Knowledge Generation for Poverty Reduction

A Benchmarking Study of The World Bank Indonesia Country Office
Knowledge generation for poverty reduction:
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Glossary 3

Executive Summary 4

Background 22

1. Why benchmark the WB-I? And how? 25
   - Purposes of benchmarking WB-I 25
   - Defining the scope of benchmarking WB-I 26
   - Putting the benchmark in context 30
     - Recent poverty dynamics in Indonesia 30
     - Poverty orientation in the WB-I since the mid 1990s 31
     - Recent history of DfID-WB-I relationships 38

2. Benchmarking poverty orientation at the WB-I 40
   - Understandings of poverty within the WB-I 41
   - How does WB-I generate formal knowledge on poverty reduction? 45
     - In-house generation of knowledge 45
     - Generating knowledge jointly with other development actors 50
   - How does the WB-I learn about poverty reduction? 54

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3. Potential contributions of the partnership to WB-I’s
to poverty orientation
  • Contributions of the trust fund 76
  • Contributions of DfID 78
    o Programmatic contributions 78
    o Intellectual and professional contributions 80

4. Discerning change: processes and indicators for
monitoring the partnership 81
  • Possible indicators of change 81
  • Possible Processes for monitoring change 85

5. Summary and conclusions 87

Bibliographic references 89

Box 1 INDOPOV-P: a poverty research programme 49
Box 2 SMERU – developing local research capacity 53
Box 3 Poverty Mapping: a collaborative venture in
  poverty reduction 54
Box 4 Poverty targeting in WB-assisted programmes 72
Box 5 Possible indicators for monitoring the trust fund 85

Annex 1: Terms of reference 93
Annex 2: Team comments on INDOPOV-P draft concept note,
December 14th, 2003 103
Glossary

AAA Analytical and Advisory Activities
ADB Asian Development Bank
BPS Central Bureau of Statistics
BUIP Bali Urban Infrastructure Project
CAS Country Assistance Strategy
CGI Consultative Group for Indonesia
CIDA Canadian International Development Agency
DEC Development Economics Vice-Presidency
DfID Department for International Development
GoI Government of Indonesia
HD Human Development
HIPC Highly Indebted Poor Country
ILGR Indonesia Local Governance Reform Project
INDOPOV-P Indonesia Poverty Analysis Program
INDOPOV-T Indonesia Poverty Analysis Team
KDP Kecamatan Development Project
LLI Local Level Institutions study
MDGs Millennium Development Goals
NGO Nongovernmental Organization
OED Operations Evaluation Department
OSU Operations Support Unit
PAD Project Appraisal Document
PREM Poverty Reduction and Economic Management
PRSP Poverty Reduction Support Paper
PWB Partnership with the World Bank (referring to DfID’s partnership with the World Bank).
RD Rural Development
SD Social Development
SSNAL Social Safety Net Adjustment Loan
UPP Urban Poverty Project
WB-I World Bank Indonesia
WDR World Development Report
EXECUTIVE SUMMARY
March 2004

Background

1. During 2002-3, the UK Department for International Development (hereafter DfID) and the World Bank Indonesia (hereafter WB-I) initiated a partnership (hereafter PWB) whose purpose is to "support the ability of the World Bank Country Office in Indonesia to more effectively achieve the goal of poverty reduction i.e. it should improve the pro-poor nature of all WB-I activities". The specific outputs sought by the partnership are:

1. central government leadership (hereafter GoI) of a national poverty reduction process;
2. strengthened poverty orientation of decentralisation (effective service delivery and participation of the poor in governance and democracy);
3. effective participation by civil society, GOI and donors in the development of improved approaches to reducing poverty and vulnerability; and
4. deepened and broadened understanding and shared learning on the incidences, causes and consequences of poverty and its effective reduction.

2. WB-I and DfID felt that, in order to monitor progress and measure effectiveness it would be useful to carry out a benchmarking exercise with the aim of

a. describing the current position of WB-I with regard to poverty reduction, focusing in particular on: the quality of the Bank’s evidence based understanding of the causes of poverty and of strategies that might effectively reduce it in Indonesia; the extent to which this understanding is reflected in its policies and plans; and the extent to which staff and operations put the plans and strategies into practice;
b. identifying what aspects of WB-I activities (policy and operational) can be enhanced by PWB,
c. describing how best the partnership can contribute to strengthening the pro-poor focus of WB-I; and
d. developing indicators to monitor changes attributable to PWB.

**Why benchmark WB-I? And how?**

**3. Purposes of benchmarking WB-I.** The terms of reference for this study state that its purpose "is to carry out the benchmarking exercise that would enable an understanding of how WB approach and activities are enhanced and changed by PWB. *Note that it is not intended to be a benchmark for an evaluation of the impact of PWB overall, but just changes that have occurred to the WB Indonesia Country Office and its work as a result of PWB'* (emphasis in the original). The assumption is that such changes ought to have the final effect of increased impact in World Bank operations.

Initial discussions with WB-I and DfID staff revealed a range of perceptions regarding the purpose of the benchmarking exercise. Some saw it as a means of putting down markers against which changes in the poverty orientation of WB-I could be assessed in the future. Others saw it as an opportunity for reflecting on the quality of the poverty orientation of WB-I, or for reflecting on factors internal to WB-I affecting its engagement with DfID. The study addresses most of these expectations. It focuses on benchmarking *how* (as opposed to *how far*) the Bank is poverty oriented, and the grounds upon which it came to address poverty in particular ways as opposed to others. It aims to provide a baseline that might be used in future efforts to assess the contributions of the partnership to the Bank.

**4. The scope of the benchmarking study.** The DfID-WB partnership is intended to contribute to the poverty orientation of the WB-I country programme as a whole; but it involves some parts of the Bank more than others. The study focused on two teams:
the INDOPOV team (thereafter INDOPOV-T), which is located within
the PREM network and whose work program constitutes WB-I’s main instrument to address gaps it perceives in current knowledge on poverty reduction; and the Cik Ditiro team, which is located within the SD network, has been the home for much Bank work on poverty and (village level) governance over the last decade, and has also received significant support from the Trust Fund. While the study attempted to benchmark the Bank’s country programme, its primary emphasis was on the work of these teams and their potential as levers for fostering programmatic change within the country office.

Another decision related to whether to focus on how far the Bank is poverty oriented, or how far it is being pro-poor. After some consideration, it was felt to be more productive and reasonable to ask about the overall poverty orientation of the Bank rather than its pro-poorness.

The study paid particular attention to the following:

- the conceptualization of poverty and poverty reduction strategies within Bank documents, with particular attention paid to Country Assistance Strategies
- the conceptualizations of poverty and approaches to poverty reduction articulated within the different sectors of the country office
- the evidentiary bases of these conceptualizations
- the role of analytical work (in particular that conducted within the country office) in contributing to these conceptualizations
- the role of the Bank’s interactions with other actors within Indonesian society in contributing to these conceptualizations (this in turn implied an assessment of the quality of these interactions)
- the effect of these approaches to poverty on the ways in which the Government of Indonesia approaches poverty
- the ways in which these conceptualizations translate into particular operations, and also the extent to which the conceptualizations are shared along the chain of intervention
- the ways in which projects themselves approach poverty reduction (which also implied an appreciation of approaches to poverty targeting within these different projects).
The research relied upon the analysis of extensive documentation; semi-structured interviews with staff at various levels from WB-I, DfID, WB, GoI; interviews with selected key informants from the donor, NGO, and research communities in Indonesia; discussions with operational WB-I staff; focus group discussions with NGOs; and field visits to projects in South Sulawesi, Central Java, and Bali.

**Putting the benchmark in context**

5. The benchmark constitutes a snapshot of on-going processes of change within Indonesia, in the World Bank, and in World Bank-DfID relationships. A key context for the partnership was provided by the near doubling in the poverty headcount associated with the economic crisis sustained in Indonesia in 1997, threatening to undo the gains in poverty reduction achieved in the previous two decades and drawing attention to widespread vulnerability. This, together with the MDGs, underlines the need for an improved understanding of poverty and poverty reduction in Indonesia.

6. The WB-I's approach to poverty has changed steadily over the past decade. A range of influences underlie this change: wider debates, incentives and pressures within the World Bank; the transformations (apparent and real) in Indonesia's political economy since 1997; Bank efforts to restore its own reputation in Indonesia; and staff changes within the country office.

- The approach to poverty up until the crisis was a conservative version of the WDR 1990: growth plus human development and (in this case extremely limited) social protection. Poverty dynamics received little attention and the non-income dimensions of poverty even less. The analytical agenda focused on macro-economic and public expenditure issues.
- The crisis of 1997 made this evident. A rather despairing CAS Progress Report (1999b) identifies "institutional policy" as the "great failure" of the New Order Government – and muted criticism of corruption, governance and financial sector regulation problems as the Bank's. Likewise Bank strategy up to the crisis
was criticized for its inattention to poverty (OED, 1999). The crisis thus pushed governance (primarily in the form of corruption) and poverty much more forcefully onto the agenda. This is captured in the claim of the 2001 report on poverty reduction in Indonesia that "a poverty agenda is a governance agenda." The 2002 update on the CAS for 2001-2003 likewise emphasizes governance: "Indonesia's success or failure in building open and fair governance institutions—both national and regional—continues to be the most important determinant of the longer term prospects for Indonesians." (WB, 2002:4). The 2003 CAS constitutes an elaboration of the CAS 2001-2003 refracted through continuing change in the national context and Bank-wide influences. It rests on the argument that improving governance is central to achieving its two main objectives of improving the investment climate and making service delivery responsive to the poor. It seeks this improved governance at four levels around which the lending programme is to be arranged: the community/sub-district, the district, the national, and among public service utilities (especially water). Of these the district (kabupaten) level is deemed the most critical.

7. The partnership between DfID and the WB-I grew out of closer regional collaboration, and of close, working relationships between a DfID social development advisor and members of WB-I's social development department. The point of departure was a perceived lack of capacity in Indonesia for poverty analysis, especially multidimensional poverty. The work for the preparation of a Poverty Reduction Strategy Paper confirmed this and led these two people to the idea of a DfID Trust Fund that could support such work at the Bank. Initially, the fund was intended to support work in three areas: the PRSP, analytical work on policy, and decentralization. As the preparation of the Trust Fund idea developed, however, each of these two people left their respective positions. Once replaced, the new mediators of the partnership had a slightly different set of interests from those of their predecessors. The emphasis was now (as in the earliest discussions) in shifting the way the Bank approached poverty reduction in Indonesia, with PRSP relegated to a secondary role. This context to the
partnership suggests reasons for its apparently mixed objectives – as a means of (i) supporting the PRSP process and fostering increased GoI leadership of a poverty reduction agenda; (ii) complementing WB-I resources in order to allow it to do additional analytical work; and (iii) fostering intellectual and cultural change within the Bank itself. The objectives are not incompatible at all, but if one is emphasised above another it can lead to misunderstandings and tensions which themselves get in the way of fully developing the partnership's potential.

**Benchmarking WB-I’s poverty orientation**

The World Bank office in Indonesia is remarkable in many ways – for its size, its resilience in the face of the Indonesian crisis, the size of its social development team, its emphasis on governance and other reasons. This recognition of the quality and innovativeness of the work done there is the point of departure for this study.

8. *Understandings of poverty within WB-I.* A variety of views on poverty and what would constitute effective poverty reduction strategies in Indonesia coexist within WB-I. These include, in no particular order:

   a. poverty is primarily a problem of asset deficiency and poverty reduction strategies ought to aim to provide those assets more effectively.
   b. poverty is primarily an effect of service delivery, especially of key services such as health, education, social protection
   c. poverty reduction is primarily a governance problem and in *terventions* should focus on enhancing the quality of governance
   d. poverty reduction is primarily a problem of social exclusion and interventions ought to expand the scope for excluded groups (many of whom are poor) to participate in the institutions, practices and benefits of society
   e. poverty reduction is primarily a problem of distribution and social power, and interventions should aim to redistribute both power and assets
   f. poverty has once *again declined significantly* in Indonesia and can be addressed through broad development policies; and relatedly
g. poverty is a problem of growth

changed, with greater attention now placed on vulnerability, human capabilities, access and exclusion as well as material poverty (World Bank, 2001b). Something else that is also in a continuous process of change has been the very nature of the relationship between DfID and the Bank. Given that we are in some sense also benchmarking this relationship, it is pertinent to comment on this change too.

9. These views are not mutually exclusive, and most Bank staff would identify with most of these views – though would differ in which they would emphasize. The coexistence of different perspectives on poverty is healthy, and these reflect the range of views widely discussed in the development literature, as well as an understanding, in many cases drawing on personal experience and reflection, of what can be effective in Indonesia. Ensuring that WB-I programmes are focused on poverty reduction will inevitably generate a discussion about what can work more effectively in poverty reduction, and the need will arise to define and articulate more precisely poverty perspectives within WB-I. It will become important to establish what evidence there is to support the view that improved governance - or improved infrastructure, justice, decentralisation, etc. - leads directly to poverty reduction.

**Generating formal knowledge about poverty**

10. WB-I generates knowledge about poverty and poverty reduction from its operational and analytical work. Over the last decade, the bulk of the Bank's analytical work on poverty has been conducted in SD. This reflects the fact that key economists and non-economists within SD have (a) had an analytical bent, (b) been committed to combining qualitative and quantitative work, and (c) become progressively more convinced that a community based approach to challenging the relationships between state and citizen in Indonesia had to lie at the core of a poverty agenda. The model of knowledge generation involved here has been strongly field based – generating knowledge either from extended and/or repeated periods of field research, or from efforts to draw
generalisations from specific operations. In each case, this has been done through staff deployed on the ground and networked into village level social processes, with a relatively small centralised team of experts. It is an 'organic' process of knowledge generation, broadly participative, and embedded in the researchers. The clear weakness of such an approach has been that the write up and dissemination of the knowledge generated is compromised by operational demands on staff time, and constraints on research time.

The situation for PREM is different in several respects. Until 2001/2 PREM’s analytical work dealt primarily with macro-economics, public sector management and country wide statistical analysis and drew little on operational experience. WB-I has also generated knowledge through the analysis of micro-data, for example in the analysis of the incidence of poverty and deprivation, construction of poverty profiles, and poverty mappings. This model of knowledge generation involves outside partnerships with government agencies in the design of surveys, collection of data, as well as partnerships with other parts of the Bank and independent researchers. It is extractive and quantitative, and the output feeds directly into WB-I analytical and policy documents and more broadly into the Bank’s poverty work.

11. The formation of INDOPOV-T (under the resource envelope of the DfID-WB Trust Fund) marks a change, and creates the conditions for a stronger contribution by PREM to the analytical work on poverty and poverty reduction. It proposes bringing PREM’s analytical work into closer contact with operations and poverty work within sectors. INDOPOV-T links PREM to operations more than ever in the past. This will be an important complement to operations, given the general lack of knowledge they have about poverty and livelihood dynamics in their sectors and areas of intervention. INDOPOV-P also proposes mixed-method approaches to poverty research, combining quantitative and qualitative insights. The program does not, however, adopt the other aspect of earlier analytical work in SD: namely the heavy investment in becoming networked in the field and civil society. Rather it aims to bring to poverty analysis expertise in the study of microdata and the impact of macro policy
on poverty. This is part of a deliberate WB-I strategy to strengthen in-house capacity to do analytical work on poverty and feed this into government policy discussions (including the PRSP).

12. WB-I also generates knowledge through supporting governmental and nongovernmental poverty research networks and organizations, such as BPS and SMERU. Just as protest from Indonesian society (rather than any pressure from the Bank) finally led a new Indonesian government to begin talking about corruption, so it is likely that the government will only place poverty reduction at the centre of its policy agenda if and when society demands this. In this sense, any effort to strengthen Indonesian research capacity to generate knowledge on poverty in such a way that enhances public debate ought to be viewed as a development intervention rather than an academic one (the collaboration with BPS and SMERU on the national poverty map is an example). It is important that this objective is embraced by WBI, and that there be incentives to encourage such capacity strengthening initiatives. As long as research capacity is concentrated in donor agencies (including the Bank) it is hard to see that analysis will have a sustainable effect on the mainstreaming of poverty in public debate and policy in Indonesia. Commitments to subcontract some of the research planned within the INDOPOV programme (hereafter INDOPOV-P) and to hold showcase conferences on emerging results around poverty are important, but they do not address this particular problem.

13. Key issues relating to knowledge generation are:
   - The WB-I has done some very significant analytical work on the nature and dynamics of poverty, and village level poverty-governance links. This work has influenced the Bank’s understanding of poverty and poverty reduction. INDOPOV-P will support more of this type of work.
   - The newly created INDOPOV-T has the opportunity to link up PREM work on poverty more closely with operations and sectors, strengthen the statistical analysis of microdata, and foster "operations to knowledge to operations" synergies.
   - There are two different models of knowledge generation about
poverty reduction within the WB-I. Some staff work with a participatory, more qualitative model of knowledge generation, others work with an extractive, more quantitative model. Each model has its strengths and weaknesses. While staff working within each tradition do collaborate with each other, there is still much scope for greater collaboration so that staff increase the extent to which they learn about poverty reduction from each other.

- Both models of knowledge generation are valid, and their outputs would be stronger if complementary; but if these work in isolation they can undermine each other. There is a clear need to further support and facilitate knowledge generation outside WB-I and to develop local capacity within government and among academics and NGOs.

**WB-I’s learning about poverty and poverty reduction**

14. WB-I learns from several sources: the accumulated experience of WB-I staff; research conducted elsewhere in the Bank.; operations; research and insights of other donors, academics, independent research institutions and civil society in Indonesia; and the research and operations of GoI. Some of these sources are solely experiential, others are solely analytical, and most are a mixture.

15. Great weight is placed on the experience (research and operational) of staff as a source of insight into the dynamics of poverty and how to address this poverty.

16. *Operational* staff have been absorbed by working to rethink projects in the post-crisis period which has meant that using operational funds to commission analytical work on the livelihood dynamics in their sector has not been a priority (though there are clear exceptions). Analytical work is important to operations in overcoming a tendency to assume projects are poverty oriented because most people living in target areas are poor or vulnerable.

17. The significance of civil society for WB-I’s understandings of poverty has waxed and waned over the years. It also varies across different parts of the Bank. A number of outside observers comment that they perceive
that the overall intensity and significance of the Bank's interactions with civil society is waning once again. It is important to ensure civil society is an active partner and collaborator in the search for an improved understanding of poverty in Indonesia. Civil society actors are likely to bring distinct understandings of poverty and its causes; they also bring types of contextual knowledge of the new institutional and socio-political environments in which the Bank is moving (given its strategic focus on governance) and about which it currently lacks culturally and socially nuanced knowledge.

18. There are significant obstacles to learning about local level socio-economic processes in Indonesia, and a level of embeddedness is a requisite. It is not surprising that a Jakarta-based staff has difficulty in learning about the micro-dynamics of change in a community in South Sulawesi, or in a kabupaten capital in Kalimantan; and it is perhaps not even surprising that learning about the micro-dynamics of policy formation in Jakarta itself is difficult for such a team. But these micro-dynamics are a key element in developing an understanding of poverty and poverty reduction. It is important to facilitate and encourage learning about the dynamics of Indonesian society and political economy within which projects articulate. More can be done to facilitate the transmission of knowledge among staff and (more importantly) across generations of staff.

19. Key issues relating to WB-I’s learning on poverty and poverty reduction are: • WB-I is more adept at learning on poverty from itself, than it is at learning from others. Notwithstanding the quality of the Bank’s analytical work on poverty, this is problematic where staff have limited points of access to locally generated knowledge on poverty.

• WB-I has a limited window enabling it to learn from those outside the Bank. The development of local capacity must go hand in hand with opening a window on local knowledge on poverty reduction. There is a need to overcome a tendency to draw on Bank analysis before other sources of analysis, and Bank experience over other sources of experience which are sometimes qualified as anecdotal or too influenced by advocacy.
• It is also clear that some of the Bank’s more significant understandings of poverty are based on experience, but are not fully grounded in analysis. This certainly appears to be the case for understandings of the links between governance and poverty, particularly at the district level. While it seems eminently reasonable to believe that corrupt and inefficient kabupaten and kota governance aggravates poverty, the empirical mechanisms through which this occurs have not yet been demonstrated analytically. Nonetheless, the understanding underlies important Bank operations.

