ACEH ECONOMIC DEVELOPMENT FINANCING FACILITY (EDFF)

ANNEX 1: ANTI-CORRUPTION ACTION PLAN

1. The EDFF project designed to assist the Government of Aceh (GoA) and the Government of Indonesia (GOI) to “Build Back Better” the province of Aceh. The project will seek proposals from local and international groups with programs promoting economic development and sustainability of Aceh. The executing agency for the project is the GOI’s Ministry of Disadvantaged Areas (KPDT), and the implementing agency is the BAPPEDA (of GoA). An international consulting firm will be recruited to support the implementing agency in managing the project to support PMU.

Lessons learned from project

2. Other competitive grant projects such as the Managing Higher Education for Relevance and Efficiency (MHERE), and Better Education through Reformed Management and Universal Teacher Upgrading (BERMUTU) indicate that there are risks associated with varying capacity of individual implementing units and their dispersed locations. The projects find that there are issues with capacity, lack of transparency, and delays.

3. Lessons learned from other projects demonstrate that intensive Communications and more frequent supervision both from the Bank and PMU; and greater disclosure at local level will help address the fore mentioned issues. As additional measure to prevent corruption, some of the Japan Social Development Funds (JSDF) projects also require proposals to include specific measures to prevent corruption.

Risks Identified

4. Risks associated with procurement of management consulting firm

A consulting firm will be contracted to assist with the setting up and operation of PMU. There are risks associated with procurement of the consulting firm: lack of prior experience and understanding of Bank Guidelines may result in delays and poor selection of consultants. Selection of consultants performed in other projects indicates that there is also a risk that high level officials may intervene in the deliberations of the procurement Committee, as they expect returns from firms awarded the contract.

5. Risks associated with selection of proposals

It is envisaged that there will be 7-8 sub-projects with grant value of US$1-5 million, and larger number of smaller sub-projects. The sub-project proposals will be selected based on broad range of criteria, allowing greater discretion to be exercised in the proposal evaluation. Without clear Communication of the proposal evaluation process, there is also the risk that the process is regarded as unfair.
6. Risks associated with implementation of sub-projects

Implementation of sub-projects may be subject to corruption. The large number of transactions at sub project level and the dispersed location may also stretch PMU’s oversight role. There may be capacity issues with some of the sub-project implementation agencies hence the project is exposed to the risks of delays and collusive practices in procurement; fictitious expenditures, poor reporting and the risk that intended objectives of the project are not attained.

Objectives of Anti Corruption Action Plan

7. The Anti-Corruption Action Plan (ACAP) of the EDFF project is developed to identify risks associated with the project and to propose mitigation measures. The plan will be elaborated in the Operational Manual (OM), status of implementation will be reviewed in supervisions and reported in aide memoirs. Any changes made to the Plan will be subject to the Bank’s approval.

8. The Plan is designed in recognition that the GoA has taken stronger stance on corruption. The GoA has imposed greater scrutiny through its internal auditor, Inspektorat Daerah, and establishes working relations with external audit and law enforcement agencies. A memorandum of understanding (MoU) with the Anti Corruption Commission (KPK) is signed and high profile cases have been referred to the Commission for further investigation, reaffirming the government’s Commitment to combat corruption.

9. In recognition of the high risk involved in the EDFF project, the ACAP has the following primary features:

(a) Corruption Prevention Plans at Sub-Project Level

Proposals will have to include Corruption Prevention Plans – the framework to identify risks and sub-projects’ internal mechanism to prevent corrupt practices. The Corruption Prevention Plans will be an important consideration in the evaluation process.

(b) Intensive Supervision

With the large number of sub-projects, dispersed location, varying nature and size of sub-projects, more intensive supervision will be required both from PMU and the Bank to anticipate, prevent and address issues.

(c) Clearly Defined Measures in the Manual

The Project Operations Manual should provide, in details, steps and measures in relation to procurement, financial management, disclosure of information (and engagement with local media), complaints handling, and sanctions.
(d) Engagement of Stakeholders

In order to promote transparency in the project, the project will engage stakeholders through the participation of a non-government member in the sub-project selection panel and to the extent possible for project monitoring and evaluation.

