce administrative burden and improve economy, efficiency, and value for money, consulting services under the TA will be engaged under an output-based (lump-sum) contract wherever possible. The TA will be implemented in accordance with the *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

17. Specific terms of reference for each knowledge service will be developed and endorsed by the implementing agency and ADB. Outline terms of reference for the consulting positions are in Appendix 3 as well as sample terms of reference (Supplementary Appendix).

18. The executing agency will prepare periodic performance reports to monitor the design and monitoring framework indicators, including the quality of knowledge services. The reports will be presented during the annual country programming preparation as an input to the annual knowledge planning discussions. Each separate knowledge service terms of reference will also include a short description of its dissemination plan.

#### **IV. THE PRESIDENT'S DECISION**

19. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$725,000 on a grant basis to the Government of Indonesia for Strengthening Knowledge Sharing in Indonesia, and hereby reports this action to the Board.

### DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b></p> <p>Improved knowledge-based policy dialogue</p>	<p>Policy advice of knowledge services are identified in policy documents (Baseline 2014: 0) (Target 2016: 10)</p>	<p>Reflected in laws, regulations, standard operating procedures, decrees, and speeches</p> <p>National policy monitoring mechanisms</p> <p>RPJMN implementation reports</p> <p>Strategic policy statements</p> <p>National budget statements</p>	<p><b>Assumption</b></p> <p>Requests for services are closely aligned with key policy actions.</p> <p><b>Risk</b></p> <p>Government is unable to pass key reforms through the House of Representatives.</p>
<p><b>Outcome</b></p> <p>Strengthened knowledge management and sharing in Indonesia</p>	<p>Clients report satisfaction with policy advice through TA that it has been, or is planned to be, used in developing policies or programs, or implementing institutional reform. (Target 2016: Rating of &gt; 3.7 [ on a scale of 1.0–5.0])</p> <p>Increase in requests for knowledge services (Baseline 2014: 0) (Target 2016: 100% on 2015 requests)</p>	<p>Feedback at the annual knowledge planning consultations</p> <p>Annual knowledge planning consultations</p>	<p><b>Assumptions</b></p> <p>Political stability is maintained.</p> <p>Adequate country resources directed to knowledge management.</p> <p><b>Risk</b></p> <p>Key ministries do not respond to government requests to plan analytical requirements of ADB.</p>
<p><b>Outputs</b></p> <p>1. Annual knowledge plan delivered</p>	<p>By 2016: COBP knowledge plan activities financed by the TA delivered (Baseline 2014: 0%) (Target: 100% annually)</p>	<p>COBP knowledge plan monitoring report</p>	<p><b>Assumption</b></p> <p>Just-in-time knowledge requests are consistent with Indonesia's 5-year development plan, RPJMN.</p>
<p>2. Responses to just-in-time knowledge requests provided</p>	<p>Requests financed by the TA delivered as planned (Baseline 2014: 0%) (Target: 100% annually)</p> <p>Clients report satisfaction with policy advice through TA</p>	<p>COBP knowledge plan monitoring report</p> <p>Feedback and annual knowledge planning consultations</p>	<p><b>Risks</b></p> <p>Requests for knowledge services are not made in adequate time to respond.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	(Baseline 2014: 0) (Target 2016: 75%)		Requests for knowledge services are not sufficiently detailed to provide a specific and valued response.
3. TA products disseminated	Products financed by the TA available on ADB website (Baseline 2014: 0) (Target 2016: 100%)  Derivatives of products financed by the TA translated and distributed in hard copy (Baseline 2014: 0%) (Target 2016: 50%)	COBP knowledge plan monitoring report   COBP knowledge plan monitoring report	
<b>Activities with Milestones</b> <b>1. Annual knowledge plan delivered</b> 1.1 Conduct an annual discussion between ADB, ADB Institute, and key government ministries and SOEs to develop the annual knowledge plan (March, annually) 1.2 Recruit consultants and services to prepare knowledge services (November 2015 and June 2016) 1.3 Manage and monitor all knowledge plan commitments (ongoing to December 2016)  <b>2. Responses to just-in-time knowledge requests provided</b> 2.1 Establish a mechanism for government to prioritize and approve just-in-time knowledge requests (March 2015) 2.2 Establish procedures in Indonesia Resident Mission and ADB headquarters to agree and deliver requests (March 2015) 2.3 Monitor and manage ongoing requests, including knowledge services (ongoing) 2.4 Support policy dialogue on sector and thematic issues (ongoing)  <b>3. TA products disseminated</b> 3.1 Put in place panel contracts for editing and translation (April 2015) 3.2 Put in place panel contracts for publication of material in Indonesia (April 2015) 3.3 Establish a database and procedure for disseminating soft and hard copies of knowledge services (April 2015) 3.4 Establish arrangements for hosting knowledge events (April 2015) 3.5 Monitor and manage ongoing requests, including knowledge services (ongoing)			<b>Inputs</b>  <b>ADB: \$725,000</b> Note: The government will provide counterpart support in the form of counterpart staff, office space, office materials, and staff time