• WB-I finds it more difficult to learn about the social relationships that underlie development processes in Indonesia. It is not clear that existing incentives and culture fully encourage such learning. Yet this type of knowledge is critical for the performance of the Bank portfolio, and even more so as it moves more deeply into governance questions.

**WB-I’s utilisation of knowledge about poverty and poverty reduction**

20. Using Knowledge to Inform Policy. It is possible to identify two routes by which analytical work informs policy. The 'long route' is one in which research findings affect programs which, if successful then become the basis for influencing strategic thinking in WB-I and GoI. Examples include: work on local level institutions and household welfare; work on conflict; research on poor people's access to justice; and other smaller pieces of work. In particular the research (known in the Bank as LLI) on local level institutions, household welfare and village governance conducted in 1996-7 and 2000-2002 fed directly into the design and on-going adaptation of KDP, an operation whose performance has left a clear imprint on Bank strategy as reflected in both CAS’s of 2001 and 2003. The 'short route' works directly from desk to policy influence. This to an important extent characterises PREM analytical work, and frames much of INDOPOV-T. This reflects different approaches to the relationship existing between knowledge, policy and operations. In SD the emphasis is on generating knowledge that can be scaled...
up via large operations whose weight and size influence policy; in PREM the emphasis is rather more on generating knowledge to feed directly into policy design and formulation. INDOPOV-T increases WB-I capacity to channel knowledge on poverty via the short route.

21. This has implications for the linkages between knowledge and lending. LLI was not asking questions to help solve immediate problems in existing projects; it asked questions about the underlying relationships between social capital and poverty, and the nature of village governance. Since then KDP has served as a laboratory for additional experiments in village and project governance (a number of which are now being supported by the Trust Fund), and has generated ideas that have subsequently been deepened by additional (if not quite so substantial) basic and strategic research – and this research is now informing more loans. The implication is that the relationship between basic knowledge production and lending (on a grand scale) can be productive and synergistic. These lessons about both sequencing and the nature of what constitutes valuable and useful research are important, as is the need to ensure projects are developed with sufficient basic research into the fundamentals of Indonesian society and political economy.

22. A central objective of PWB has been to use the Trust Fund as a means of supporting a PRSP process in Indonesia. The fund would help the WB-I facilitate the PRSP process and provide analytical input in support of PRSP discussions. For many Indonesian NGOs and donors (the Bank included), the experience of the PRSP has been frustrating – an indication of a lack of ability and/or interest among important parts of the Indonesian government to make poverty reduction a core policy concern. For the WB-I in particular, linking up to the PRSP work is complicated by the need to ensure that the PRSP is perceived as a domestic product, with ownership shared across a range of Indonesian stakeholders. The difficulties with the PRSP indicate that more thinking will be needed to find a channel through which the analytical work of WB-I might influence GoI poverty policy. It also draws attention to a number of important constraints faced by WB-I in advancing a poverty reduction agenda, including:
the need to promote the poverty reduction agenda while en-
suring ownership among a wide range of domestic stakeholders (the
Bank’s concern for ownership reflects its awareness of longstanding
perceptions within Indonesian society that the Bank has been insuffi-
ciently concerned about such issues in the past);
• the limited role that financial incentives alone can play in se-
curing a change in policy perspective and priority towards pov-
erty reduction within GoI;
• the need to advance a poverty agenda through both an im-
proved understanding of poverty and stronger partnerships
built around the PRSP, ensuring effective communication and
collaboration with civil society and GoI;

22. Using Knowledge to Inform Operations. Relatively little analytical
information has been produced within operations to assist them in ad-
dressing poverty, and until recently this was not a primary concern.
Even today, projects have relatively little empirical knowledge at their
disposal to think through themes such as: poverty targeting; disaggre-
gating among levels and types of poverty; the conditions under which
the poor can be substantively and substantially involved in holding ser-
vices to account; clarifying the particular links between governance
and poverty in their sector/geographic area; and so on. The Trust Fund
is beginning to sup port work that aims to address some of these ques-
tions. As regards the central policy perspective that tackling gover-
nance will lead to poverty reduction, more analytical work is needed
to be clearer on the nature of the links between governance and pov-
erty and the specific causal mechanisms involved. This ought to be an
urgent task.

23. Rather than pursue highly accurate targeting of the poor, the em-
phasis of Bank funded projects is primarily on area based targeting.
The problem of chronic poverty is recognized, but rarely treated in any
detailed way. Though projects do not target the poor, they are more likely
to target the vulnerable. To the extent that the vulnerable population is a
priority concern of the Bank, it becomes less important to pursue any more
precise targeting of the very poor. Poverty targeting is also affected by the
governance filter and governance objectives that the WB-I applies to its operations. The local governance platform emphasises working with reform-minded kabupatenes, which are not necessarily the poorest. While ILGR has excluded the wealthiest of these kabupatenes, the governance conditionality will take ILGR to kabupatenes that are not the poorest. So the governance filter may mean less targeting of acute, persistent poverty. On the other hand it may address one of the key causes of vulnerability. To be clearer about the effects of the governance filter on poverty targeting, it will be important to conduct more analytical work addressing the nature of the links between governance and types of poverty, and the specific causal mechanisms involved.

24. The Trust Fund can help make headway into the two-way linkages existing between operations and analytical work on poverty. There has been a mixed response by the different sectors. This may reflect the extent to which sectors themselves prioritize poverty orientation. There is also variation in the types of insight that different sectors seek. Some are especially interested in research to help resolve design problems – especially around targeting and forms of service and government accountability. Others seek more strategic types of insight that would inform how to frame lending programmes. Some individuals also hope for insights that would help reframe the whole country programme in time for the next CAS. How much importance each of the sectors places on this learning will be revealed by evidence that the knowledge generated through the Trust Fund feeds into new operations.

25. Key issues relating to **WB-I utilisation** of knowledge about poverty are:
   - Analytical work on poverty has traditionally been conducted within SD. The creation of INDOPOV-T strengthens analytical capacity in the quantitative analysis of microdata, and in the impact of macro policy on poverty.
   - Analytical work influences Bank strategy and GoI policy both directly (primarily for the case of PREM work) and indirectly (via its influence on projects, as in the case of SD). These projects, if successful, go on to influence policy and can be the site of further learning, if they are conceptualized and managed accordingly.
• The Bank’s largest rural poverty and governance project (KDP) grew to a considerable extent out of basic social research funded almost entirely from non-Bank sources, and with little support from the Bank’s core AAA budget. It would be a great loss if the push towards more problem solving oriented research crowded out future basic research.

• Weak government commitment to the PRSP suggests that if WB-I analytical work is to foster GoI ownership of the poverty agenda other mechanisms and channels will have to be developed.

• **WB-I projects** target poverty only in the **broadest** sense. Projects increasingly focus on targeting potential governance reformers (reflecting the thrust of the CAS). To the extent that (i) governance is a cause of vulnerability, and (ii) there are many vulnerable people even in wealthier kabupaten, projects do target vulnerability - but they do not target the most vulnerable in any specific way.

• Given the need to improve knowledge on the ways in which governance affects poverty, there are risks attached to replacing poverty targeting with governance targeting.

• Projects have not operated with sufficient empirical information on poverty dynamics in their areas and sectors of intervention. INDOPOV-P and the Trust Fund will change this scenario, and they are welcomed by operations. However, some operational staff worry that the methods of analysis may not foster much within project learning. Learning may still be concentrated in WB-I and especially its centre.

**Potential contributions of the partnership to WB-I’s poverty orientation**

26. **Contributions of the Trust Fund.** The Fund already supports a range of activities involving different sectors of WB-I. There is room for the Trust Fund to find avenues for strengthening two of its original ideas: that it was going to support innovative interdisciplinary work by supporting a group that (at that time) housed both socio-political and econometric approaches to poverty; and that it was going to support a programme of work grounded in the claim that "a poverty agenda is a governance agenda." As regards these two,
the operation of the Trust Fund has not been entirely successful to date. Treating governance and poverty jointly, which requires coupling quantitative and qualitative/participative methodologies, remains valid as a central objective of the Trust Fund.

27. **Contribution of DfID.** DfID’s poverty reduction programme in Indonesia has 3 components: partnerships with the WB-I, with the ADB and with Indonesian civil society. The third of these is yet to be operationalized. Once it is, however, an important contribution that DfID could make to PWB would be to enhance the quality and intensity of its interface with Indonesian civil society organizations as well as with the ADB. DfID also has an important contribution to make, within the PWB, to developing and supporting analytical capacity on poverty and poverty reduction within Indonesian civil society. Given these links, DfID ought also to be well placed to draw together insights from different sources and contribute these insights to policy debates and dialogue.

**Discerning Change: Indicators and Monitoring Processes**

28. **Indicators of Change in the Poverty Orientation of WB-I.** Consideration of the range of possible indicators suggests that the following could be the most effective in tracking changes in the poverty orientation of WB-I:

   a. Implementation of Trust Fund activities as planned

   b. Implementation of **INDOPOV-P** according to timetable (and also governance program, assuming that program is approved)

   c. Bank uses more of its own AAA budget to fund poverty and poverty-governance analysis

   d. Trust Fund analytical products address poverty and governance in interdisciplinary and mixed method ways

   e. New operations are based on findings from Trust Fund work

   f. New policy documents reflect analysis conducted under **Trust Fund**
g. Bank designs and implements poverty reduction protocols on all new projects, and reviews poverty reduction effectiveness of existing projects

h. Bank commits to fund INDOPOV and Cik Ditiro like analytical programs beyond the life of the Trust Fund (ideally becoming a more integrated team in time)

i. National and local PRSPs completed (at least within ILGR areas).

j. National and (in ILGR areas) district public budgets become demonstrably more poverty oriented

k. Bank engages with civil society in substantive activities around poverty

l. Bank contributes to formation of independent civil society (NGO, university and other) analytical capacities at national and provincial levels

29. Processes for Monitoring Change. The proposed indicators of change could be regularly monitored through periodic contacts between DfID, the coordinator of the Trust Fund and WB-I Country Director, as well as through existing monitoring mechanisms for elements of the Trust Fund, e.g. INDOPOV-P’s reference group, GoI contacts with regards the PRSP, etc. DfID may also consider establishing a further review group, including Indonesian and non-Indonesian poverty experts, with the task of evaluating the analytical work and processes relating to the poverty-governance nexus and the development of local analytical capacity.

Summary and Conclusions

30. The current status of WB-I’s analytical programme is impressive, exceeding the size of analytical programmes in most other Bank country programmes. Although it is sustained in considerable measure because of the existence of the Trust funds (especially the WB-DfID fund), the reasons for its existence lie more deeply in the process of change that WB-I has been undergoing since the later 1990s. The analytical programme and the partnerships support that process of change.
31. Sustaining this process of change will involve focusing on the current challenges facing WB-I. Many governance-poverty linkages remain poorly understood; projects are still not good at targeting persistent and chronic poverty (though much better at addressing vulnerability); a possible growing concern to increase lending (for completely understandable reasons) may compromise the learning culture that has been steadily growing in the Bank since 1998; the links between analytical and operational work could still be improved; and analytical work could still be more embedded in ongoing processes of debate and change in Indonesia.

32. Each of these – acknowledged by people within the Bank – constitute areas in which the Trust Fund might make important contributions to supporting processes and directions of change that Bank management have already identified as desirable. The Trust Fund can contribute to prioritising poverty and poverty reduction in national policy, through strengthening the demand for poverty reduction policy throughout Indonesian civil society, and fostering the supply of strong evidence-based understanding of policy options.

Background

1. During 2002-3, the UK Department for International Development and the World Bank Indonesia initiated a partnership whose purpose is to support both DfID’s and the Bank’s overall poverty reduction goals "by helping Indonesia develop poverty reduction understanding and capacity that builds on decentralisation and public demand and supports the development of a broadly owned poverty reduction framework." The specific outputs sought by the partnership are:

   • central government leadership of a national poverty reduction process;
   • strengthened poverty orientation of decentralisation (effective service delivery and participation of the poor in governance and democracy);

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2 This quotation is taken from the ToRs for this study – see Annex 1.
• effective participation by civil society, GoI and donors in the
development of improved approaches to reducing poverty and
vulnerability; and
• deepened and broadened understanding and shared learning on
the incidences, causes and consequences of poverty and its effec-
tive reduction.

2. "An underlying theme is that this Partnership should support the ability of the
World Bank Country Office in Indonesia to more effectively achieve the goal of
poverty reduction i.e. it should improve the pro-poor nature of all WB activi-
ties." Given this goal, both the World Bank Indonesia office and DfID felt that,
in order to monitor progress and measure effectiveness it would be useful to
carry out a benchmarking exercise which would assess the status of WB Indo-
esia with regard to its current capacity to apply pro-poor approaches at both
policy and operational levels. In particular, the exercise was intended to:

• describe the current position of WB, Indonesia with regard to
poverty reduction, focusing in particular on: the quality of the Bank's
evidence based understanding of the causes of poverty and of strate-
gies that might effectively reduce it in Indonesia; the extent to
which this understanding is reflected in its policies and plans; and
the extent to which staff and operations put the plans and strate-
gies into practice;
• identify the aspects of WB activities (policy and operational)
that can be enhanced through DfID's partnership with the World
Bank (PWB);
• describe how best the partnership can contribute to strength
ening the pro-poor focus of WB Indonesia; and
• develop a proposal for a method and indicators to monitor
changes attributable to PWB.

3. The units of analysis stressed in these goals were the World Bank Indo-
esia, Indonesia as a whole, and the partnership with between DfID and
the Bank – a partnership which, above all, supports activities that aim to
generate knowledge in such a way that will enhance the poverty orientation

\(^3\) This quotation is taken from the ToRs for this study – see Annex 1.
of the Bank. This observation provided a basis for focusing the benchmarking more specifically around knowledge generation and acquisition, and around those parts of the Bank more closely associated with PWB (see below).

4. This document reports on this benchmarking exercise. It is organized as follows. A first section discusses the nature of the benchmarking exercise and the historical context in which it was conducted. The context is important because the benchmark has been conducted during an on-going process of change in: the nature and understanding of poverty in Indonesia; the nature of the Bank's engagement with and understanding of Indonesia; and the quality of World Bank-DfID relationships. The current position of the Bank and the nature of Bank-DfID relationships can only be understood in the light of that context. This in turn makes clear the extent to which the Trust Fund "plugs into" these processes of change and (wittingly or not) backs certain visions of poverty, and certain views of the types of work that ought to be done within particular sectors.

The second section is the core of the report. It discusses the ways in which the World Bank's country programme addresses poverty issues. Given the sheer scale of this programme – and the fact that it consists of projects conceptualized and initiated at different moments during the Bank's recent history in Indonesia – the benchmarking pays greater attention to the specific parts of the programme in which analytical work, operations and country strategy come together around questions of poverty reduction. Particular attention is paid to: ways in which the Bank generates knowledge on poverty; the ways in which the Bank in Indonesia learns more broadly; and the links between analytical work, policy and projects. Cutting across these themes, particular attention is paid to; the links between governance and poverty; the different approaches to the generation and use of knowledge on poverty, and the potential linkages between these; the challenge of framing and sustaining an evidence based poverty reduction agenda in the context of Indonesia and Bank objectives; and the practical challenges of addressing poverty reduction in a context in which, many would argue, the Government of Indonesia is not prioritizing poverty reduction.
The third section goes on to discuss more specific ways in which the partnership between DfID and the Bank might support the Bank's efforts to strengthen its poverty orientation. The fourth section then discusses indicators and processes through which the contributions of this partnership might be discerned and monitored. The final section summarizes, concludes and makes a few general suggestions (though more specific recommendations are also found elsewhere in the text).

Why benchmark the WB-I? And how?

Purposes of benchmarking WB-I

5. Some may see no reason at all for benchmarking the poverty orientation of the World Bank, and would argue that the Bank is by definition oriented towards poverty reduction, as enshrined in its mission statement. The point is pertinent for it helps clarify that the exercise involves benchmarking how (as opposed to how far) the Bank is poverty oriented, and the grounds upon which it came to address poverty in particular ways as opposed to others. Among those who would see purpose in such an exercise, the motivations for engaging in it are various, if not mutually exclusive. In this benchmarking, some stakeholders saw value in the exercise as a means of constructing a baseline that could then be used as a point of reference in years to come in order to assess if and what the DfID-Bank partnership had contributed to the Bank's poverty orientation. Others saw it as a moment for reflecting on the quality of the Bank's poverty orientation – in particular as a moment for considering whether the Bank was at the forefront of thinking on poverty in Indonesia, and what it would need to do to stay at/get to that forefront over the next few years. Others saw it as a means of reflecting on the quality of the relationship between analytical

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4 The only recommendations called for in the terms of reference for this work pertain to the partnership per se and the ways in which it may be monitored. However, during the work the authors were asked on various occasions to offer recommendations to the Bank regarding the trajectory of its analytical programme. Recommendations referring specifically to the INDOPOV concept note are presented in Annex 2 (these were initially submitted in December 2003). The conclusions contain recommendations that are stated more broadly.

5 We use the term WB-I to refer to the World Bank Indonesia country programme and office. While we recognise the potential confusion with WBI, the World Bank Institute, this seems the easiest way of referring to the country programme.
and operational work at the Bank – and more generally on the factors affecting how the Bank (as a whole, as well as at a more disaggregated level) learns about poverty and poverty reduction. Yet other stakeholders saw it as a means of illuminating how the Bank operated internally – in order that these stakeholders might know better how to engage with the Bank.

This document aims to speak to each of these areas of concern, though above all it aims to be a baseline that might be used in future efforts to assess the contributions of the partnership to the Bank. This helped define the scope of the study.

**Defining the scope of benchmarking WB-I**

6. The DfID-WB partnership is intended to contribute to the poverty orientation of the WB-I country programme as a whole; yet in practice, the partnership involves some parts of the Bank more than others. It mainly involves the body of work emerging from two teams: the INDOPOV team (thereafter INDOPOV-T), which is located within the PREM network and whose work program constitutes WB-I's main instrument to address perceived gaps in current knowledge on poverty reduction; and the Cik Ditiro team, which is located within the SD network, has been the home for much Bank work on poverty and (village level) governance over the last decade, and is the home for much (though not all) of WB-I's community development platform.

The Trust Fund has also provided significant support to the team involved in preparing the Indonesia Local Governance Reform (ILGR) project and to the Operations Support Unit (in the form of two staff positions for work on M&E and corruption). It also appears set to provide support to the still to be finalized analytical work programme of the local government platform. While the study attempted to benchmark the Bank's country programme, its primary emphasis was therefore on the poverty work of the Cik Ditiro and Indopov teams and their potential as levers for fostering programmatic change within the country office. In addition to being significant beneficiaries of the Trust Fund, they are also particularly deliberate in
reaching out to other parts of WB-I – they thus have much potential to influence thinking across WB-I as a whole (the team that will do analytical work around the local government platform will become a third group with such characteristics, but at this stage is still not consolidated). This focus also made practical sense. Gaining a sense of the whole country programme is a task that very few Bank staff members set themselves. Indeed, we would venture that less than a handful of people in the country office have a good sense of the entire country programme as it exists – as opposed to a sense of the CAS, which lays out the ways in which the programme is intended to evolve. The likelihood that this study would understand the whole programme was therefore remote.