10. For the purpose of the EDFF project, an Anti Corruption Action Plan is developed based on the following Components:

1. Enhanced Disclosure of Information
2. Mitigation of Collusion
3. Mitigation of Forgery and Fraud
4. External Oversight
5. Complaints Handling
6. Sanctions and Remedies

1. Enhanced Disclosure of Information

(a) Risks of corrupt practices may be prevented by making important information easily accessible to the public. In order to promote greater transparency in the project, a separate link to the project will be provided at the government website, www.nad.go.id which displays salient information relevant to the project.

(b) Communication of information pertaining selection of sub-projects is also critical in ensuring the fairness of the selection. The project should disseminate information, through its website, local media and other means: the call for proposals; objectives and criteria for the selection; evaluation method and announcement (names, contacts, and value) of selected proposals. Information related to subproject selected should be disseminated as soon as agreement is signed between EDFF and implementing agencies.

(c) To avoid misinformation circulating about the project, the PMU will ensure that groups interested in individual sub-projects are able to obtain data concerning progress during the procurement and implementation phases through various methods (refer to Annex 13 for a Communications Strategy). The PMU will also establish a good relationship with the press (particularly local press), explaining results expected by the EDFF, and ensuring a fair representation of the progress. Open public meetings will also be held at least twice a year to provide updates on progress.

(d) Information accessibility and transparency will also be made a part of the monitoring and evaluation exercise. The PMU will ensure that lessons learned from the implementation of sub-projects are widely shared and specifically with those who have indicated an interest.

(e) The World Bank Disclosure Policy

(f) In compliance with the World Bank’s disclosure policy, PMU shall make publicly accessible on the project website the following documentation:
(i) After finalization, all annual **procurement plans and schedules**, including all updates thereof.

(ii) **Contract award information** for all contracts for goods above US$500,000 equivalent and all contracts for consultants above US$400,000 equivalent, promptly after such award.

(iii) Promptly after the Completion of a mid term review of the project, the **mid term review report** and the aide memoire prepared for this purpose.

(iv) Promptly after receipt all final **audit reports, and all formal responses** of the government.

(g) Upon request, the implementing agency will:

(i) Make available to any member of the public, private sector firm or any registered civil society organization all bidding documents and requests for proposals issued in accordance with the procurement provisions of this agreement, subject to payment of a reasonable fee to cover the cost of printing and delivery. In the case of requests for proposals, the relevant documents will only be made available after notification of award to the successful firm. Each document will continue to be available until a year after completion of the contract entered into for the goods, or services in question;

(ii) Make available to any member of the public upon request, promptly and at no cost, any short lists of consultants and, in cases of pre-qualification, lists of pre-qualified contractors and suppliers;

(iii) Promptly disclose to all bidders and parties submitting proposals for specific contracts (by email or fax) notification of award to the successful bidder/consultant, the summary of the evaluation of all bids and proposals for such proposed contracts. Information in these summaries will be limited to a list of bidders/consultants, all bid prices and financial proposals as read out at public openings for bids and financial proposals, bids and proposals declared non-responsive (together with reasons for such declarations), the name of winning bidder/consultant and the contract price. Summaries will also be made available to the public, promptly upon request and at no cost.

(iv) Make available, promptly upon request by any person or company (via email or fax) a list of all contracts awarded in the three months preceding the date of such request in respect of a project, including the name of the contractor/consultant, the contract amount, the number of bidders/makers of proposals, the procurement method followed and the purpose of the contract.

(v) PMU shall keep electronic records of all information requests received and documentation provided in response to such requests and shall provide this information to the World Bank upon request.
2. Mitigation of Collusion

(a) Procurement risk in the EDFF project is high due to the degree of uncertainty at sub-project level. It is agreed that in the sub-project selection process, the capacities of sub-project implementation agencies will be assessed. Potential sub-projects will also have to include their own Corruption Prevention Plan in their proposals. In cases when sub-project implementing agencies do not have the required procurement capacity or when procurement involves large and highly complex packages, procurement function will be centralized at the PMU.

(b) The Project Operations Manual will include guidelines for each stage of the procurement process. The Manual will include provisions on greater disclosure at the local level, for instance the use of local media and public notice boards to announce procurement related events.

(c) At the project level, there is also a concern on the lack of capacity and experience in dealing with Bank funded projects. A procurement consultant will be recruited to provide assistance in the selection of consulting firm to support PMU. The consultant will be able to provide guidance to PMU in order to comply with the Bank’s Guidelines and minimize delays in the process.