ADB = Asian Development Bank, COBP = country operations business plan, RPJMN = Rencana Pembangunan Jangka Menengah Nasional (national medium-term development plan), SOE = state-owned enterprise, TA = technical assistance.

Source: Asian Development Bank.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Amount</b>
<b>Asian Development Bank <sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (12 person-months)	300.0
ii. National consultants(15 person-months)	180.0
b. International and local travel <sup>b</sup>	50.0
c. Reports and communications	5.0
2. Equipment <sup>c</sup>	10.0
3. Training, seminars, and conferences	70.0
4. Surveys	10.0
5. Miscellaneous administration and support costs <sup>d</sup>	65.0
6. Contingencies	35.0
<b>Total</b>	<b>725.0</b>

Note: The technical assistance (TA) is estimated to cost \$732,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office space, office materials, staff time, and other in-kind contributions. The value of government contribution is estimated to account for 1% of the total TA cost but no financial contribution is required.

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

<sup>b</sup> Includes international travel and per diem costs of Asian Development Bank resource persons.

<sup>c</sup> Equipment such as display stands, a projector, a screen, and a computer will be leased.

<sup>d</sup> Covers the printing and distribution costs of knowledge products.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. Consulting services will support the implementation of this technical assistance (TA) and will include 12 person-months of international and 15 person-months of national consulting inputs for outputs 1, 2, and 3. The TA will flexibly address sector, thematic, or topic-specific assessments at the request of the Asian Development Bank (ADB) or the government. Consulting services requirements will therefore be determined on a case-by-case basis. The consultants will be identified on a case-by-case basis.
2. Consulting services are required for the editing and translation to Bahasa Indonesia of selected knowledge services financed through the TA. A panel contract arrangement will be used and individual tasks contracted on a per word basis.
3. **Policy specialists** (international, 12 person-months, intermittent; national, up to 5 person-months, intermittent). Specialists will have a degree (or equivalent qualification) in business, economics, political science, governance, or public policy or ADB-supported sectors with at least 5 years' experience in senior policy advisory roles. The specialists will work under the guidance of the country team leader and country director. They will work as part of a team although, as the situation demands, they may be expected to lead a small team of international and national consultants. The specialists should have experience working in Indonesia but are expected to bring global good-practice experience. The specialists' responsibilities will depend on what the assignment requires (i) preparing analyses, or (ii) preparing a policy brief in response to a specific request.
4. The specific responsibilities for a policy specialist are expected to include
  - (i) reviewing the government's national policies pertinent to the request;
  - (ii) preparing a policy brief and/or a report as requested under the specific terms of reference; and
  - (iii) coordinating and conducting related workshops and outreach events as required.
5. **Editors** (national, up to 5 person-months, intermittent). The editors will edit and format the document and track changes in accordance with ADB's *Handbook of Style and Usage*.<sup>11</sup>
6. **Translator** (national, up to 5 person-months, intermittent). The translator will
  - (i) translate the document into common use Bahasa Indonesia,
  - (ii) ensure the formatting is retained, and
  - (iii) keep as closely as possible to the spirit of the ADB *Handbook of Style and Usage* with respect to use of language.

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<sup>11</sup> ADB. 2011. *Handbook of Style and Usage*. Manila