7. A second decision in the approach taken was whether to focus on how far the Bank is poverty oriented, or how far it is being pro-poor. Each term is used in the partnership yet the difference between them is more than semantic. Being oriented toward poverty reduction can take many forms and guises – just as there are various theories on how to achieve poverty reduction. Being pro-poor appears to suggest a strategic choice to favour the poor in most (or all) strategic decisions. Whether a Rawlsian perspective is adopted (that public policy is desirable only if it improves the livelihoods of the poor) or a utilitarian perspective is preferred (in which benefits to the poor from specific policy interventions are measured relative to benefits to other groups), being pro-poor also involves linking interventions to outcomes. Assessing pro-poorness thus involves evaluating the actual or potential impact of WB-I programmes on the poor. This is well beyond the scope of this benchmarking, especially as poverty impact assessment, and monitoring and evaluation, of programmes has not been systematically done by the Bank (it is just no beginning under the Trust Fund), and the causal links between growth and poverty reduction, and governance and poverty reduction are theoretically and empirically complex. The longer the chain of causation, the more acutely contested the broad linkages are.

It therefore made more sense to focus on the poverty orientation of WBI, to repeat from the TOR, on "the quality of the Bank's evidence based understanding of the causes of poverty and of strategies that might effec-
tively reduce it in Indonesia; the extent to which this understanding is reflected in its policies and plans; and the extent to which staff and operations put the plans and strategies into practice"

8. Another factor shaping the focus of the benchmarking exercise is that its stated purpose "is to carry out the benchmarking exercise that would enable an understanding of how WB approach and activities are enhanced and changed by PWB. **Note that it is not intended to be a benchmark for an evaluation of the impact of PWB overall, but just changes that have occurred to the WB Indonesia Country Office and its work as a result of PWB.**"6 The distinction is important. It is presumed that the final impact of the partnership between WB-I and DfID will be felt at a human level in Indonesia, in the form of greater reduction of poverty, at least in areas directly affected by Bank supported programmes. The partnership pursues this end largely by the indirect means of supporting changes in the way the Bank works and changes in the types of knowledge it is able to produce. This study *benchmarks* these ways of working, *not* poverty levels in the field (as would be required by tests of pro-poorness). In this sense the benchmark complements the recently initiated effort to establish a monitoring and evaluation system for the country programme as a whole.7 That effort *will* allow change at a field level to be determined, this effort *will* provide a base against which change within the Bank can be determined.

9. Within this focus on the Bank's approaches to poverty reduction in Indonesia, the study paid particular attention to the following:

- the conceptualization of poverty and poverty reduction strategies within Bank documents, with particular attention paid to Country Assistance Strategies
- the conceptualizations of poverty and approaches to poverty reduction articulated within different sectors of the country office
- the evidentiary bases of these conceptualizations
- the role of *analytical* work (in particular that conducted within the country office) in contributing to these conceptualizations (this in turn implied some assessment of the relevance of this analytical work)

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6 The emphasis is in the original.
7 That effort is resourced through the DfID-WB-I partnership, which pays for the staff person involved.
• the role of the Bank’s interactions with other actors within Indonesian society in contributing to these conceptualizations (this in turn implied an assessment of the quality of these interactions)
• the effect of these approaches to poverty on the ways in which the Government of Indonesia approaches poverty
• the ways in which these conceptualizations translate into particular operations, and also the extent to which the conceptualizations are shared along the chain of intervention
• the ways in which projects themselves approach poverty reduction (which also implied an appreciation of approaches to targeting within these different projects).

10. The approaches taken to address these themes were:

• Interviews with members of the teams that have assumed most prominence within the DfID-WB-I partnership, namely: Indopov, Cik Ditiro and the emerging governance group.8
• Interviews with leaders and/or senior staff of different sectors in the Bank office – in particular: education; health, infrastructure; PREM; SD; OSU.9
• Discussions with the Country Director
• Telephone interviews with selected US based staff
• Interviews with GoI officials, in particular those linked to the PRSP process
• Visits to projects in the social, health, education, urban and infrastructure sectors (with a total of 8 person days spent in project areas). The specific projects and sites visited were selected by WBI task managers and sector leaders
• Interviews with a selection of NGOs
• Interviews with third party observers (in particular from the research and donor communities)
• Review of documentation.

8 In all interviews we made it clear that information and insights would remain anonymous. Hence we have not included a list of persons consulted in this report. Nor have we named individuals (except when citing their publications). This strategy seems to us correct for ethical reasons and also for the quality of the data people gave us. However, it brings a methodological problem with it. If there was a single phrase heard most often in this study it was (to cite one variant of it) that “a lot of these things tend to be driven by individuals.” Our option for anonymity means that we are not able to illustrate this as fully as we might have.
9 We had great difficulty securing interviews or email responses from some staff.
Putting the benchmark in context

Recent poverty dynamics in Indonesia

11. In the period 1976 to 1996 there was a significant reduction in the proportion of the Indonesian population living below the poverty line, from 40.1% in 1976 to 11.3% in 1996 (World Bank for the CGI, 2003). It is generally agreed that the main factor behind this impressive downward trend in poverty was the strong growth achieved by the Indonesian economy during this period. The acute economic crisis which followed the financial crisis in 1997 threatened to undo the gains in poverty reduction of the previous two decades. A consistent set of poverty rate estimates for the period February 1996 to February 2002 shows the poverty headcount rate nearly doubling from 15.3% in February 1997 to 33.2% in November 1998 (Suryahadi et al., 2003). The same set of estimates show that in the period following the crisis the poverty headcount declined gradually to 10.1% in February 2001, only to rise again to 13.1% in February 2002. As with the earlier period, the rapid rise in the poverty headcount is explained by the 13.7% contraction of GDP in 1998. The economic recovery after the crisis led to the gradual reduction in the headcount rate.

12. The near doubling in the poverty headcount associated with the economic crisis led to rising concern with poverty reduction. It was no longer tenable to expect that setting the conditions for continuous economic growth was sufficient to ensure sustained poverty reduction. It also drew attention to the vulnerability of large sections of the population to abrupt changes in economic conditions. Using US$2 a day as a threshold indicating vulnerability, WB-I estimates that 53.4% percent of the population find themselves in this category (having declined from 65.1% in 1999) (World Bank for CGI, 2003). The high incidence of vulnerability in Indonesia has been confirmed by studies examining household survey data (Chaudhuri et al., 2001). Widespread vulnerability in Indonesia helps underline the direct linkages between poverty reduction and social protection.10

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10 Headcount poverty indicators say little about how poor the poor are. This is an area which has not received sufficient attention in Indonesia, and is important in identifying the persistent poor
13. The rapidly unfolding decentralisation process initiated in 2001 will also focus attention on the significant disparities in the incidence and extent of poverty across provinces. The headcount poverty rate has been estimated at less than 4% in DKI Jakarta, but around 55% in Papua (GoI, nd). The national poverty map for Indonesia will also provide information on disparities at district and sub-district levels.

14. Poverty is multi-dimensional, and the MDGs will continue to bring to the fore non-income indicators of poverty and deprivation. Aggregate outcome data on the MDGs shows significant deficits in Indonesia. WB-I notes that "some 53 percent of Indonesians lack access to at least one of the basic services" (World Bank for the CGI, 2003). Indonesia shows some progress towards achieving some of the MDGs, but progress lags in others (World Bank, 2003). Again, the decentralisation process will draw attention to disparities in non-income poverty indicators across and within provinces.

Poverty orientation in the WB-I since the mid 1990s

15. While this document benchmarks the status of the Bank's poverty orientation at a point in time, it is important to note that the Bank's approach to poverty in Indonesia has changed steadily over the past decade: with or without a partnership with DfID, then, the Bank's poverty orientation is something of a moving target. A range of influences underlie these changes: wider debates, incentives and pressures within the World Bank; the transformations (apparent and real) in Indonesia's political economy since 1997; Bank efforts to restore its own reputation in Indonesia; and staff changes within the country office. It is therefore pertinent to place the current Bank programme in Indonesia in context.

16. From the mid-1960s to the mid-1990s "World Bank involvement in the country's development efforts was pervasive."11 This involvement had been one that stressed growth: the Country Assistance Note of 1999 notes that prior strategy had focussed in particular on: boosting agricultural pro-

11 R. Picciotto 1999 Memorandum to the Executive Directors and the President, March 29th.
duction, and improvements to power, transport, urban and village infrastructure, health services and skills development – along with significant adjustment lending too (OED, 1999). While it was assumed that such interventions would elicit poverty reduction, the approach was a trickle down one: from growth to poverty reduction. It was remarkably successful, and per capita GNP passed $1000 p.a. in the mid 1990s. However, the institutional (as opposed to infrastructural) foundations of this growth received less attention. While the Bank talked euphemistically of a "high cost economy," "leakage," and "inadequate accounting" (World Bank, 1999), corruption and theft were not addressed openly or directly (Friend, 2003). Remarkable growth, leading to remarkable poverty reduction, led to a certain silence on deeply problematic processes of governance – and it is probably the case that even if the Bank was aware of them, it neither understood them nor their form of operation.

The approach up until the crisis was a conservative version of the WDR 1990 approach to poverty reduction: growth plus human development and (in this case extremely limited) social protection. One consequence was that poverty dynamics received relatively little attention, and the non-income dimensions of poverty even less. The analytical agenda focused more on macro-economic and public expenditure issues. Work within the sectors proceeded apace but largely to support GoI demands for top-down managed service and infrastructure delivery. Sectors were not primarily concerned with the links between projects and poverty dynamics, and generally lacked specific analysis of these dynamics.

17. The crisis of 1997 made it evident that this was not enough. Arather despairing CAS Progress Report (1999) identifies "institutional policy" as the "great failure" of the New Order Government – and muted criticism of corruption, governance and financial sector regulation problems as the Bank’s. Likewise the strategy right up to the CAS of 1997 was criticized for its inattention to poverty (OED, 1999). The crisis thus pushed governance (primarily in the form of corruption) and poverty much more force-

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12 "Where we failed was in not pushing harder the message that sustainable development requires not only good economic policies, but good institutions as well" (World Bank, 1999b: 8).
fully onto the agenda. By 1999 the emphasis on infrastructure was temporarily abandoned, macroeconomic stability meant work on financial and corporate restructuring, and the stress was on protecting the poor, governance and anti-corruption. This manifested itself in a dramatic shift in the country portfolio as the Bank scrambled to find instruments to deal with poverty and crisis. Two very large new loans, the Social Safety Net Adjustment Loan (SSNAL), and the Kecamatan Development Project (KDP), were approved as means (albeit quite different) of targeting the poor while also injecting significant resources into the public budget in order, inter alia, to keep the economy afloat and so create conditions under which democratic elections might go ahead. In some sense the completely distinct experiences of these two loans have determined the subsequent country programme and its approach to poverty.

SSNAL became a nightmare operation: "We cannot emphasize enough the difficulties we are facing in designing the loan in a way that it ensures good governance in public expenditure management while at the same time meeting the immediate resource needs of the economy" (WB, 1999b: 10). The difficulties were never overcome and in the face of massive robbery and difficult disbursement because of highly specified (and some in the Bank would say cumbersome and futile) targeting rules, the loan was cancelled. Meanwhile KDP became for some in the Bank the only thing that worked. While there was also corruption here (as KDP itself documented: Woodhouse, 2001), it was more decentralized. Meanwhile villages lauded the project, it fostered participatory planning and resource allocation on a massive scale, and (importantly given both the Bank's internal incentives, as well as the need to prop up the Indonesian economy) it disbursed large amounts of money ahead of schedule. KDP became a touchstone across the Bank for how to do community driven development on a scale liked within the Bank, and subsequently appeared in World Development Re-

13 The CAS progress report refers to a temporary abandonment, but it is now 5 years in (World Bank, 1999: 9).

14 "Futile" because of the inherent fungibility of such loan resources. These concerns about excessively specific and unhelpful targeting conditions for disbursement may play themselves out again in current discussions about how specific ILGR's conditions should be. Some in the Bank appear to favour more specific conditions to guard against corruption; others favour less specific conditions for reasons of fungibility and to guard against a failure to disburse.
ports (eg World Bank, 2001a) as a model of how to link participatory governance and poverty reduction, and how to foster empowerment. Whether it merited quite such unqualified accolades is another question which we address later.

The trauma of SSNAL plus the crisis left some in the country office convinced that the Bank should lend little to the GoI; and left most (all?) convinced that whatever the case governance (largely taken to mean corruption) had to be central to a country strategy. Meanwhile the apparent success of KDP suggested that intervening through decentralized levels of government, and coupling that intervention with large scale, externally induced forms of participation, was perhaps a viable strategy on which the Bank could focus its energies.

18. Under the influence both of these country office experiences as well as of the debates around the WDR 200012001 (debates to which WB-I staff contributed), governance and poverty reduction became coupled. This is captured in the claim of the 2001 report on poverty reduction in Indonesia that "a poverty agenda is a governance agenda." The 2002 update on the CAS for 2001-2003 likewise emphasizes governance: "Indonesia's success or failure in building open and fair governance institutions—both national and regional—continues to be the most important determinant of the longer term prospects for Indonesians." (World Bank, 2002: 4).

Strategically these lessons and reflections translated into a country programme that in the early 2000s dramatically reduced its lending to Indonesia on the grounds that governance problems made greater lending inappropriate. With this reduced lending, the programme focused attention on: fostering macroeconomic stability and growth; promoting accountable government; and delivering better public services to the poor (World Bank, 2002: 10). The shift from the CAS of just 4 years before was dramatic: promoting good governance and improved services for the poor become

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15 By 2002 the Bank was lending at less than a third of its historical levels of lending, and had ceased adjustment lending "until conditions are more propitious" (World Bank, 2002: 5).
two of the three main pillars of the Bank's approach. Operationally, the lending programme was dominated by KDP (which entered a second phase), an emerging urban version of KDP (UPP) and other on-going projects. Adjustment lending (including the SSNAL) was suspended.

19.2003 saw both the formal onset of the WB-DfID partnership, and the preparation of a new CAS. This CAS constitutes an elaboration of the CAS 2001-2003 refracted through continuing change in the national context and influences from wider discussions within the Bank. The national context is one of: continuing, but sluggish growth; of deepening decentralization to district and urban government; and of growing disenchantment and disappointment with the reform process in Indonesia in the face of continuing corruption. The intellectual influence of the wider Bank comes from the debates around and thinking behind two WDRs: that of 200011 on Attacking Poverty, and of 200314 on Making Services Work for the Poor. WDR 2003/4’s influence is evident in the CAS’s heavy emphasis on enhanced public involvement in driving human development services. The intellectual influence of debates around WDR 200012001 is less direct but is apparent, for instance, in how the demand (empowerment and voice) and supply (public institutions, justice etc.) sides of governance are discussed. As we note elsewhere, it is also the case that the Indonesia country team has at certain points influenced thinking in these WDRs.

While both WDR 200011 and the CAS talk of working on both the supply side (making institutions more accountable, transparent and accessible) and the demand side (increasing demand for such qualities), there is a difference of emphasis in how demand is discussed. The CAS talks of greater public participation in policy making and monitoring; WDR 200012001 (World Bank, 2001a) talks also of supporting organizations of the poor, social movements etc. The advantage of also engaging with such movements and organizations is that this could broaden the Bank's understanding of poverty and governance in Indonesia. Also, to the extent that the GoI will prioritize poverty reduction only when there is significant societal demand that it do so, it might be relevant to strengthen the capacity of such organizations to make analytically well-grounded demands.
The CAS was also influenced by debates on how the Bank should lend in Indonesia. Some called for increased lending – a call that was greeted cautiously by some Bank staff, especially given the aforementioned traumas of the period 1997-2001. The new CAS constitutes a compromise between the push to lend and the caution of those Bank staff who, had experienced the Indonesian crisis and come to recognize the scale of corruption in the country. By foregrounding governance, and insisting that the issue is less how much is lent, but how lending decisions are made – namely only after good governance criteria have been satisfied – the CAS allowed both groups to move forward together largely by postponing discussions as to whether the Bank has sufficient evidence to know that the quality of governance has improved.

The CAS’s emphasis on improving governance as a means of fostering poverty reduction makes understanding the ways in which governance and poverty dynamics are coupled critical (as foreshadowed in the 2001 poverty report). The CAS rests on the argument that improving governance is central to achieving its two main objectives of improving the investment climate (which would, inter alia, create more income opportunities for the poor) and making service delivery responsive to the poor. It also takes seriously the aid effectiveness argument (i.e. that aid is only effective where governance is good), and aims to operationalize it at different scales. It thus seeks this improved governance at four levels around which the lending programme is to be arranged: the community/sub-district, the district, the national, and among public service utilities (especially water). Of these the district (kabupaten) level is deemed the most critical for several reasons, and the focus on the district marks an important change from previous CASs. The kabupaten focus is important not only because of its promi-

\[16\] Different views were expressed within WBI as to whether this move to increase lending reflected an institutional imperative in the Bank, or the view that, given the enormity of development needs in Indonesia, increased lending was vitally important in social terms.

\[17\] With this dual focus on investment climate and human development services one might argue that the new CAS is something of a return to the mid 1990s’ emphases on growth and human development. The way in which these objectives are sought is, however, radically different – no longer through central government and no longer without scrutiny of governance processes.

\[18\] This was made evident by the intensity of feelings at the PAD review video-conference for ILGR. Senior staff suggested ILGR is the most important project for the Bank’s next 4 years: and as one of them noted, “if this fails, our programme here fails” (December 19, 2003).
nence in decentralization legislation but also because to focus lending only on those kabupatens demonstrating reformism introduces a degree of competi-
tion in which districts might be encouraged to foster good governance as a 
means of accessing Bank support (an incentive to good government that a 
focus on central government did not allow).

The CAS argues good governance in Indonesia will translate into poverty re-
duction through enhanced human development (via improved services) and 
increased income (through growth triggered by new investment). In this regard 
it is more strategically poverty oriented than the 2001-2003 CAS which – 
though it emphasized poverty – was primarily concerned with dealing with the 
poverty effects of the crisis. The new CAS takes a more medium term view. As 
such it creates spaces for poverty reduction work in ways that previous CAS’s 
have not. In placing the stress on governance the CAS points to an impor-
tant area for analytical work on poverty and poverty reduction: the specific 
causal mechanisms linking dimensions of enhanced governance to particu-
lar types of growth and service delivery effects, and their poverty reduction 
properties. While there is some work elsewhere that may suggest the na-
ture of these causal pathways, there is very little work on the nature of such 
pathways in the Indonesian context, especially at a district level. While the 
Bank has been at the forefront of work exploring governance-poverty link-
ages at a village/neighbourhood level (see for instance work conducted 
around KDP and UPP), it has done much less at kabupaten and higher 
levels. Here there is scope for combining case studies aimed at unpicking 
causal pathways and larger comparative studies aimed at telling larger (if 
less nuanced) stories. Such studies could usefully focus on how spec-
cally governance improvements translate into more pro-poor forms of 
growth, and more pro-poor service delivery systems. Getting to specifics 
is important, because it is quite conceivable that new political and eco-
nomic spaces opened by decentralization, economic crisis and governance 
reform might be occupied by district and provincial level elites and emerg-
ing upper-middle classes. They might then use these spaces to acquire 
more assets thus fostering new types of asset concentration in the districts. 
Such asset concentration can lead in turn to new concentrations and com-
plex redistributions of social power. This may occur in various ways. As 
just one example reported from one academic’s field site during the course
of this study, income from new economic activities made possible since the crisis has been used to fund pilgrimages to Mecca, thus increasing the male pilgrim’s civic power, though possibly reducing the mobility of female members of the same families. Clearly, the relationships between kabupaten political economy, governance processes, social power and poverty are complicated.

20. This benchmarking is thus a snapshot of an on-going process of change in Bank strategy in Indonesia. The institution’s understanding of how poverty might be reduced have already changed. Likewise its understandings of poverty itself have changed, with greater attention now placed on vulnerability, human capabilities, access and exclusion as well as material poverty (World Bank, 2001b). Something else that is also in a continuous process of change has been the very nature of the relationship between DfID and the Bank. Given that we are in some sense also benchmarking this relationship, it is pertinent to comment on this change too.