(d) Once selected, the consulting firm will assign a procurement consultant to provide assistance to PMU in the selection of proposals and build capacity of the government.

(e) PMU will make sure that information on selection of sub-projects is clearly communicated at every stage of the process. In order to improve transparency at the sub-project selection process, the selection panel will include a non government member, where public nomination is sought for the individual. Written evaluations of the proposals have to be submitted in the three tiered approval process, and will be subject to the Bank’s No Objection.

(f) PMU will ensure proper documentation of the procurement process.

3. Mitigation of Forgery and Fraud

(a) Forgery and fraud will be minimized by adherence to fiduciary management practices. Financial management capacity and measures in the proposals’ Corruption Prevention Plan will be assessed for the selection of sub-projects. The Project Operations Manual will outline measures such as payment validation procedures, documentation, reporting and disclosure mechanism, and internal and external audits. The PMU will be supported by a consultant with financial management expertise, to address capacity issues within the government, and to provide support in supervising sub-projects’ financial management. Regular supervision will be performed to address issues which may arise.

(b) Financial management reports of PMU and sub-projects will be subject to internal audits by the Inspektorat Daerah. The agency has agreed to include EDFF project as part of its
regular audit, and a separate report will be provided for the purpose. Regular supervision will be performed by PMU and/or the Bank to address issues which may arise.

(c) State Development and Financial Supervisory Board (BPKP) will perform regular external audits to the project. All final audit reports and the government’s responses will be disclosed in the project’s website.

4. External Oversight

(a) The EDFF project has developed communications strategy to engage with the different stakeholder groups and beneficiaries as outlined in Annex 13. Local community involvement is also a key criterion in selection of sub-projects. Potential sub-projects have to outline their plan to engage the community in the design, implementation, and monitoring of the proposed project.

(b) The project will, to the extent possible, engage civil society or academia in the monitoring and evaluation of the project.

(c) The project should reach out to potential implementing agencies and the different government institutions relevant to the project. PMU will maintain Communications with the press and beneficiaries throughout the implementation period. Public meetings will be organized at least twice in a year to report on progress of the project.

5. Complaints Handling

(a) As EDFF project is funded by the MDF, it will also be subject to the complaint handling mechanism of the MDF. The MDF’s Outreach Officer receives and records complaints, refers them to the project, and monitors resolution of complaints. The project will make use of existing government mechanism to investigate and resolve complaints. The PMU will make sure that there are multiple channels available for complaints, complaints are referred to the Inspektorat Daerah – the government of Aceh’s internal audit agency tasked with investigating complaints – with copies sent to the Bank, and Complaints are properly recorded.

(b) The Inspektorat Daerah receives and follow up complaints from various sources: those referred by the Governor’s office (through website and text messages), media, mail, and complaints referred by other agencies. Specifically for the project, the agency agrees to work together with PMU and MDF in sharing information should complaints are filed against the project.

(c) Upon receipt of complaints, the agency will verify whether the allegations are substantiated. Depending on the gravity of the complaints, Inspektorat Daerah may decide to refer the complaints to relevant agencies/individuals, create a special team to investigate or refer the case to BPKP or law enforcement agencies. The Inspektorat Daerah has signed agreements with the State Development and Financial Supervisory Board (BPKP) and the Anti Corruption Commission (KPK), for referral of corruption findings; and has had history of close cooperation with the two.
6. Sanctions and Remedies

(a) PMU will activate and monitor referrals to Inspektorat Daerah and external authorities (police/prosecutors/KPK/BPKP) to gauge if legal and/or administrative sanctions are being effectively applied.

(b) Administrative sanctions will be applied against public officials proven to violate procedures. This includes written reprimand, orders for funds to be returned, transfer, demotion, exclusion from promotion/training opportunities, etc. When there are indications that crimes are committed, cases will be referred to the law enforcement agencies.

(c) Sanctions and remedies governed under Keppres 80/2003 will apply for violation of the government’s procurement rules. The sanction includes suspension of payment, termination of contracts, or blacklisting. The blacklist will be made public through the project website.

(d) The Bank may also suspend disbursement to the project or sub-projects until issues are resolved. Misprocurement and cancellation of loans may be declared when there are evidences of corrupt practices committed.