Recent history of DfID-WB-I relationships

21. The partnership between DfID and the WB-I (PWB) reflects closer DfID-WB relations in the region, and grew out of specific interpersonal relations in Indonesia. PWB emerged in a context in which DfID had already initiated a partnership with the Bank in Vietnam that has since been deemed quite successful (Evans, 2003). The idea of pursuing such a model in Indonesia grew out of close, working relationships between a DfID social development advisor and research oriented members of the Bank’s social development department. Their point of departure was that the World Bank, the Government of Indonesia and civil society all lacked capacity to analyse poverty, particularly understood as a multidimensional phenomena, and that it was important to shift formative thinking on poverty. This would require increased analytical capacity to look at multidimensional poverty and its causes.

While this focus on analysis was not lost, the idea of the Trust Fund shifted somewhat once the analytically oriented staffer left WB-I. More attention was paid to supporting the preparation of a Poverty Reduction Strategy
Paper. As Indonesia is not a HIPC country the incentive to the GoI to go through such a process was not great, but DfID and the new Bank counterpart worked together to encourage the GoI to take the PRSP forward. DfID funded CIDA to contract a consultant to help the GoI prepare an interim PRSP. Aside from the poverty report of 2001, the Bank had done little such analytical work on poverty and lacked the resources to carry an analytical work agenda forward. As such it was unable to take a well grounded agenda to the government, and so unable to argue convincingly for a PRSP process.

That said, the perceived aim of the Trust Fund was to respond to the need for much better analytical work on key areas of poverty policy in order to raise the profile of the poverty agenda in Indonesia – both nationally and at a district level. Initially, the fund was intended above all to support work on: the PRSP, analytical work on policy, and decentralization.

22. In the early stages of the (yet to be formalized) partnership the interaction between DfID and the Bank was face to face and every day, and was linked to a common agenda: to carry a PRSP process forward. As the preparation of the Trust Fund idea developed, however each of these two people left their respective positions. The DfID advisor was not replaced for a year, and so the relationship became one primarily between a different person in SD and a DfID based social development advisor in Bangkok whose travel to Indonesia was quite restricted by security controls. While once again the quality of the personal relationship was good, the nature of and underlying ideas about the partnership shifted. On the one hand, the new mediators of the partnership had a slightly different shared interest from that of their predecessors. The greater interest was once again in shifting the way the Bank approached poverty reduction in Indonesia, and, while the PRSP was of interest, this was now less so than before. 19 DfID’s contribution to the partnership became more financial than intellectual, and although a local consultant was hired to be DfID’s person on the ground, the contractual terms of that person’s position meant they would never be able to

19 Indeed this somewhat diminished interest in the PRSP may well have been more consonant with the Bank’s strategic priorities – neither the CAS 2001-2003, nor the CAS 2003 say very much at all about the PRSP (it is not even in the list of acronyms in the CAS 2001-3 progress report: World Bank, 2002).
engage in particularly substantive discussion because they lacked authority within DfID. Only in late 2003, when the Trust Fund was well underway did DfID have a new social development advisor up and running in Indonesia.

23. This brief history suggests reasons for the apparently mixed objectives of the partnership – as a means of (i) supporting the PRSP process and fostering increased GoI leadership of a poverty reduction agenda; (ii) complementing Bank resources in order to allow the Bank to do additional analytical work linked to policy advice and operations; and (iii) fostering intellectual and cultural change within the Bank itself. The objectives are not incompatible, but if one is emphasised above another it can lead to misunderstandings and tensions which themselves get in the way of the quality of the relationships underlying the partnership. This – plus the fact that DfID had no direct on the ground presence in Indonesia during the critical start up period of the partnership – are important points of reference for discussing potential DfID contributions to the partnership in its remaining years.

2. Benchmarking poverty orientation at the WB-I

24. Before commenting on the status of WB-I’s current orientation to poverty reduction it is worth noting that the Indonesia country office is quite exceptional in the Bank. It is known within the Bank for the quality of its staff, for the success of KDP, for the remarkable size of its SD group, for the poverty work done during the time of the crisis, for being the only country office with a senior governance advisor, and so on. It is this reputation that attracts DEC researchers to Indonesia to collaborate with the country team, and that has placed the work of the office in a series of WDRs. With this taken as a given, it would be churlish to be anything other than impressed by much of what goes on in the office. Anything in what follows should therefore be read in the context of this opening observation.

20 Some express this less as cultural change but rather epistemological change – that is, fostering and legiti mating different ways of knowing within the WB.
25. During the benchmarking exercise, a major new development in WB-I poverty work was beginning, with the preparation of the work programme for the INDOPOV group based in PREM. Both the team and programme of INDOPOV are being supported almost completely by the Trust Fund, and its performance and incorporation into routine Bank work will constitute key outcome indicators. A final version of its concept note was approved in March 2004. Our comments on the previous (November, 2003) version can be found in Annex 2, and the final document is discussed further below.

26. As noted at the beginning of this report, 'poverty reduction understanding and capacity' are the two key areas the DfID-WB partnership wishes to strengthen and are therefore the areas to benchmark. Much of the work involved in the exercise aimed to map out how the WB-I generates, learns from, and utilises knowledge of poverty and poverty reduction. After a brief discussion of perspectives on poverty reduction held by Bank staff, the sub-sections that follow focus on these in turn.

**Understandings of poverty within the WB-I**

27. While it would be difficult to map different understandings of poverty exactly onto different sectors within the WB-I, it is the case that there are differing views of poverty, its primary causes, and effective remedies, within the country office. These views on poverty and its reduction policy are not mutually exclusive, and are sometimes indicative of different emphases of interpretation that manifest themselves in operational decisions and in documentation such as papers produced by the office.

We might characterize these views, in no particular order, as:

- poverty is primarily a problem of assets and poverty reduction strategies ought to aim to provide those assets more effectively.
- poverty is primarily an effect of service delivery, especially of key services such as health, education, social protection.

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21 INDOPOV is used to refer both to the program of work (which we will call INDOPOV-P) as laid out in Indopov (2004), and a team of professionals (who we will refer to as INDOPOV-T).
poverty reduction is primarily a governance problem and interventions should focus on enhancing the quality of governance.

poverty reduction is primarily a problem of social exclusion and interventions ought to expand the scope for poor people to participate in the institutions, practices and benefits of society.

poverty reduction is primarily a problem of distribution and of social power, and interventions should aim to redistribute both power and assets.

poverty has once again declined significantly in Indonesia and can be addressed through broad development policies; and relatedly

poverty is a problem of growth

We would emphasize that probably most staff in the WB—I would identify with all these views on poverty—but they would emphasize one more than the other, and would also be aware of the sensitivity associated with certain viewpoints, within and outside the Bank. Such a breadth of emphases is healthy and can contribute to debate and learning in the Bank.

The view that poverty is still primarily an asset problem is one that stresses the continuing importance of basic services and infrastructure to poverty reduction. It does not deny that governance is a real problem in Indonesia, but it does want to insist that the success of projects must still be assessed in terms of their impact on the asset bases of poor people. Therefore, it continues to insist that the Bank not lose sight of the critical importance of improving the quality of health and education services, of translating those services into human development impacts among the poor, and of certain forms of infrastructure provision. Theories of basic needs and entitlements to human development are very relevant to this viewpoint.

Likewise the view that governance is the central problem in poverty reduction does not naysay the continuing importance of quality service delivery. However, it is a view more inclined to argue that in the absence of improved governance arrangements any attempt to improve services in Indonesia is likely to come to little. It is a view that draws its intellectual inspiration from institutionalist approaches in growth theory that insist that the factor in economic development is the quality of institutions. The social
exclusion view goes deeper still in its explanation of poverty. This view would seek to explain both problems of governance and inequities in access to services in terms of underlying social relationships that systematically exclude significant segments of Indonesia's citizenry. This view draws inspiration from those intellectual (and political) traditions that emphasise the structures of social relationships in their explanations of development; normatively it also draws on human rights traditions. Many expressing this latter view would go a further step and suggest that poverty in Indonesia will only be addressed if assets (including land) are redistributed, and if the power of the military and other elites is reduced. They would say that the problem is not so much one of income poverty, but rather of disempowerment and social inequality. These views are less prominent in the Bank's policy and programmatic statements, but more prominent among important bodies of academic writing on Indonesia, especially from non-economists.

As expected, views on poverty and poverty reduction within WB-I reflect the range of views widely discussed in the development literature, as well as an understanding, in many cases drawing on personal experience and reflection, of what can be effective in Indonesia.

28. The coexistence of different perspectives on poverty is a sign of health, and does not currently generate incoherence at the operational level. It could be advanced that this is because poverty is not a dominant factor in the WB-I operations, in as much as governance is. To the extent that the poverty orientation of the Bank is strengthened, by the DfID-WB partnership for example, this might become an issue. Ensuring that Bank programmes are focused on poverty reduction will inevitably generate a discussion about what can work more effectively in poverty reduction, through the more extensive monitoring and evaluation of programmes for example, and the need will arise to define and articulate more precisely poverty perspectives within WB-I.

29. Discussion about what works in poverty reduction will throw light on these different perspectives on poverty, and its remedies. In the context of current Indonesian conditions, it makes a great deal of sense to
focus attention on vulnerability, the likelihood that people will find themselves in poverty. It is also important to focus analytical and policy attention on those suffering from persistent poverty, who are the most vulnerable. Indeed some – including in DfID – would argue that a poverty reduction strategy worth its salt should focus on the chronically poor (see also CPRC, 2004). Likewise there is insufficient knowledge of how the dynamics of vulnerability (and wealth formation) affect different types of poverty. The INDOPOV-P concept note (Indopov, 2004) indicates that the work of the group will generate knowledge about these and other dimensions of poverty. This is a large enterprise in both analytical and policy terms, and should be a key input into the work of the Bank. Benchmarking the processes of knowledge generation, learning, and utilisation are central to this and will be addressed in the following sections.

How does WB-I generate formal knowledge on poverty reduction?

In-house generation of knowledge

30. The Bank is in a position to generate formal knowledge on poverty through both its research and its operations. Which source is dominant varies by sector. In recent years, analytical work in WB-I has been conducted primarily in SD and PREM. Knowledge generation in PREM has been less linked to operations (though this seems likely to change with INDOPOV-P – see below), while that in SD has had more of an operational linkage (in part because SD has its own field projects). Other sectors generate knowledge on poverty mostly on the basis of operations. Many sector studies focus more on sector-wide issues than on poverty issues (e.g. World Bank 2004a).

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22 By "formal" we mean analysed, organized, documented and (often) published in one form or another (if only in the form of stapled overheads that then circulated widely and took on a life of their own: Chandrakirana, 1998). Bank staff also learn from operations and the process of doing research – we treat that type of knowledge differently (in a following section) on the grounds that it is less visible, less organized and less processed, though certainly often more important to the bearers of the knowledge.
The bulk of the Bank's analytical work on poverty has, over the last decade, been conducted in SD. This is quite unlike the situation in most other Bank country offices, and occurred for quite particular reasons. These created an environment in which SD brought non-economists and economists into the same team, working on a shared set of analytical problems themselves often closely linked to operations. SD became home to a team of non-economists and economists that, while they had operational responsibilities also (a) had a clear analytical bent, (b) were committed to combining qualitative and quantitative work, and (c) became progressively more convinced that a community based approach ought to lie at the core of an effective poverty agenda. Indeed, the current state of knowledge of poverty in WB-I has been shaped, to a large extent by two SD studies. The first was the Local Level Institutions study, conducted between 1996 and 1998 (LLI 1) and then repeated between 2000 and 2002 (LLI 2). LLI-1 and the insights it offered regarding the relationships between village level collective action and household welfare underlay the design of KDP - and it is likely the case that without LLI, KDP would not have happened (Guggenheim, 2003; but see below). Each LLI was heavily field based (conducted in 48 villages in three provinces) and combined qualitative and quantitative analysis. LLI was also significant because it constituted one of very few significant field studies of the links between poverty and social organization in Indonesia conducted during the 1980s and 1990s.

The second study was the poverty report of 2001 (World Bank, 2001b). This drew heavily on LLI as well as on two field based initiatives designed to generate real time information on poverty and social dynamics in Indonesia. In each case, the rationale for this approach was that there was no other system in place to monitor what was happening in provincial Indonesia, and that government statistics could not be trusted. The first of these studies monitored the inter-provincial trade conditionalities of an adjustment loan in the late 1990s (some of this data was later reported in Sumarto et al., 2003). The second body of work monitored the ways in which people

23 For reasons of transparency it should be noted that Bebbington was involved in LLI at its very beginning, and then again in 2002 in an effort to conceptualize some of its findings for publication in peer-reviewed journals (Bebbington et al., 2004; Bebbington et al., forthcoming).
were coping with the crisis of the late 1990s and how well government programmes were reaching the poor. Each initiative involved placing sizeable teams of researchers in the field to monitor local processes. These researchers reported back periodically and their data was then analyzed more formally.24

Both LLI and the poverty report consciously aimed to shift the poverty agenda in the Bank by arguing that poverty reduction was more effectively advanced through a governance agenda and by insisting on the multidimensionality of both local livelihoods and the experience of poverty. Each involved large teams of field based researchers well networked into village level social processes, with a relatively small centralized team of experts. This contrasts with the current organization of poverty analytical work where the emphasis on experts is greater and that on embedded field researchers less.

32. Subsequent analytical work25 in SD has been much more linked to operations – specifically KDP. This model of knowledge generation attempts to understand and generalise from specific programmes. It is an 'organic' process of knowledge generation, broadly participative, and embedded in the researchers. The clear weakness of such an approach has been that the write up and dissemination of the knowledge generated is compromised by operational demands on staff time, and constraints on research time. As a result, studies such as LLI are less well known in WB-I – while people are aware of them and their broad conclusions, they know less about their substance.

33. Generation of knowledge about poverty within PREM has differed in several respects. Typically PREM's analytical work dealt primarily with

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24 At least one of the studies, coordinated by a Bank economist, was based on the methodological commitment that in monitoring poverty and service delivery in Indonesia "ninety percent of the battle is just sending an honest and sincere person who finds out what was going on." We can speculate that such an approach could have been more easily agreed in SD than in PREM where methodological protocols would arguably have been more demanding.

25 This includes work on conflict; research on poor people's access to justice; and other smaller pieces of work.
macro-economics, public sector management and country wide statistical analysis and drew little on operational experience. More recently, some of the analytical work on poverty has covered the analysis of micro-data, for example in the analysis of the incidence of poverty and deprivation, construction of poverty profiles, and poverty mappings. This model of knowledge generation involves outside partnerships with government agencies in the design of surveys, collection of data, as well as partnerships with other parts of the Bank and independent researchers in the poverty analysis. It is extractive and quantitative, and the output feeds directly into WB-I set-pieces and more broadly into the Bank's poverty work.

The formation of the Indopov team under the resource envelope of the DfID-WB Trust Fund and some, though far more limited, PREM resources signals a strengthening of this mode of knowledge generation and prefigures a stronger contribution of PREM-based staff to the poverty orientation of WB-I. It will also help to bring PREM analytical work into closer contact and collaboration with operations and, through them, with the poverty related work in specific sectors. For example, INDOPOV's work programme proposes analytical experiments into different service delivery arrangements with health and education, work with the urban poverty programme as well as KDP, work with the rural sector into pro-poor rural growth, and with private sector groups onto the investment climate.

INDOPOV-T should link PREM-based staff to operations more than ever in the past. This opens up significant opportunities to strengthen the poverty orientation of WB-I. Members of INDOPOV-T want more operational links – however, the nature of their work routines can be an obstacle. For the links to become strong, the team members will need to be given slightly more control over their time so that they can plan such linkages and be certain that they will be able to follow through on them. This would allow them to pursue "operations to knowledge to operations" synergies which could greatly extend WB-I capacity to generate knowledge of poverty and poverty reduction. INDOPOV-P does less to adopt the other aspect of earlier analytical work conducted by joint teams of economists and non-economists in SD: namely the heavy investment in becoming networked in the field. In terms of generating knowledge about poverty, it can
be argued that conditions are now different from the crisis period, and what is needed is to strengthen the capacity to analyse the wealth of microdata available in the country. It is important to realise the potential synergies from wedding the more expert led, statistically-oriented knowledge generation with the more embedded and participatory approaches processes that have been so effective to date. INDOPOV-P also proposes mixed methods research (quantitative and qualitative, extractive and participatory) and in this sense draws on lessons from the earlier analytical experiences of economists and non-economists working together in SD (among others). It does, though, give more overall weight to quantitative and econometric approaches than has previously been the case in WB-I’s analytical work on poverty. This is a quite deliberate strategy founded on the belief that WB-I needed to beef up this aspect of analytical work both for its own needs and to provide more effective support to GoI and the PRSP. The challenge is to do this while also maintaining synergies with operations, as well as with more qualitative approaches that are based more in the social exclusion, political economy and empowerment approaches to poverty.

These different approaches to knowledge generation with WB-I about poverty and poverty reduction point to real potential synergies. Neither approach is sufficient by itself, and each can complement the other in important ways.

Finally, it merits noting that relatively little of this work on poverty – whether INDOPOV-P or earlier work in SD/Cik Ditiro – has been supported by core Bank budget. While core budget covers some of the time of the Bank staff involved, the remainder of costs have been funded by Trust funds: including Norwegian, Dutch, Danish, Australian and now British. To some this may imply that the continued existence of such Trust funds has the unintended effect of making it easier for the Bank to continue under-funding elements of poverty work with its own resources. Conversely, it may be that Trust Fund resources allows types of analytical work that would otherwise simply not be funded by the Bank.

26 This raises some important issues concerning the most effective incentive structure to achieve this aim.
**Box 1.**
**INDOPOV-P: a poverty research programme**

The Indonesia Poverty Analysis Programme (INDOPOV-P) developed out of the DfID-WB Trust Fund and is a three year programme aiming to 'achieve a major expansion in the analytical foundations for the actions and policy changes needed to reduce poverty in Indonesia.' The Programme aims to do this through support for innovative analysis and policy initiatives, and by fostering 'coalitions and networks pressing for pro-poor policy change'. It was created in light of: a perceived need to increase the WB-I’s capacity for rigorous, analytical and quantitative work on poverty; a perceived opportunity to work with as yet unanalysed data; and a perceived possibility to foster a creative between such work and qualitative work conducted elsewhere in WB-I.

INDOPOV-P’s concept note defining this programme was in the process of review at the time of the benchmarking exercise (comments formulated by the consultant are appended in Annex 2), receiving final approval in March 2004. This concept note is mentioned at several points in the document, especially as it promises to address many of the issues raised by the benchmarking exercise. The concept note outlines an ambitious body of work on poverty, which in all likelihood will produce a step shift in the understanding of poverty, its causes and remedies, in Indonesia. INDOPOV-P works through four main thematic areas: poverty analysis and policy linkages, creating a pro-poor investment climate, making services work for the poor, and governance and poverty. In each of these areas, INDOPOV-P identifies and supports initiatives and programmes.

In the poverty analysis and policy linkages area, work is proposed covering key gaps in existing knowledge on poverty, in particular paying overdue attention to the incidence and depth of poverty, its geographic distribution, and change over time. It is also proposed to undertake a risk and vulnerability assessment in Indonesia providing the foundations for evidence based policy. The completion of this work will bring knowledge on poverty in Indonesia to the point where it can make a significant contribution to the effectiveness of policies and programmes.
Generating knowledge jointly with other development actors in Indonesia

34. Just as it was protest from Indonesian society (rather than any pressure from the Bank) that finally led a new Indonesian government to begin talking about corruption, so it is likely that the government will only place poverty reduction at the centre of its policy agenda if and when society demands this. In this sense, any effort to strengthen Indonesian research capacity to generate knowledge on poverty in such a way that enhances public debate should be viewed as a development intervention as much as an academic one. Likewise, strengthening broader civil society ability and interest to engage in public debate on poverty might be seen as one of the most potentially fruitful poverty reduction interventions available to the Bank.

35. The Bank has made and plans to make some contributions in these areas. One of the most significant has been the emergence of the independent research institute SMERU, born to a considerable extent out of earlier poverty work conducted by SD in the context of the Indonesian crisis (see Box 2). SMERU is one of very few Indonesian research institutes dedicated to analyzing poverty and development, and plays an important role in challenging government statistics, in disseminating information on poverty to Indonesian society, in fostering poverty mapping etc. The Bank has supported this process (see Box 3) and has every right to be proud of the effects. INDOPOV-T’s plans to provide training to journalists to report on poverty issues is also very welcome, and in a sense builds upon KDP’s contracting of journalists to report on local KDP activities.

36. Notwithstanding these cases, the Bank finds it hard to generate knowledge jointly with other actors in such a way that builds research capacity in Indonesia. Such a capacity building approach to knowledge generation is insufficiently rewarding and deemed unlikely to generate work of a quality that will carry credence internally in the Bank. Incentives around the conduct of analytical work seem not to favour significant capacity building. This is significant, and it merits note that SMERU did not emerge because Bank incentive systems directly encouraged it. Rather, it emerged as a

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27 Some feel that in its early phases, this capacity building for the future creation of an NGO (which became SMERU) was done quietly (almost surreptitiously) within the Bank. Others feel that the Bank was always openly supportive of the idea of creating a new NGO for poverty analysis.
by-product of other poverty analysis and project monitoring work in the Bank.  

Evidently there are trade-offs here. The quality issue is a real one, though the growth of SMERU demonstrates that under certain conditions high quality independent research institutes can be built. Likewise there is evidently a lack of particular types of professional capacity for poverty analysis in Indonesia. That said, Hofman et al. (2004) have noted that such capacity has been created in the past in Indonesia. They refer to the way in which the Ford Foundation helped create cadres of economists who went on to play critical roles in ensuring effective economic management within the Indonesian government during important periods of the New Order. This process demanded sustained donor commitment over many years, and indeed the quality and professional capacity issues noted above go hand in hand with questions of timing – if it will take time to build quality, results may not be available in time for planned Bank operations. Thus both the timeframe and professional incentives may work against any such work. Yet as long as research capacity is concentrated in the Bank it is hard to see that analysis will have a sustainable effect on the mainstreaming of poverty in public debate and policy in Indonesia. In this sense, the fact that (as was mentioned to us several times during this work) INDOPOV-T is set to become “THE poverty show in town” should be a source of preoccupation as much as one of pride. Commitments to subcontract

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28 One doesn’t need to go as far as S.Landsburg’s “people respond to incentives, the rest is commentary” (cited in Easterly, W. The Elusive Quest for Growth... (p.xiii)) to agree that incentives are relevant here. And ‘insiders’ will be in a better position than ‘outsiders’ to assess relevance. Staff members are much more likely to dedicate themselves to eliciting such capacity in Indonesian society the greater the professional incentives to do so. Yet the pattern of incentives may be stacked up against longer term, cross-network activity such as developing local capacity. The careers of Bank staff depend as much on the incentive structures within their respective Bank-wide networks (PREM, SD, HD etc.) as on those within the country programme. To return to the SMERU example – it merits noting that the Bank person who helped “induce” SMERU already had an established and successful Bank career.

29 The same could be said of the Cik Ditiro team, which also has the potential to become some form of independent research centre. The centre Akatika in Bandung is another case of a centre that emerged from an academic research project (in that case led by the ISS in Holland) and that is now able to do quality, provincial level analysis.

30 In the interests of transparency we must note that this issue is a preoccupation of one of the authors in a different context. See A. Bebbington forthcoming “Donor-NGO relations and representations of livelihood in nongovernmental aid chains," World Development.
some of the research planned and to hold showcase conferences on emerging results around poverty are important, but they do not address this particular problem.

37. Issues:

- The WB-I has done some very significant analytical work on the nature and dynamics of poverty, and village level poverty-governance links. This work has influence the Bank's understanding of poverty and poverty reduction. INDOPOV-P will support more of this type of work.
- The newly created INDOPOV-T has the opportunity to link up PREM work on poverty more closely with operations and sectors, and strengthen the statistical analysis of microdata, and "operations to knowledge to operations" synergies.
- There are two different models of knowledge generation about poverty reduction within the WB-I. Some staff work with a participatory, more qualitative model of knowledge generation, others work with an extractive, more quantitative model. Each model has its strengths and weaknesses. While staff working within each tradition do collaborate with each other, there is still much scope for greater collaboration so that staff increase the extent to which they learn about poverty reduction from each other.
- Both models of knowledge generation are valid, and their outputs would be stronger if complementary; but if these work in isolation they can undermine each other.
- There is a clear need to further support and facilitate knowledge generation outside WB-I and to develop local capacity within government and among academics and NGOs.
Box 2  
SMERU – developing local research capacity

SMERU has rapidly become a strong research institute with a national and international reputation for work on public policy, including poverty and human development, and more recently on decentralisation and regional autonomy. It initially developed out of a research team involved in work for WB-I but evolved into an independent research centre with a diversified funding and work portfolio. SMERU’s reputation grew out of their research into the 1997 crisis, showing solid econometric analysis of the impact of the crisis on poverty and economic activity, and the analysis of government responses to the crisis. More recently, SMERU has worked on the analysis of the decentralisation process and the mapping of NGOs on the ground. It has also contributed to the development of a national poverty map. SMERU plans to extend its work to the provinces and develop effective partnerships to this end. It is also working, with DFID funding, on the dissemination of its research findings to a wide range of stakeholders.

SMERU plays a technical role in Indonesian society. This is however also a role that at times leads it to question the accuracy of data and interpretations coming from other governmental and nongovernmentalsources. In this sense SMERU is both a research institute but also a part of civil society, an actor that helps foster debate on development on however modest a scale. That it has come to play this role is primarily down to the quality of its staff, but also partly a result of the initial support received from particular groups within WB-I who had always hoped that SMERU would become a strong, independent research centre capable of questioning other actors in Indonesia.
Box 3

Poverty Mapping: a collaborative venture in poverty reduction

A poverty mapping of Indonesia will provide an excellent instrument to target poverty reduction programmes, and more generally development assistance, as well as enriching understanding of poverty and its causes. It builds on from the IDT (Instruction on Disadvantaged Villages) identification of poor villages, and the BKKBN (National Family Planning Coordination Board) identification of poor households, by combining data from the population census and household surveys and identifying the incidence of poverty at village, sub-district, and district levels.

The poverty mapping initiative has been developed as a collaborative venture involving BPS, SMERU and the World Bank (Mapping Poverty in Indonesia [2003] SMERU Newsletter 7, July-September). It began in July 2001 with a pilot study focused on three provinces: East Kalimantan, Jakarta, and East Java. This first phase was implemented by SMERU, with BPS providing the data, and the World Bank contributing funding and technical assistance. The second phase began in May 2003 and extends the poverty mapping to all 30 provinces. This is being implemented by BPS, with SMERU playing a supervisory role, and the World Bank continuing to contribute funding and technical assistance.

The national poverty map was to have provided a key analytical input into the PRSP in early 2004, but at the time the task forces were interviewed as part of the benchmarking exercise, this had not been completed. When available, the national poverty map will provide a key instrument for targeting poverty reduction programmes.

How does the WB-I learn about poverty reduction?

Generating knowledge on poverty and poverty reduction is important, but learning from it is key to developing the poverty orientation of WB-I.
Sources of learning

38. The WB-I learns from a range of sources. These include: the accumulated experience of Bank staff, research conducted elsewhere in the Bank; operations; and research and insights of other donors, academics, independent research institutions and civil society in Indonesia; and the research and operations of the Government of Indonesia. The relative weight of each source varies among the different parts of country office. Some of these sources are solely experiential, others are solely analytical, and most are a mixture. The following are short comments on some of these is followed by further discussion of key points.

Country office staff experience and insight

39. Great weight is placed on the experience (research and operational) of staff as a source of insight into the dynamics of poverty and how to address this poverty. Indeed, when INDOPOV-T began to construct its research agenda, an important source of insight (in addition to their own reading and experience) came from consultations with Bank staff. There are many reasons why such practical knowledge is valued so highly. First and foremost is its inherent value. Second, a country office is as much a team of practitioners as it is of researchers, and this influences the types of knowledge that have most credence within the office. Third, people's time to read analytical work is greatly constrained.

Operations

40. The WB-I staff also learns from operations. Sometimes this is formalised within the project design, where these set aside funds that can be used for specific studies and more analytical forms of monitoring. The extent to which operations have explicitly incorporated formal learning processes on poverty varies across sectors and over time. In the mid-late 90s, operations did little in this regard. Even if poverty issues came explicitly into projects, in the view of one senior staffer it was not uncommon that "they didn't have the data on the points they were trying to make." "They were working with

31 Consultations with actors outside the Bank came later, and once the concept note was already in draft form.
the ministries and how the ministries thought, "hence the absence of evidence or reflection on poverty dynamics was not surprising. The Bank's approach was consonant with that of the GoI.

It is not clear how far this has changed in the early 2000s. Operational staff's limited available time has been taken up in rethinking projects in the post-crisis period which has meant that commissioning analytical work on poverty in their sector has not been a priority (though there are clear exceptions). If operations have done little analytical work on poverty in their sector, one reason may be that they have had to devote so much more attention to dealing with corruption issues (and getting projects implemented and supervised, of course). Another is that at a sector level, there is still a clear concern for sector specific issues which, in the face of the need to resolve operational problems and respond to policy change, often gain more attention than thematic concerns such as poverty and livelihood dynamics (World Bank, 2004a).

41. While the tendency is still to rely on broad assumptions and stylised facts regarding the linkages between poverty on the one hand and vulnerability, growth, and governance in the other, there is widespread recognition that analytical work is needed to clarify these and maximise programme effectiveness. One senior officer noted that in many operations "there is an assumption that if you do all this we will affect poverty," but that it was unclear how the operation would know this to have occurred. It was generally felt that more work needs to be done, most of it of an analytical nature, to pin down and measure these broad linkages, and that operations provide a fertile ground in which to do this work.

Analytical work conducted elsewhere in the Bank

42. The extent to which the country team is able to link up with research on Indonesia that is conducted elsewhere in the Bank varies a great deal. Some DEC researchers have deliberately tried to link up with UPP and

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32 Another senior staffer commented that the Bank "plays with the words poverty reduction" and that indirectly it is always possible to say that an operation will have an impact on poverty. The point was not that this playing with words in operations was gratuitous, but that in the absence of analytical data it was always possible to argue some form of poverty orientation in operations.
KDP for instance. Other DEC researchers have at times by-passed the country office almost entirely and in general there is a sense that DEC research could be much more helpful for the country team than it often is. The creation of INDOPOV-P (and its visibility within the Bank – helped by the relative elite group of Bank economists that reviewed its concept note) will help here, as it increases the incentive to DEC researchers to deal with the WB-I. Current collaboration between INDOPOV-T and DEC in research on urban poverty and governance is a case in point. Also INDOPOV-T’s deliberate efforts to engage with DEC researchers helps greatly.

43. More general analytical work conducted in other parts of the Bank (especially the centre, but also parts of East Asia and Latin America) also exercises significant influence on how the Bank office understands poverty in Indonesia. Thus, the four pillars of the PRSP (economic opportunity, empowerment, capacity building and social protection) bear close resemblance to the four dimensions of poverty reduction strategies that were mooted by the poverty group (PREMPO) in Washington when it was first elaborating the ideas of PRSPs in 1999. Likewise, the WDR 2000/2001 influenced the Indonesia poverty report of 2001 (and vice versa), and the WDR 2003 has clearly left an important mark on the Indonesia CAS and the way in which it understands the links between governance, services and poverty. WB-I approaches to local, Indonesian problems thus draw on more institutional (Bank-wide) framings of development problems and options.

**Academic and civil society experience and insight**

44. For its size, Indonesia is understudied. Still, there is a research literature on poverty, poverty reduction, livelihoods and governance in the country. This academic literature is not invoked as often as it might when Bank staff talk about poverty in Indonesia. Perhaps for this reason some staff expressed the concern that some analytical work in the country office was reproducing findings that are already known.

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33 For a notable exception, see Hofman and Rodrick-Jones (2004) – a paper being prepared for the Bank’s Shanghai conference.
With some exceptions such as SMERU (see above), research outputs from Indonesian researchers are not cited widely in the Bank. Partly this reflects legitimate concerns about the quality of much of this research. It also reflects a certain disenchantment among some staff that when they consult with "experts," discussions always involve the same small group of Indonesians. Third – and related – this is also an effect of the small size and limited capacity of the Indonesian research community (itself an effect of New Order styles of authoritarianism). That said, other commentators suggested that there were perhaps more potential sources of research insight in Indonesia than those few to which most staff refer.

45. The significance of civil society for WB-1's understandings of poverty has waxed and waned over the years. It also varies across different parts of the Bank. SD has the strongest commitment to engaging with civil society in the generation of knowledge about poverty. This is reflected not only in the contacts that the group maintains with civil society actors but also in the type of staff it chooses to hire. While other parts of WB-I consult with civil society, these engagements are more punctual, and questions are more frequently raised about the analytical (and even empirical) quality of civil society actors' insights. A number of outside observers commented that the overall intensity and significance of the Bank's interactions with civil society might be waning once again.

There are both formal and informal mechanisms through which WB-I can learn from civil society. The formal mechanisms have included: organized consultations such as those to discuss the CAS; the meetings that were arranged in prior years via the Ford Foundation as a form of "honest broker"; and the (quite circumscribed) participation of civil society on the PRSP task forces. Informal mechanisms derive largely from the social networks of which members of Bank staff are a part within Indonesia. These networks are measures of how deeply (and where) Bank staff are embedded in Indonesian society, and thus also of how staff are tapped into the experiential evidence that that society produces about poverty and develop-

** These include people one would not classify as being especially critical of the Bank.
ment. Thus there were stronger links with activist professionals and NGOs, but far weaker links with social movements, labour organizations and the like.

During interviews a number of Bank staff commented on how difficult it had been for them to develop these sorts of informal contacts with NGOs, researchers, think tank staff, elites and the like (let alone social movements). One staff person commented to us, perhaps melodramatically but nonetheless: "I've never lived such a non-contextualized existence in my life." If it is indeed this difficult for staff to develop such relationships, then this implies an added "cost" of recruiting staff with limited knowledge of and in the country. While such staff bring other crucially important expertise, they are disadvantaged by their lack of country knowledge and contacts (and so need particular support in this regard). Related to this is the question of language. Staff who are conversant in Bahasa Indonesia are far more able to develop links within Indonesian society; those who are not are clearly disadvantaged.35

46. In this sense, the Bank’s opening of an office in the Eastern Islands may help. The office ought to constitute an easier space to liaise with civil society and other actors – at least in that part of Indonesia. It is also likely to be a physical space that will be less daunting, less off-putting and overall more accessible to civil society groups than is the BEJ. The location and “feel” of the BEJ does not facilitate such interactions and might be especially off-putting for membership based, more grassroots civil society groups.36

Incentives and learning within WB-I

47. While it is people rather than organizations that learn, personal learning can be facilitated when there are institutional incentives in place that encourage people to systematize and share what they learn. The Indonesian

35 The aggregate effect may be that expatriate donor staff talk primarily to other expatriate donor staff. This is an issue for many donors. A country representative of one agency commented: "one gets the sense that donors are spinning their wheels off there by themselves... while everything else just carries on."

36 For all its simplicity this is a theme that has emerged in other research on World Bank programs that aim to foster empowerment (Behbington et al., 2004).
crisis exposed a World Bank in Indonesia that had fostered disincentives to learn much about certain topics (in that case, about corruption) or to share that learning more broadly. The change in culture within the institution since the crisis has shown that such disincentives can be changed – there is now incentive to learn about and be seen to be doing something about corruption in projects. Knowledge of corruption has been institutionalized in WB-I practice, in that all projects must now have anti-corruption plans before being appraised. This is the kind of learning that could usefully apply along the entire chain of relationships through which Bank funded projects are implemented.

48. This important point can be made in the context of the obstacles to learning about local level socio-economic processes in Indonesia – particularly, but not only, in the context of Bank funded projects. Learning about these processes presupposes a level of embeddedness in Indonesia's local institutions. It is not surprising that a Jakarta-based staff has difficulty in learning about the microdynamics of change in a community in South Sulawesi, or in a kabupaten capital in Kalimantan; and it is perhaps not even surprising that learning about the microdynamics of policy formation in Jakarta itself is difficult for such a team. But these microdynamics clearly matter to the success of projects and of policies. For instance, whether intra-community relationships and dynamics at the interface of health service provider and user mean that health care vouchers are serving primarily to help poor people access health services, or primarily to help service providers supplement their salary, matters to the poverty impact and orientation of health services. Whether business elites in a kabupaten capital are able to leverage a share of education reform resources so that they are channelled to private schools owned by and used for the families of these elites also matters.\(^\text{37}\) It is difficult for supervision visits to pick up on such issues, not least because the combined effects of linguistic diversity (with at times three or four languages at play) and local efforts to stage manage monitoring visits tax even the most skilled monitor. It would also be impossible and unwieldy to trace such dynamics in all sites where projects oper-

\(^{37}\)The questions come from our own field visits.
ate. However, understanding at least some of these dynamics can offer very useful information for designing incentive and accountability mechanisms in projects. To generate such information would be a slow process, depending largely on ethnographic methods. But it need not be a costly process. £100,000 would buy between 8 and 10 ethnographically oriented, international doctoral students embedded in Bank projects (and of course many many more Indonesian students). Yet such ways of generating a different type of knowledge about the dynamics of change and poverty reduction in Indonesia are not yet developed in the current analytical programme.

49. At issue is how to secure a set of incentives and a culture within WB-I that encourages more basic levels of learning about the dynamics of Indonesian society and political economy with which projects articulate. On the one hand the very pressure of work within WB-I dissuades such learning – for it requires time, immersion and long-lish term research. In an environment where the emphasis is on solving project problems, contracting consultants, preparing projects and keeping up with a barrage of email, work routines genuinely obstruct serious, basic research. One could argue that they even crowd out the space that people need to be able to frame the basic questions that such research would address. Indeed, there are still limited career incentives for pursuing such basic research and as noted earlier financial facilities are few, except for those that derive from Trust funds. Nor do the incentives to grow the loan portfolio square easily with conducting more basic research, and at the margin it might be argued that the Bank is a lending organization before it is a learning organization. As in the case of capacity building, many of these pressures and incentives derive from Bank-wide dynamics and career structures and are thus not easily resolvable within WB-I alone.

50. More could be done to extend incentives – and practices – that exist to facilitate the transmission of knowledge among staff and (more importantly) across generations of staff. More perhaps could be done to help induct new staff into the knowledge base of the Bank. This is a particular issue for both SD and INDOPOV-T. For SD, the challenge is to put much more of its knowledge down on paper so that it can be accessed more easily by new staff. For INDOPOV-T, given that the staff members implementing
51. Issues:

- **WB-I** is more adept at learning on poverty from itself, than it is at learning from others. Notwithstanding the quality of the Bank's analytical work on poverty, this is problematic where staff members have limited points of access to locally generated knowledge on poverty.
- WB-I has a limited window enabling it to learn from those outside the Bank. The development of local capacity must go hand in hand with opening a window on local knowledge on poverty reduction. There is a need to overcome a tendency to draw on Bank analysis before other sources of analysis, and Bank experience over other sources of experience which are sometimes qualified as anecdotal or too influenced by advocacy.
- It is also clear that some of the Bank's more significant understandings of poverty are based on experience, but are not fully grounded in analysis. This certainly appears to be the case for understandings of the links between governance and poverty, particularly at the district level. While it seems eminently reasonable to believe that corrupt and inefficient kabupaten and kota governance aggravates poverty, the empirical mechanisms through which this occurs have not yet been demonstrated analytically. Nonetheless, the understanding underlies important Bank operations.
- WB-I finds it more difficult to learn about the social relationships that underlie development processes in Indonesia. It is not clear that existing incentives and culture fully encourage such learning. Yet this type of knowledge is critical for the performance of the Bank portfolio, and even more so as it moves more deeply into governance questions.
How does WB-I utilise knowledge about poverty?

Using knowledge to inform WB-I strategy and GoI policy

Analytical work on poverty and Bank policies and plans

52. Notwithstanding poverty reports of the early 1990s, there is not a significant tradition of analytic work at WB-I on poverty, and what tradition there was emanated, until 2002, largely from SD. This included: work on local level institutions and household welfare (Chandrakirana, 1998; Evers, 1999; Alatas et al., 2002); a significant poverty report (World Bank, 2001b); work on conflict (Smith, 2004); research on poor people’s access to justice (World Bank, 2004); and other smaller pieces of work. This work has had significant influence on operations within the SD sector. In particular the research (known in the Bank as LLI) on local level institutions, household welfare and village governance conducted in 1996-7 and 2000-2002 fed directly into the design and on-going adaptation of KDP, an operation whose performance has left a clear imprint on Bank strategy as reflected in both CAS’s of 2001 and 2003. LLI also raised themes that were later deepened by SD’s research on conflict and on justice for the poor. Each of these areas of analytical work has spawned operations and although these are yet to become large scale they too have influenced strategic thinking in the Bank. In each of these cases – where analysis first influences field operations and those operations then go on to influence broader thinking in the institution - we might speak of a "long route" from analysis to policy. The WB-DfID Trust Fund has supported several pieces of work of this type.

While this "long route" characterises the link between most SD research and Bank policy formation, at least one piece of analytical work in SD (co-led, notably, by a former DEC economist) did influence policy directly. This report on poverty, published in 2001 (World Bank, 2001b) but circulating well before followed a shorter route from analysis to the revision of the 1999 CAS and the 2001 CAS – each of which emphasized poverty much more, and drew on this work.
53. In the case of PREM, earlier **analytical** work dealt primarily with macroeconomic and public sector management and countrywide statistical analysis. In this case we might speak of a "short route" from analysis to Bank policy – for this work did not need to pass through a successful operation before influencing policy (though it did influence subsequent operations). Instead it could move straight from the desk to policy influence (within the Bank and with GoI). Analytical work on poverty in PREM only really began in 2002 with the arrival of a new country economist and the recruitment of people to constitute a poverty team (INDOPOV-T). This work (Indopov, 2003) envisages a range of routes, long and short, from analysis to policy and operations. However, and while INDOPOV-P includes direct collaboration with some operations, there is significant emphasis on generating knowledge for policy and policy advice to GoI – as reflected, for instance, in work already conducted for the CGI brief (World Bank for the Consultative Group on Indonesia, 2004) and for GoI trade negotiations. This opens up a "short route" approach to engaging GoI on poverty issues that was weaker in the past.

54. There are at least two points bearing on the issue at hand which could be made here. First, it may reasonably be argued that the only knowledge that stands a chance of following the short route from analysis to policy advice is knowledge of the type produced by PREM or DEC. Second, there are different notions of the best mechanisms through which knowledge ought to inform practice on a large scale. In some sectors, the emphasis is on generating knowledge that can be scaled up via large operations whose very size leads to a de facto influence on policy; in PREM the emphasis is rather more on generating knowledge to feed directly into de jure influence on policy.

A second overall observation pertains to the relationships between the production of knowledge and patterns of lending. **KDP** was preceded by a substantial piece of very basic research, LLI. LLI was not asking questions to help solve immediate problems in existing projects; it **asked fundamental** questions about the relationships between social capital and poverty, and the nature of village governance (Chandrakirana, 1998; Evers, 1999;
Grootaert, 1999). These findings played a substantial role in the design and justification of KDP. Since then KDP has served as a laboratory for additional experiments in village and project governance, and has generated ideas that have subsequently been deepened by additional (if not quite so substantial) basic research. This research has gone on to inform subsequent phases of KDP as well as other loans. The implication is that the relationship between basic knowledge production and lending (on a grand scale) can be productive and synergistic but that sequencing matters.

55. The lessons about both sequencing and the nature of the research link to operations are important. The effectiveness of the soon to be approved governance reform projects will depend on the quality of basic preparatory research into, for instance, the sources of kabupaten reform, the dynamics and social relations underlying kabupaten level corruption, kabupaten level links between governance dynamics and poverty dynamics, etc. While important preparatory work has gone into ILGR, the project (like its urban sibling) is venturing into institutional domains and betting on reform dynamics about which little is yet known. Such research is planned – both within ILGR and INDOPOV-P – and it may be that projects could be redesigned and adapted once problems are encountered and new knowledge is produced. The main point is that while clearly there must be an important role for problem solving, practically oriented, research, the link between LLl and KDP suggests that basic research can also generate immensely practical results.

38 Not all WB-I would agree with the emphasis of this observation, and suggest that KDP emerged as much from the IDT and VIP programmes of the 80s and 90s as it did from LLI. Our own assessment is that the qualitative and quantitative data emerging from LLI played a significant role in influencing the design of KDP, and in justifying such a programme on econometrically based arguments about the welfare effects of support to local organizations. While the crisis also created a sort of demand for such a project (Guggenheim, 2003), the LLI research clearly helped define the type of project supplied.

39 For instance, it has drawn on the report “Decentralizing Indonesia,” Bank surveys of decentralization, and studies commissioned as part of the preparation process.
56. A central objective of the WB-DfID partnership has been to use the Trust Fund as a means of supporting a PRSP process in Indonesia. The fund would help the WB-I facilitate the PRSP process and provide analytical input in support of PRSP discussions. Each type of support comes from INDOPOV-T. One member of the team is dedicated entirely to facilitating the PRSP (though sometimes the person has to cajole as much as facilitate). The other members will, as one of their tasks, provide analytical and technical support. INDOPOV-T's leader also spends time and energy on the PRSP, and the Bank channels AusAid funds to support one of the consultants employed to support the PRSP (Social Protection Team).

The PRSP works through four task forces each tackling one of the following themes: opportunity, society empowerment, capacity building, and social protection. These are expected to develop a range of activities and consultations, leading to the production of a working paper, and an overall Poverty Reduction Strategy Paper. For many Indonesian NGOs and donors (the Bank included), the experience of the PRSP has been frustrating—an indication of a lack of ability and/or interest among important parts of the Indonesian government to make poverty reduction a core policy concern. For the WB-I in particular, linking up to the PRSP work is complicated both by the institutional weaknesses of GoI, and also by the need to ensure that the PRSP is perceived as a domestic product, with ownership shared across a range of Indonesian stakeholders. As part of the benchmarking exercise, we met with all the task force coordinators. It is hard not to agree with the view expressed by many that the PRSP process has been beset by uncertainty and low expectations, but this cannot be generalised to all the task forces. Those that are embedded in grassroots organisations appear to have made progress towards their goals. In other task forces, poverty reduction has been tagged onto existing activities and concerns. We asked the task force representatives how WB-I could support their work. Most had a very clear view on this. They suggested that the Bank could support training and capacity building at the local level, especially among the elected local authorities, as well as primary research
into community and informal social protection networks (which will probably be done as part of the risk assessment study of INDOPOV-P). Some of the task forces noted that poverty mapping could have been a key input into their discussions, but that these maps were not yet available (the expectation was that they would be relatively soon). They found it difficult to identify the contribution of WB-I analytical work to the work of the PRSP, except through the financing of consultants.40

57. This points to the difficulties and shortcomings that appear to exist in the way the GoI and perhaps also Indonesian society (ostensibly represented in the PRSP process) understand and prioritise poverty reduction. It is probably the case that if donors (in particular DfID and the WB) had not promoted a PRSP process it would not have happened – the relative weakness of the process is thus a consequence of how it began. The PRSP experience points to a number of important constraints faced by 40. The interviews were carried out in mid-January, and it may be the case that the respondents were uninformed about input scheduled for later on. WB-I in advancing a poverty reduction agenda. These include:

- the need to promote the poverty reduction agenda while ensuring ownership among a wide range of domestic stakeholders (the Bank's concern for ownership reflects its awareness of longstanding perceptions within Indonesian society that the Bank has not always been so concerned about such issues);
- the limited role that financial incentives alone can play in securing a change in policy perspective and priority towards poverty reduction within GoI;
- the need to advance a poverty agenda through both an improved understanding of poverty and stronger partnerships built around the PRSP, ensuring effective communication and collaboration with civil society and GoI;
- the relative weakness of government ownership of the PRSP process (or even of poverty as an axis of public policy) further

40 The interviews were carried out in mid-January, and it may be the case that the respondents were uninformed about input scheduled for later on.
reduces expectations of the impact of the PRSP. To the extent that the Trust Fund seeks to promote government ownership of the poverty reduction agenda, other channels and mechanisms will have to be found to promote such ownership.

Using Knowledge to inform operations

58. Relatively little analytical information has been produced within operations to assist them in addressing poverty, and until recently this was not a primary concern. Even today, projects have relatively little empirical knowledge at their disposal to think through themes such as: poverty targeting; disaggregating among levels and types of poverty; the conditions under which the poor can be substantively and substantially involved in holding services to account; clarifying the particular links between governance and poverty in their sector/geographic area; and so on. With that in mind, this section first discusses the ways in which operations currently appear to address poverty; and secondly the extent to which they are using the Trust Fund to help them address poverty more effectively in the future.

In what ways – and on the basis of what types of evidence - do operations address poverty?

59. Poverty targeting in Bank projects is an approximate science. Our sense from a range of projects (in health, education, urban, popular justice and community development) is that relatively little is done to ensure accurate targeting of the poor. The emphasis is instead on area based targeting: that is projects go to poor desas, poor and conflictive kabupatens or kecamatans, and so on – the unit of targeting is rarely the household. Efforts to begin household targeting (as in Health V’s experiment with vouchers) do not always meet with the effect they hoped for (see Box 4).

60. However, if projects do not target the poor, they are more likely to target the vulnerable. This reflects one of the ways in which poverty is talked about in the country programme. Many Bank staff quote figures to the effect that while a quarter or so of the population live on less than $1 a
day, over half live on $2/day or less. The implication is that while a significant number of people are poor, the problem of vulnerability to poverty is that much greater. The problem of chronic poverty is recognized, but not treated in any detailed way. To the extent that the vulnerable population is a priority concern of the Bank, then it becomes less important to pursue any more precise targeting of the very poor. In a country where over half the population is vulnerable, a project in a poor kabupaten, kecamatan or desa is likely to reach a significant vulnerable population. Indeed, this broader notion of the types of poverty that ought to be addressed allows for more flexible geographies of Bank funded intervention. At an aggregate level it allows for continued focus on Java given that, even if it is a relatively wealthy island it is also (by dint of its population) home to most of Indonesia’s poor. At a provincial level it is reasonable to limit targeting to a concentration on generally (rather than very) poor provinces and kabupatens – because the not so poor areas still have many vulnerable poor living there.

Moving down a scale, some projects then seek more geographically specific forms of targeting. Remoteness is taken as a surrogate of poverty in some projects (e.g. Basic Education, South Sulawesi), and in some cases (as in Basic Education) the project and its partners have developed simple GIS’s to assist this targeting. In practice, however, it was not clear how rigorously the criterion was applied (given the number of roadside schools that also benefited from the project). Other projects – Health V for instance – have tried innovations to target particularly poor households using, for instance, voucher schemes. Learning about these innovations, the dynamics they engender at a village level and the ways they are captured or protected would be very useful for the Bank (see Box 4).

61. This general pattern is affected, and complicated, by the governance filter and governance objectives the Bank applies to its operations. Thus some projects combine targeting and governance objectives. The rural CDD component of BIUP thus channels funds through the kepala desa adat partly on the grounds that the traditional leader will have better knowledge of who is poor, and because channelling funds this way will strengthen traditional governance institutions. Both seem to be the case,
though the traditional nature of these governance institutions seems to come with a general lack of participation in village governance because participatory decision making would be to question the traditional leader's authority. It also leads to some spreading of benefits to the middle poor in order to preserve the leaders' legitimacy. KDP also resists household targeting on the grounds that the project aims to strengthen groups and social capital — and that to target individuals would have the effect of creating jealousies among beneficiaries and non-beneficiaries and so weaken social capital.41 This again means that some benefits are enjoyed by the middle and less poor — though the conditions regarding women's involvement in groups and approved projects offsets some of this “leakage.” Governance affects poverty targeting in other ways. The local governance platform emphasises working with reform-minded kabupatens. These are not necessarily the poorest. While the wealthiest of these kabupatens have been excluded, the governance conditionality will take ILGR to kabupatens that are not the poorest. So the governance filter may mean less targeting of acute, persistent poverty. On the other hand it may address a key cause of vulnerability (to the extent that poor governance aggravates vulnerability and weakens crisis response mechanisms). WB-I argues cogently that a significant (perhaps the main) cause of vulnerability is the overall weakness of institutions from the village through to the national civil service (World Bank, 2003; Hofman and Rodrick-Jones, 2004). If weak, corrupt and easily captured institutions really are a cause of vulnerability, then a portfolio that emphasizes improving governance might be said to be automatically a strategy for reducing vulnerability.

The problem with this derivative approach to poverty targeting (i.e. via governance and vulnerability) is that more analytical work is needed to be certain that there are strong links between governance and poverty and,

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41 Both Gonzalez de la Rocha (2003) and IFPRI (Adato, 2000) have argued the same point in pointing to the social capital weakening effects of household targeting in Progresa, Mexico.
more importantly, on the specific causal mechanisms involved (see also Sumarto et al., 2003). The specific causal mechanisms would need to be identified in order to know how to address vulnerability (and other dimensions of poverty) via a governance lens. It is more than possible that the causal mechanisms implied by project designs may not be the most significant, and if so that the poverty effects of these projects may not be that great. In the absence of more detailed knowledge on governance-poverty linkages, then, it is probably not sufficient to replace a poverty agenda with a governance one on the grounds that improved governance will in the end improve poverty. This is, once again, a trickle down type of argument.

This latter observation suggests again how important it will be for the governance, INDOPOV-T and Cik Ditiro groups to join their analytical capacity in the course of the Trust Fund with the purpose of clarifying the linkages between governance and poverty, and as a means of identifying a subsequent set of questions for relevant (but often basic) research in the future.

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42 The Bank's arguments about causality are also complicated by the poverty reduction successes of the New Order regime. On the one hand there is a desire to distance the Bank from the New Order for reputational reasons: the emphasis on corruption and governance problems exemplifies this. On the other hand, the poverty reduction effects of the New Order regime are undeniable, and the Bank recognizes these - indeed the Bank is also implicated in these successes. Yet, to recognize these effects weakens arguments that bad governance aggravates poverty, because the Suharto government was clearly not an exemplar of good governance. To argue that had there not been corruption there would have been even more poverty reduction is not necessarily convincing as it may well be that some of the social arrangements that made possible the poverty reduction effects of the New Order may have been the same ones driving corruption.
Box 4
Poverty targeting in WB-assisted programmes

As part of the fieldwork undertaken in Central Java and South Sulawesi we visited a number of WB-I assisted projects, including KDP, Justice for the Poor, Safe Motherhood, Basic Education and Health. One of the aims of these visits was to gain a perspective on the poverty orientation of the projects, and through these, on the poverty orientation of the WB-I. The visits were facilitated by the SD and HD sectors, who ensured that the programme of activities was successfully completed. SD projects were visited in Central Java, and HD projects in South Sulawesi.

In Central Java, the broad impression gained was that the projects had very positive outcomes on their developmental objectives and targets, and that was also the view of local government officials and of the project beneficiaries we met. However, there was little evidence to show that these projects targeted the poor, and there was evidence that in some cases the poor did not benefit directly from the projects. Typically, this applied to infrastructure projects such as schools which required user payments to finance staffing and continued service provision. The poor will draw indirect benefits from roads, and investment in production infrastructure, along with the non-poor. The absence of targeting on the poor extended to other programmes. In a Justice for the Poor initiative, for example, the legal and paralegal staff had understood their role to be to enforce collection of late payments from farmers and others rather than to help these same poor people gain access to fair and competent legal support services.

Perhaps not surprisingly, the absence of targeting mirrors a measure of vagueness in the understanding of poverty among local officials in charge of implementing the projects. In the main, these could identify poverty as a problem, but were vague about who the poor were, the causes of their poverty, and the kind of poverty reduction instruments that could be effective remedies. The problem does not appear to be lack of data, as some of the kecamatan officials were aware, and did
make use, of the family planning instrument in identifying poor households. The kabupaten PRSP exercise will hopefully help upgrade the understanding of poverty.

In sum, most of the projects visited are generating significant returns in the communities involved, and appear to be reasonably well managed, but it is hard to conclude they target the poor.

The same general impressions apply for the HD projects visited in South Sulawesi. Here too, poverty targeting was only indirect. Indeed, the general sense was that along the whole of the project chain the greater emphasis was on supplying quality services, rather than on ensuring those services were targeted to the poor and poorest – an understandable position, perhaps, given that these were national public services ostensibly available for all citizens. That said, both projects aimed to apply certain types of poverty targeting. However, in each case it was not clear how well the targeting worked in practice. Basic Education aimed to support more remote schools – where remoteness was deemed a proxy of poverty, and distance from roads a proxy of remoteness. Together with Bappeda the project had mapped schools to help it implement this filter. However, it remained the case that many schools along the asphalt road to Makassar as well as a private school (owned by a local businessman) used by upper-middle and high income families had also been helped. Health 5 had a component through which its local offices could devise innovations. One had instituted a system of vouchers to try and offset the under-provision of health services in more distant villages where puskesmas staff did not attend because, it was said, of travel costs. Vouchers were given to very poor people who then gave them to medical staff who came to visit them. Staff could then cash those in for extra payments. However, it seemed at least conceivable that the voucher system was being used primarily as a means of topping up salary rather than of targeting the very poor and vulnerable. The system also required that poor people knew how to use the vouchers, but we encountered cases of people giving doctors too many vouchers for the service being given.
Each of these cases suggests that more detailed understanding of how targeting works within villages could yield very helpful insights for future project designs.

**Operations and the Trust Fund: on research and learning in projects**

62. Operations look favourably upon the Trust Fund as complementing their financial and intellectual resources to deal with the challenge of poverty orientation. INDOPOV-T’s strategy of having different of its members hooked up to different sectors helps greatly in this regard. Nonetheless, the extent to which different sectors have been enthusiastic about and able to use the Trust Fund varies. This difference may reflect the extent to which sectors themselves prioritize poverty orientation, with some emphasizing the growth part of their agenda, as much as the poverty targeting part.

63. There is also variation in the types of insight that these sectors seek. Some (e.g. HD and parts of SD) are especially interested in research to help resolve design problems – especially around poverty targeting and forms of service and government accountability. Others (e.g. other parts of SD, rural) seek more strategic types of insight that would inform how to frame lending programmes. Some individuals (though a minority) also hope for insights that would help reframe the whole country programme in time for the next CAS. The importance each of the sectors places on this learning will be revealed by evidence that the learning feeds into new operations. Much of the proposed analytical work probably still has to prove its utility to sector staff who don’t necessarily see how it will be relevant to their day-to-day work challenges. For some, the research is too technical, too expert – and that instead "we need an approach that is more participative and quicker, but a little less tidy." Such participation (of sector, project and local partner staff for instance) would foster broader learning but would also generate more information about what happens within projects at a field level – something on which the Bank still knows relatively little (see above).

64. Another factor is that some sectors feel they lack staff capacity to engage with the Trust Fund. In HD, engagement on the design of ex-
periments appears to have been with Washington based HD staff as much as with local HD staff. That said, there seems to be a general appreciation that the discussions around the Indopov concept note have already had the effect of raising the vigour of debates on poverty in the country office in a similar way to thematic debates in the country office during the early 2000s. The AAA note for governance soon to be reviewed will likely have the same effect.

65. Issues:

- Analytical work on poverty has traditionally been conducted within SD. The creation of INDOPOV-T strengthens analytical capacity in the quantitative analysis of microdata, and in the impact of macro policy on poverty.
- Analytical work influences Bank policy both directly (primarily for the case of PREM work) and indirectly (via its influence on projects, as in the case of SD). These projects, if successful, go on to influence policy and can be the site of further learning, if they are conceptualized and managed accordingly.
- The Bank's largest rural poverty and governance project (KDP) grew out of basic social research funded almost entirely from non-Bank sources. It would be a great loss if the push towards more problem solving oriented research crowded out future basic research.
- Weak government commitment to the PRSP suggests that if WB-I analytical work is to foster GoI ownership of the poverty agenda other mechanisms and channels will have to be developed.
- WB-I projects target poverty only in the broadest sense. Projects increasingly focus on targeting potential governance reformers (reflecting the thrust of the CAS). To the extent that (i) governance is a cause of vulnerability, and (ii) there are many vulnerable people even in wealthier kabupaten, projects do target vulnerability, that is the vulnerable, but not the most vulnerable.
- Given the limited specific knowledge on the ways in which governance affects poverty, there are risks attached to replacing poverty targeting with governance targeting.
- Projects have not operated with sufficient empirical information on
poverty dynamics in their areas and sectors of intervention and the Trust Fund will change this scenario, and they are welcomed by operations. However, some operational staff doubt whether the methods of analysis will foster much within project learning. Learning may still be concentrated in WB-I and especially its centre.

3. Potential contributions of the partnership to WB-I’s poverty orientation

66. In the language of the terms of reference for this study, the partnership between DfID and the WB-I "is made operational by a Trust Fund." If there were not a Trust Fund in existence it is unclear that a partnership would exist, for to date DfID’s main contribution to the WB has been financial. The absence until recently of DfID social development staff from Indonesia has clearly limited any substantive input into discussions about the work of the WB. Now that DfID is once again dedicating more professional resources to Indonesia it is appropriate to ask two questions about the partnership:
- can the contributions of the Trust Fund per se be enhanced?
- can DfID make other contributions to the Bank?43

Contributions of the Trust Fund

67. The Trust Fund already supports a range of activities involving different sectors of the Bank. PREM, HD, SD, OSU, RD, Urban and FIPSI already have activities supported (or support guaranteed). Thus it is not immediately clear that it would be helpful for the fund to support yet more parts of the Bank. Moreover, and more practically, most of the available funds appear to have been allocated/earmarked already.

In this context, what might the fund still contribute? Possible answers are found in two of the original ideas behind the fund: that it was going to support innovative interdisciplinary work by supporting a group that (at that time) housed both

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43 There is also a third question that merits asking but is beyond the scope of this report: namely "what might the WB contribute to DfID's programme in Indonesia."
social and econometric approaches to poverty; and that it was going to support a programme of work grounded in the claim that "a poverty agenda is a governance agenda." It might be argued that as the Trust Fund has unfolded it has actually weakened each of these innovative couplings in the Bank. On the one hand qualitative/structural and quantitative/neo-institutional approaches to poverty and development are now more institutionally and geographically separated than they were at the beginning of the partnership – into an INDOPOV-T based in PREM and a social team based in SD (teams that are in turn separated by a cross town taxi ride that can take between 20 and 45 minutes depending on traffic). On the other hand, there currently appears to be much more poverty analysis than governance research, and the two areas of work are being carried forward somewhat separately. The tendency to separate the two thematic areas has also been apparent in discussions about the forthcoming ILGR in which it has appeared that some prefer that ILGR be above all a governance reform project, while others argue that it should be at once a governance reform and poverty reduction project. A strong focus for the analytical work must be to examine the linkages existing between governance and poverty. If ILGR’s success is really as critical to the CAS as many argue, then it is important not only to support the governance research that is now beginning, but also to expand it. As part of this expanded agenda, work that deals more specifically with the causal pathways linking changes in governance and poverty dynamics is especially important (as others have also argued more generally for the case of Indonesia: Sumarto et al., 2003).

68. Re-coupling governance and poverty goes hand in hand with deepening the links among quantitative/qualitative/participative methodologies and different disciplinary and theoretical approaches within the Bank. To deal adequately with the links between governance and poverty, and to explore the different causal pathways involved – and their bi-directionality – is necessarily an inter-disciplinary venture. Part of the remaining Trust Fund resources should be set aside specifically to support interdisciplinary work on governance-poverty linkages. Some but not all such work ought be related to ILGR and USDRP. Whatever the case it will be important to resist the temptation to support only problem solving research – instead more basic forms of research into the social relationships that underlie particular types of governance-poverty linkage ought be supported. Such an ap-
**Contributions of DfID**

**Programmatic contributions**

70. DfID's poverty reduction programme in Indonesia has three components: partnerships with the WB, with the ADB and with Indonesian civil society. The third of these is yet to be operationalized. Once it is, however, an important contribution that DfID could make to the WB would be to enhance the quality and intensity of its interface with Indonesian civil society organizations. Bank staff recognise the limitations on their ability to engage with civil society – even if many (perhaps not all) of them would like to engage more deeply. The limitations are perceived by Indonesian NGOs too – at least the small sample with whom we talked perceived a certain decline in the quality of NGO dealings with the Bank. In this sense, the third leg of DfID's programme in Indonesia could clearly become a resource. Furthermore, given that it will be maintaining close working relationships with both civil society groups and the multilaterals, DfID ought be able to foster debates and conversations that it would be difficult for the Bank – because of its own proclivities and because of its image – would find difficult to initiate. In playing such a role DfID would be doing what on prior occasions the Ford Foundation has done – however, it would have slightly more leverage than did Ford to encourage all sides to follow through on issues raised in such conversations.
71. This said, it would also be important to do a more careful, **disaggregated mapping** of the "who is who and why" of Indonesian civil society: the understandings of development they have, the interests they pursue, and the parts of Indonesian (national and regional) society to which they relate most closely. The Bank cannot deal with all civil society. There are limits on the capacity of all parties to sustain such relations, and not all civil society would want to deal with the Bank. More significantly though – and while it is important that the Bank continue consulting and listening to a range of views - it might also work more profoundly with those actors with whom it has most overlaps on the poverty-governance agenda. This would move Bank-civil society relationships from ones of consultation (which involves no commitment to follow up or change on either side) to ones involving certain joint activities on issues of strategic importance. Inevitably this will require changes from all involved, but it would embed the Bank a bit more in initiatives within Indonesia promoting governance reforms that are similar to those to which the Bank is committed.

72. A related theme relates to the creation of analytical capacity within Indonesian civil society. More than one interviewee commented that Clifford Geertz's (1971) report for the Ford Foundation on the weakness of social science research in Indonesia was as relevant today as thirty years ago. One result of this weakness is that the analytical base of civil society advocacy is often weak; and that for a country of over 200 million, there are shockingly few independent research centres, and only a handful working on poverty and development. In such a situation the creation of sustained public debate around these issues is that much less likely – and in the absence of such debate it is also less likely that government will view poverty as a central policy challenge. Analytical work by the Bank might contribute to such debate, but it cannot sustain it. The debate has to come from Indonesia.

If then, in the words of one interviewee, "**Incubating more solid research centers is critical,"** ought the partnership contribute to this? The development case is clear – poverty will only be a pillar of government policy in the long haul if Indonesian society insists on it. Yet it is not clear that the Bank feels able to do much in this direction beyond (very valuable) **briefing/training work with journalists, outreach, conferences and the like.** That said the Bank has already been the spawning ground SMERU, and there is evidently the makings of another in the current Cik Ditiro office. **Indopov,** over
time, could also form a team of Indonesian researchers who might later wish to establish themselves as an independent think tank. While this is not the place to enter into specifics, there are various ways in which DfID could facilitate such a process were it to begin.

DfID is also well placed to facilitate exchanges (around poverty reduction) between the Bank and the ADB, as DfID’s other main partner in Indonesia. Both the WB and the ADB have DfID funded Trust funds to look at poverty reduction, and DfID is the best placed to foster exchanges where relevant and useful. Another implication of this is that DfID ought—on the basis of what it will learn through the three pillars of its poverty reduction program in Indonesia—be in a privileged position to engage with the Bank (and ADB) in discussions around poverty reduction policy in Indonesia. This, though, also requires that DfID is able to assimilate and distil the various lessons emerging from these three pillars and extract the most significant, convergent lessons for donor and government policies.

**Intellectual and professional contributions**

73. To date the contributions of DfID’s Bangkok office to the partnership have been limited primarily to those of the social development advisor, although other advisors have made punctual observations at one or another moment. There is considerable scope for discussing whether Bangkok based advisors might be able to contribute more. One can imagine that targeted technical inputs (of much the same form as when one researcher comments on the work of another) of particular advisors to particular workgroups (e.g. Indopov, and the emerging governance group) could, if carefully thought through, be of help within the Bank. They might also serve as bridges through which the Bank could access (if it wished) subject and area specialists in the UK.

Likewise now DfID has an advisor in Jakarta, there is a person on the ground who can offer input. Once again though, it seems most sensible that they be allowed to offer input in those areas in which they feel most comfortable and competent, rather than across the spectrum of activities supported by the partnership. Indeed it is unreasonable to expect that one person offer substantive input into as broad a set of areas as health, education, econometric poverty analysis, governance
research, decentralization, PRSPs, studies of the investment climate, post-
conflict development, justice – and this is not even to name all the areas
supported under the Trust Fund. The areas of expertise and interest to
which the advisor might contribute could be identified jointly by the advisor
and the Bank on an iterative basis.

4. Discerning change: indicators and monitoring processes

74. A wide range of indicators of change in the poverty orientation of the WB-I and
processes to monitor these were suggested to us during the exercise, and some other
we have identified ourselves. The main ones are discussed briefly below, and a box
contains the one we have elected to propose.

Possible indicators of change

75. Given the central role enjoyed by INDOPOV-P in the poverty reduc-
tion work of WB-I, a key indicator of change in the poverty orientation of the
Bank must be the extent to which the programme of work is implemented fully
and completed successfully. The concept note specifies the time frame for the
implementation of the different components, and their outcomes. The successful
completion of INDOPOV-P will signal a significant increase, and shift, in the
poverty reduction knowledge and operational capacity of WBL INDOPOV-
P has a well laid out timeable, and a mechanism for external evaluation, which
should be closely monitored by the Trust Fund management. INDOPOV-P
also intends to introduce monitoring and evaluation processes which should
also be followed closely.

76. It will be important to monitor improvements in the way that the different
parts of the Bank, collaborate within INDOPOV, and learn from each other,
and how this process leads to a better understanding of poverty and poverty
reduction within the Bank, and to a more sophisticated knowledge base on
poverty reduction which could inform policy and practice. In particular, it will
be necessary to establish with more precision how improvements in govern-
ance lead to poverty reduction, measure the strength of the channels observed
(intrinsic benefits from improved governance and participation on poverty as
exclusions, instrumental improvement in corruption leading to more effective
poverty reduction interventions, and strengthening poor people's demand for basic services leading to improved access and service delivery), and determine what facilitates or undermines these effects. It will also be important to establish the effectiveness of possible instruments to improve asset holdings and rights among the poor. It will be important to monitor whether INDOPOV, in addition to the specific programmes and initiatives it is composed of, delivers a more developed understanding of poverty reduction. It may be useful to undertake a review of learning processes within WB-I.

77. Related to this, the success of INDOPOV-P in delivering such a message in a way that gains a hold in the Bank will be reflected in the Bank dedicating more of its own AAA resources to work on poverty and poverty-governance linkages. Currently this work is sustained in large measure by trust funds. If the Bank directs its own budget to such work, this will be an indicator that it values it as highly as other analytical work.

78. Improvements in the Bank's capacity to collaborate with, and learn from, civil society organisation on poverty reduction was identified as an important issue. Establishing partnerships and collaborating with Indonesian poverty networks is an important indicator of a change in poverty orientation in WB-I. This should signal a stronger and deeper embeddedness of WB-I within Indonesian academic and civil society circles. Possible indicators of change here are the number and quality of poverty reduction networks in which the Bank is involved, and the contribution to the Bank to their establishment, sustainability, and output. Given the significance of decentralisation reforms, it will be important to evaluate the extent to which WB-I contributes to develop such partnerships in the provinces. This also speaks to the aim to develop strong local independent research capacity in poverty reduction and vulnerability, and the development of such research capacity in a way that is accessible to civil society organizations.

79. Another indication of such collaboration will be the establishment, survival and use of the new Eastern Islands office. It will be important to monitor how far that space allows the Bank to liaise with civil society, local governments and other donors will be an important indicator. Critically important here will be to monitor whether the different sectors of the Bank use the office.
80. An important indicator of changes in the poverty orientation of WB-I will be given by the adoption of a more detailed strategy for engagement and dissemination on poverty reduction. This involves identifying in more detail the audience(s) for the Bank work on poverty reduction, and how the Bank, and INDOPOV-P in particular, intends to reach these audiences. Abroad, perhaps unfair, assessment of the current orientation of the Bank would conclude that the main audience for much analytical work is the Bank itself. The INDOPOV concept note identifies a range of audiences, starting from the GoI, civil society, academics and researchers, media. The emergence of a well worked out strategy of dissemination and engagement with these audiences will be a useful indicator of change.

81. In the context of INDOPOV, a stronger statement on the internal management of the its research program and the linkages with other sectors involved will be an indicator of improved coordination.

82. In the context of WB-I operations and programmes, change in poverty orientation will be provided by indicators of improvements in targeting the poor, and how these are explicitly addressed in the design of the programmes and their monitoring and evaluation process. A related indicator will be evidence of new loans drawing on INDOPOV-P and other Trust Fund research output in order to enhance their poverty targeting and inform how they address poverty-governance linkages. At present there is much vagueness in this area, an assessment confirmed by the fieldwork done as part of this exercise. Where the objective of programmes is to improve the assets and rights of the poor, it should be possible to measure the poverty effectiveness of these programmes through targeting efforts, leakages, and coverage. Where the programme aims to improve governance or participation, it will be important to establish what facilitates or constrains the impacts on poverty reduction. Indicators of the extent to which analytical work informs operations will be very useful.

83. Finally, an important set of indicators of the progress of the Trust Fund and the partnership must relate to the extent to which the GoI demonstrates commitment to and ownership of a poverty reduction agenda. While a simple indicator of this could be that the PRSP is completed, it is of far more importance that the government demonstrate substantive allegiance to the principles of poverty
reduction. The most robust indicators of this will be that, whether in the form of the PRSP or other formal commitments, public budgeting procedures and decisions become directly informed by poverty reduction; and that public budget is actually invested accordingly. In the absence of a completed PRSP, the poverty orientation of the public budget must still be the main indicator of increased GoI ownership of a poverty reduction agenda. Similar indicators should apply for kabupaten level PRSPs (or similar commitments to poverty reduction) and their realization in district level public budgets. The timeline for these indicators should, however, be more flexible. Such district level commitments to poverty will serve as important indicators both of GoI ownership of a poverty agenda (at a decentralized level) and of ILGR success in fostering poverty orientation.
Possible indicators for monitoring the Trust Fund

- Implementation of Trust Fund activities as planned
- Implementation of INDOPOV-P according to time table (and also governance AAA program, assuming that program is approved)
- Bank uses more of its own AAA budget to fund poverty and poverty-governance analysis
- Trust Fund analytical products address poverty and governance in interdisciplinary and mixed method ways
- New operations are based on findings from Trust Fund work
- New policy documents reflect analysis conducted under Trust Fund
- Bank designs and implements poverty reduction protocols on all new projects, and reviews poverty reduction effectiveness of existing projects
- Bank commits to fund INDOPOV and Cik Ditiro like analytical programs beyond the life of the Trust Fund (ideally becoming a more integrated team in time)
- National and local PRSPs completed (at least within ILGR areas)
- National and (in ILGR areas) district public budgets become demonstrably more poverty oriented
- Bank engages with civil society in substantive activities around poverty
- Bank contributes to formation of independent civil society (NW, university and other) analytical capacities at national and provincial levels

Possible processes for monitoring change

84. As far as is possible, such indicators of change should be monitored within the context of existing monitoring mechanisms. Thus, monitoring related to INDOPOV-P would be done through the reference group proposed, as well as through regular (quarterly) monitoring contacts between DfID, the director of INDOPOV-P, and the Country Director.44

44 This is not to imply DfID-Bank contacts should only be on a quarterly basis (that would hardly be a partnership), but that contacts for the express purpose of monitoring the Trust Fund should be quarterly.
85. To the extent that **DfID** wishes to be assured that **INDOPOV** and other analytical work in the Trust Fund is meeting its commitments to address poverty-governance linkages and to pursue interdisciplinary and mixed method approaches, it might also consider forming another "review" group composed of Indonesianists and experts in econometric and qualitative approaches to poverty analysis. This team (comprising Indonesian and non-Indonesian researchers) could receive written outputs from the Trust Fund, and review them – in much the same way as review teams operate for monitoring the output of research centres or ESRC research grants. The purpose of the review would not be to accept or reject work, but to comment on its substantive and methodological quality and innovativeness.

86. Monitoring of progress related to the quality of engagement with civil society as reflected in the use of the Eastern Islands office can also be dealt with in quarterly monitoring visits with the Bank coordinator of the Trust Fund, and visits to the office. Assuming that **DfID** is able (as indeed it ought) to establish the third civil society pillar of its poverty reduction programme in Indonesia, then coordinating/reference group panels for that project might be used also as a way of sounding a general view from that part of civil society as regards the quality of Bank interactions.

87. Monitoring change as reflected in new operations in the Bank – both new loans drawing on new analytical work on poverty, and new joint activities with parts of civil society – is slightly more awkward, and so progress on these fronts ought to be referred to in the Trust Fund’s regular reports to **DfID**.

88. Monitoring of progress of the national PRSP can be done directly through **DfID**’s contacts with **GoI**. Likewise progress on kabupaten PRSPs can be monitored via **DfID**’s involvement in ILGR for those kabupatens where the Bank is working most intensively. And also, given that these are also goals of the Bank, one would expect that the Bank’s own view of progress in these two areas would be included in their periodic reports to **DfID** on the progress of the Trust Fund.
5. Summary and Conclusions

89. The current status of WB-I’s analytical programme is impressive, exceeding the size of analytical programmes in most other Bank country programmes. Though it is sustained in considerable measure because of the existence of the WB-DfID Trust Fund, the reasons for its existence lie more deeply in the process of change that WB-I has been undergoing since the later 1990s. The analytical programme and the partnership in some sense support that process of change.

90. That process of change originated in weaknesses in the Bank's mode of operation and understanding of Indonesia that became painfully apparent following the Indonesian crisis. Those weaknesses resided in the Bank's relative inattention to poverty dynamics in both its analytical and operational work; its even greater inattention to governance issues and the causal links among governance, growth and poverty; and its prioritization of lending over learning. While much has been done to address these weaknesses it should not be surprising that elements of them continue through to the present. Many governance-poverty linkages remain poorly understood in anything other than general terms; projects are still not good at targeting poverty (though much better at addressing vulnerability); the (apparently growing) concern to lend (for completely understandable reasons) could risk compromising the learning culture that has been steadily strengthening in the Bank since 1998; the links between analytical and operational work could still be improved; and analytical work could still be more embedded in on-going processes of debate and change in Indonesia. Each of these – recognised by people within the Bank – constitute areas in which the Trust Fund might make important contributions to supporting processes and directions of change that Bank management have already identified as desirable.

91. Arguably the Bank has moved further since the crisis than have elites and their routine social practices in Indonesia. Corruption (KKN) is still real; government still political practice in Indonesia. Governments represent demands from society and realpolitik means that they respond to those demands most likely to keep them in power. It is unreasonable to expect government policy commitments to change in the absence of significant
changes in both the patterns of demand that emanate from society and the ability of segments of society to make those demands audible and visible. The demand side is as important in politics as it is in economics. If that is so, government ownership of poverty is that much more likely when there is demand that government prioritize a poverty agenda. The Bank (and DfID) have done little yet to cultivate this demand. This is an area in which the Trust Fund could contribute much.

92. There can be little doubt that the Bank’s ability to read the nature and causes of poverty in Indonesia has improved greatly since the crisis. INDOPOV-P and several of the SD activities funded under the Trust Fund are the most recent reflections of this increasingly sophisticated understanding of poverty. However, certain parts of the poverty and poverty-governance question seem to remain underdeveloped in the Bank. As suggested by comments from Latin American on the INDOPOV-P concept note, poverty must be a distributional question. It is also one that demands attention to the nature and exercise of power in society. Yet at present poverty discussions within the Bank say very little about asset distribution, or about the nature of power in Indonesia (especially that of elites and the military). Likewise they say relatively little about the land question or the (often conflictive) dynamics linking natural resources and poverty. While to work on such issues may be to push the envelope, these may be the logical, and appropriate, terminal points of a country programme concerned with poverty and governance in post-New Order Indonesia. Indeed, it may be that one important contribution of the Trust Fund could be to open up such areas of research and reflection, areas that might be more difficult to address with core Bank resources.

45 See Mike Walton’s comments on the Indopov concept note.
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Annex 1
Terms of reference (Team Leader)

HOW PRO-POOR IS WORLD BANK INDONESIA COUNTRY OFFICE - A BENCHMARKING EXERCISE:
Indonesia Institutional and Governance Specialist

1 Introduction and Background

DFID Indonesia has recently embarked on a three year Poverty Reduction Partnership with World Bank Indonesia (PWB). This partnership is one component of DFID’s three part Poverty Reduction Programme (PRP) for Indonesia. The purpose of PWB is to "support the PRP purpose by helping Indonesia develop poverty reduction understanding and capacity that builds on decentralisation and public demand and supports the development of a broadly owned poverty reduction framework”.

More specifically the outputs of PWB are:

1) central government leadership of a national poverty reduction process;
2) strengthened poverty orientation of decentralisation (effective service delivery and participation of the poor in governance and democracy);
3) effective participation by civil society, GOI and donors in the development of improved approaches to reducing poverty and vulnerability; and
4) deepened and broadened understanding and shared learning on the incidences, causes, consequences of poverty and its effective reduction.

An underlying theme is that this Partnership should support the ability of the World Bank Country Office in Indonesia to more effectively achieve the goal of poverty reduction i.e. it should improve the pro-poor nature of all WB activities.
It was proposed by WB Country Office and agreed by DFID that to monitor progress and measure effectiveness it would be useful to carry out a benchmarking exercise. The exercise would assess the status of WB Indonesia with regard to its current capacity to apply pro-poor approaches to all its activities at both policy and operational levels.

DFID are commissioning consultants to carry out this exercise. The exercise is a collaboration and joint development study for PWB and will be a mutual learning exercise for both the WB and DFID. It will be managed jointly and carried out in an open manner reflecting the interests of both parties. The purpose of this study is to carry out the benchmarking exercise that would enable an understanding of how WB approach and activities are enhanced and changed by PWB. *Note that it is not intended to be a benchmark for an evaluation of the impact of PWB overall, but just changes that have occurred to the WB Indonesia Country Office and its work as a result of PWB.*

### 2 Outputs

The Benchmarking will cover a number of objectives:
- describe the current position of WB, Indonesia with regard to poverty reduction;
- identify what aspects of WB activities (policy and operational) can be enhanced by PWB,
- describe how best the partnership can contribute to strengthening pro-poor focus of WB Indonesia; and
- develop a suggested method and indicator to monitor changes attributable to PWB.

These are discussed below. It is expected however that the initial work will raise more issues and questions and refine these.
2.1 **Current position of WB, Indonesia with regard to poverty reduction**

The assessment of the current position will cover three key issues:

a) whether the World Bank has a good evidence based understanding of causes of, and what will reduce poverty in Indonesia;

b) the extent to which this understanding is reflected in its policies and plans; and

c) the extent to which its staff and operations put the plans and strategies into practice and the impacts they achieve in their programmes and in the facilitation of country processes such as the PRSP.

**Whether the World Bank has a good evidence based understanding of causes of and what will reduce poverty in Indonesia.**

This assessment will need to be made across the different departments - PREM (poverty reduction and economic management), social development, water and sanitation, urban development and others. It will be based on a review of the Bank's understanding of poverty and how poverty issues are addressed in analytical work. Specific themes related to poverty could be explored for example the relationship between governance, economic growth and poverty reduction. A number of questions will be considered in exploring the Bank’s views.

i) Which aspects of governance matter most for growth and poverty reduction?

ii) How is growth conceived as pro-poor and sustainable?

iii) To what extent are the above based on relevant evidence and are different points of view on the role of the state in supporting growth and poverty reduction embraced?
ness DFID has of WB Indonesia's goals and objectives. Lessons learnt from the partnership should also inform DFID’s own approaches and practice.

ii) Relationship of WB Indonesia Resident Mission with WB Head Office

There is considerable degree of decentralisation in WB country missions, nevertheless it is important to understand head office-country mission relationship for different sectors as well as the mission as a whole. In particular the extent of delegation between the locations on policy and operational developments and the consequences of this for an effective partnership on poverty reduction.

2.2 What aspects of WB Activities can be Enhanced by the Partnership

PWB is made operational by a Trust Fund to which DFID has contributed just under GBP 10 million as grant funding. Management of the Trust is the responsibility of the WB, Indonesia's Social Development Sector Co-ordinator. A tranche of the Trust Fund has been used to place five professionals to work in the PREM division of WB as a poverty team. A detailed work programme is currently being developed for the poverty team.

The remainder of the Trust Fund can be utilised by different departments of the Bank, for a range of activities including project preparation, research, evaluation etc. A funding proposal has to be made and approved by the WB selection process; although DFID is not directly involved in this process, it has an opportunity to comment on the proposal. The exact management and administrative arrangements for this is being further developed at present.

Whilst there is considerable degree of responsiveness in how the Trust Fund can be utilised the MOU sets out a range of potential activities. The consultants should make an assessment of how the activities and working arrangement of PWB can promote positive change in WB given its institutional structure and current approach
to poverty reduction. In particular an assessment of how departments not directly related to PWB can be more directly linked so that they can also share lessons learnt and benefit from the partnership.

2.3 **Indicators to measure change**

A set of indicators should be developed to measure change in the WB with regard to poverty reduction effectiveness. Some indicators will be suggested by the goal and purpose of the PWB itself and others should become apparent as a result of the institutional characteristic of the Bank. In light of this exercise the consultants may suggest changes to the DFID PRP logical frame.

2.4 **Development of methodology to monitor changes attributable to PWB**

The consultants will develop a methodology to enable regular monitoring of changes in WB as a result of the Partnership. The methodology needs to be simple and not too time consuming, but should allow a measurement of the indicators proposed. It is important that the methodology is discrete and that it can be carried out with a minimum level of disruption on day-to-day activities of the Bank.

At present it is expected that formal monitoring exchanges will take place on a six monthly basis as agreed in the MoU between the partners. Use of the indicators may need to be done less frequently.

3 **Time Frame**

The consultants will be contracted during December 2003 with a first input in December and a second input in January 2004. This will be followed by a workshop (proposed date March 2003) to discuss findings. The work will include field visits to Indonesia and DIFIDSEA in Bangkok. An indicative approach and time frame is shown below. This will finalised on the first visit and exact dates finalised in contract preparation and further discussion.
4. **Your Role as Indonesia Institutional and Governance Specialist**

As Indonesia poverty specialist you will work closely with the team leader and economist and bring to bear on the study your knowledge and experience of institutional and governance issues in Indonesia. You will provide support during meetings with stakeholders, particularly Government of Indonesia and non-governmental organisations. You will also take part in visits WB supported operations in a selected region of Indonesia. Detailed tasks will be agreed with the team leader during December.

5. **Reporting and management arrangements**

This study is being commissioned by DFID at the request of WB and is therefore a collaboration between the two parties. The
consultant team will work openly with the WB and DFID offices and seek to meet the interests of both parties. A management core team involving DFID and the WB will be established to support joint ownership and to guide management of the consultants by DFID. The results are to be discussed and agreed with both DFID and WB. The team will be (Donata Garassi/Richard Edwards of DFID and Scott Guggenheim and Jehan Arulpragasam of World Bank. In DFID, the consultants will work closely with Social Development Adviser (Donata Garrasi) in Indonesia and with the Senior Social Development Adviser in Bangkok (Richard Edwards) who is also the Project Officer. Background information and day-to-day liaison will be provided by the Social Development Adviser in Indonesia. DFID’s freelance consultant (Tasneem Salam) will act as a resource person to the team.

6 The team.

The team comprises:
1. A Bebbington, Professor, Institute for Development Policy and Management, University of Manchester, UK. Social, governance and institutional aspects. UK national.
2. A Barrientos, Senior Lecturer, Institute for Development Policy and Management, University of Manchester, UK. Economist.

The team will also be accompanied by at least two Indonesian research consultants, who will assist with research, translation, gathering background materials and insights into the interactions between the WB and GoI around poverty reduction. DFID will help identify these researchers. If it proves difficult to find consultants with the right mix of skills, researchers with the Social Development team at the WB will be approached, on the grounds that they know the Bank, but are still relatively independent from it given the nature of their work relationships.
Expected products of the study.

The main product will be a report addressing the capacity of the WB-Indonesia to be poverty oriented in its work. The analysis underlying the report will also allow the study to deliver other sub-products, albeit in less detail. The report will also:

- Suggest which parts of the Bank's portfolio of activities are likely to be best helped by DfID's partnership with the Bank.
- Identify appropriate indicators of change.
- Make methodological suggestions for future monitoring of the Bank's orientation to poverty reduction.
- Suggest changes, if any, to the DFID poverty reduction programmatic framework.

Additionally, another key product will be a workshop to debate poverty integration within the Bank. The details will be elaborated in the above report. A separate brief workshop report will also be produced.
Annex 2
Bebbington/Barrientos comments on Draft Indopov Concept Paper
December 14th, 2003

You asked for some feedback on the Indopov concept note (the one I have from DfID dated November 3rd), and so I spent some time over the weekend reading it again to put some thoughts together. I do this not so much in the context of the benchmarking work but more as if this were a peer review of a proposal someone had written to set up a research centre around issues of poverty in Indonesia. Anyway I hope they may be of some help.

In typical academic style the comments focus on critiques/questions – but let me say that this is an ambitious and impressive work programme. Anyway, here we go: first a couple of general thoughts, and then pagespecific comments.

How were the research areas selected?
My main thought in reading through it was "why these themes and questions and not others?" That is to say, it is not at all clear how you came to identify this as the most appropriate programme of work. We talked about this a bit on Friday, and I appreciate some of the constraints/tensions involved. However, the proposal would benefit from a discussion quite early on – as part of Background and Context – of what the literature on Indonesia has to say about key development problems, and questions of poverty. This should be a review of literature not only from the Bank, but also other agencies and in particular academia (international and national). What does an analysis of this literature tell us: what are the key gaps in knowledge? Key unanswered questions? What are the research themes and even hypotheses emerging from this literature around your general concerns for the links between poverty, growth, governance and human development services?

A related point is that it would be great if you could also review some of the more theoretical literature (including, but not limited to the WDRs) as a means of helping you pose a series of core themes/hypotheses about these relationships among poverty, growth, governance and services. I don’t think your proposal should read like an NSF one – so you don’t need hypoth-
eses everywhere – but it would benefit from some hypothesized big-picture (and more specific) relationships. These hypotheses help the reader know where you are coming from, but will also help you link all your more specific questions to some sort of grander, more over-arching statement on poverty and development in Indonesia. This is also important thinking ahead to the next CAS, as it seems to me that a CAS constitutes the World Bank’s big-picture view on the nature of development in a country. Of course, your bigger picture might change (one would hope it did) over the course of the research, but you need it there to be able to keep **tacking** between your specific findings and larger interpretations of what is going on in Indonesia. Without it you run the risk of having lots of bits and pieces (all interesting to be sure) at the end of the work, but struggling to find a bigger narrative. And of course, on a more day to day basis the Bank (Andrew) needs this bigger picture to frame its specific interventions.

Finally, a bit more of a discussion of these issues would also let you flesh out a bit more what you mean by governance, and by poverty. While central to the note, the terms remain curiously under-defined. In the same vein of asking “why these questions?” there is no sense from the proposal that they were identified on the basis of debates with other actors in Indonesia (researchers, GoI analysts, government, civil society and business actors *etc.*). The theme of reaching out to these actors runs through the document, but the impression that comes through is that you will do this once you have the programme defined. For instance, see the sequence implied by the second paragraph on page 1: first comes the identification of key areas for study, and only then the building of coalitions. Four concerns arise: first, if these other actors (who are also defined as audience) were not involved in framing this agenda, at least somewhat, then it will be harder to get them interested in its results. It also opens the **Bank** up to the criticism that here is the **Bank** doing the research it needs to do in order to support the policy advice it wants to give. Third, one wonders whether a more participatory problem **framing** might have led to different **research** questions. And finally, there is a slight tension between **asking** the PRSP to be a participatory **process**, but not having a participatory definition of the very research agenda intended, in part, to support the PRSP.
Governance, and governance, growth and poverty

A second thought is that while governance figures quite prominently in how the proposal is talked about early on, the actual section on governance research occupies only 2 or so pages of the 20 pages on specific research activities. While you say, fairly, that governance is a cross cutting theme in the programme, so are growth and poverty, but there is more research linked to growth and poverty.

This may not necessarily be a problem, but there is a slight dissonance here. One response might be – and this returns to an earlier point – to elaborate a framework for understanding and analysing the ways in which governance, poverty and growth are related. Indeed, the second line of the proposal says that this is a research programme into the causes of poverty, but you don't really develop a framework on this question of causes. This might be a very useful place in which you could trace through some of the hypothesised ways in which you feel governance affects growth and poverty, which you could then use as a means of positioning each of the specific research studies.

I also appreciate that Joel H. has a programme on governance, so it may be that you are carving out a specific space in this proposal, but nonetheless I did feel that the ways in which governance was framed were a bit narrow. You seem to be emphasizing institutions and actors (a kind of combination of North and endler) which is fine, but surely the question of governance in Indonesia also has to deal with issues of power, the links between actors' relative power to influence and their asset bases, and the ways in which different types of growth deliver different patterns of asset distribution and different relationships of power. Questions of the military, state-business alliances etc. all emerge and must be unescapable. Again, I appreciate that there may be only so far you want to go in this direction for understandable reasons, but it would be helpful and I think more credible (given who you want to be there among your partners) if you were to inject a bit more of such analysis into the way you talk of governance and its links to the quality of growth and poverty.
Page specific comments

Page 1, line 2 – why just project evaluation? Surely also project conception and formulation? You say this at the end of the paragraph, but is it not an equally important part of a one liner saying what Indopov is (and your first sentence is that one liner).

Page 1, end. I would include a review of the literature on Indonesia, as well as your overall theoretical arguments, in this Background section.

Page 2, para 1 – according to Vivi, much of the fall (and so vulnerability) hinges on the price of rice.

Para 2 – the para on governance structures makes some strong observations – I think you need to substantiate these a bit more with references (to non-Bank writing). Bottom, 3 lines up. As in the governance section, maybe be a bit more cautious before saying CSOs have weak capacity – note that some have more, and that if they seem weak now, compare the situation with 10 years ago! Ultimately you will need indicators of capacity.

Page 3, para 4, - the one line in bold on why Indopov can make a difference. I think that the document would benefit if you made an argument somewhere early on as to why research is not merely something that contributes information for development decision makers, but can be a development intervention itself. Here much inges on how research is done. Who is involved, at what stage, and how they are involved all impinge directly on the types of effect that a research programme will have on:
- creating a public sphere for debating development and poverty
- creating capacity among certain actors (as a result of their being involved in the research), which in turn enhances their ability to engage in policy and political debate about development
- facilitating shared commitments among different stakeholders

You could argue more forcefully that Indopov is itself a development intervention (though I do think, by the way, that this would mean that the way in which the programme is conceived, and then implemented would be different if you
wanted it to be a programme that did indeed create capacity, shift relationships of power in public debate on development and open a public sphere).

Para 5 – The "Does decentralization lead to more pro-poor outcomes" is too blunt. Page 3-4 on PRSPs – maybe you need to be more honest here about the limitations of the PRSP process – and note that it has not been very participatory to date. Don't leave that to the Risks section on the penultimate page.

Page 4, para 2. The fact that government, and officials, change so often is I think one more reason why a programme like Indopov should be at least as interested in creating a public sphere for debating poverty and development as it is in generating inputs for advising government policy makers. The ideas to emerge from the research are far more likely to be kept alive by the public sphere (absent a Suharto of course) than by individual reformists in government. "... a fractured civil society" – true, but government is fractured too. And there is nothing wrong in working with people whom you distrust. Indeed, it seems to me that a programme like Indopov could be an instrument for reducing some of this distrust.

Page 4, bottom, first bullet. Sorry to be facetious, but style is important – presumably you also want to foster a better understanding within the World Bank too?

Page 5, last bullet – fostering coalitions' and networks: sure, but some exist already. Might not a first step be to work with these? Middle of page – your second and third bullets are getting at the idea of public sphere that I am trying to get at here. The critical point in each of these points, though, is that Indopov staff are also prepared to change their thinking on the basis of interactions with these coalitions, analysts etc. The slight sense coming through the document is that it is more that Indopov’s findings will change how others think.

Page 6, para 2, penultimate sentence. Qualitative methods are not the same as participatory methods – it is not just that (as Robert Chambers would want to say) participatory approaches can be quantitative (if not very tech-
nically so), it is also that not all qualitative approaches are participatory.

Para 3 – the possible implication here is that, given the vast amounts of statistical data already possessed by government, the new data that is needed is primarily qualitative in nature.

Bottom of page – an interesting paragraph – but it is not only that you want to understand such arrangements in order to know how to be practical; such arrangements are also an object of study in and of themselves (as implied on pp 27-8)

Page 8, para 2, Line 3, where you say one goal is to help Bank operations become more pro-poor, do you have views/hypotheses as to the ways in which these operations are not as pro-poor as they might be?

Page 9 – Title – rather than "Key activities …" is not this section really about "Thematic foci of the Indopov program"?

Again, with all the questions on the rest of this page I feel that while they seem fine, one needs to know why these and not others?

Sections 6.1 to 6.4
I am not going to get into details on these sections – I think that is to jump the gun a bit. But a word on organization. The layout is a touch confusing. This section is arranged around 32 or so questions (the sentences in bold) but these don't map one to one onto the 27 activities in Figure 1 and Annex 1. I am not sure how you might do this, but it is a touch confusing.

p. 12 penultimate paragraph on "outcome" – this presumes a lot, of course and is subject to many risks.

p. 13 para 1. Maybe clarify whether this is support to the preparation of the PRSP or to its on-going implementation and monitoring post preparation.

pp. 14-15 – I like this section, but it seems to presume that the great bulk of the analytical work for enhancing this debate would be done by the
Bank. I am not sure this is the best way to use research to enhance debate. Clearly there is a role for the Bank to do analysis, but also for a range of other actors, in their respective ways – and not just as sub-contractees to do particular bits of pre-defined work.

Section 6.2

I felt a real need for the text here to say what it meant by a pro-poor investment climate and pro-poor growth. The terms are used often but not really defined. I am sure that you don't mean that any form of growth is pro-poor, or that pro-poor growth is only rural growth. So what is it? Is pro-poor growth growth that:
- is labor intensive and generate employment
- shifts patterns of relative and absolute asset distribution so that the poor become not only absolutely less poor but also relatively less poor (and so probably relatively more powerful)
- induces institutional arrangements that are more transparent and inclusive...

Page 20, last sentence of para 2. This is, I think, the only place where you say that work might be commissioned to “try and answer questions framed jointly by both sides of the debate” – why not also in other parts of the program?

Page 20, 3 lines up from the bottom. ”Clear impartial analysis is needed...” – and the implication is that this is what Indopov will do. Given that many observers doubt the possibility of impartial analysis in general, and doubt the Bank's impartiality in particular, I am not sure that it is in your interests to claim impartiality, even if you will try your very best to be so. In fact, it may be that more important than “impartial analysis” is analysis that is framed and monitored jointly by various parties with different viewpoints.

Page 25, on social protection, penultimate paragraph. Will you also study how people deal with their social protection needs in the absence of external programmes – this might also be a source of useful ideas for program design.

Pp 29-30 on audiences. Can you say more about how far these audiences are already interested in this work agenda?