Annex 15: Anti-Corruption Action Plan

INDONESIA: URBAN SECTOR DEVELOPMENT REFORM PROJECT

Introduction

The objective of USDRP’s Anti-Corruption Action Plan is to identify corruption risks and mitigation measures beyond the standard control systems adopted by the Bank. While more detailed project specific control systems are outlined in Annex 7: Financial Management & Disbursement Arrangements and Annex 8: Procurement Arrangements, this Action Plan: maps potential risks of corruption; and presents mitigation actions to address these risks.

Corruption Mapping. The corruption mapping matrix included in this Action Plan identifies potential risks of corruption and specifies appropriate mitigation measures agreed to by the ExA of the GOI (see Table 1: Potential Corruption Mapping Matrix).

Action Plan. The anti-corruption action plan has two aspects: governance reform activities to be conducted by each ULG, and project specific actions. These can be summarized into the following six key action areas (the specific mitigation actions are outlined in the Action Plan in the matrix), that help minimize opportunities for corruption:

(a) Participation and Empowerment. The basic democratization, procurement, and financial management reform components of the project include mandatory revision of all regulations and practices affecting civil society participation in each ULG’s development program;

(b) Enhanced Disclosure Provisions and Transparency. The project will take the Bank's new disclosure provisions (see http://www.worldbank.org/operations disclosure) one step further by making disclosed material simple enough for communities to understand and readily available through public information centers in each participating ULG;

(c) Civil Society Oversight. The project recognizes that greater oversight by civil society is likely to reduce the risk of corruption and misuse of power. The project benefits from a high degree of formal participation from NGOs, the private sector, religious leaders, and traditional/adat leaders in the monitoring of subprojects and end results (including reform components), in the tender committee’s membership, and in the evaluation of the quality of procured services/products;

(d) Mitigating Collusion, Fraud & Nepotism. Opportunities for collusion and fraud exist in any project. Transparent and well-advertised procurement and appropriate oversight will reduce this form of corruption. Additional auditing and procurement procedures are proposed, such as oversight by capacity building and procurement specialists mapped to each District PMU. At the central level, there will be a committee formed to regularly evaluate the performance of project-hired consultants, and to circulate the results to the relevant technical parties;

(e) Complaints Handling Mechanism. A complaint handling unit will be established at each participating ULG, and CPMU. Complaint handling procedures, as currently defined in Keppres 80/2003, will be strictly followed by assigned authorized officials.
to be responsible for maintaining the database and executing the follow-up actions. While the program is designed to encourage local complaint resolution through formal channels and public pressure, in some cases local elites might abuse power. For these cases, an alternative system has been established through a feedback mechanism at the national level. Through this mechanism, complaints are brought to their attention and acted upon in a professional and timely manner, and without risk of reprisal to public ‘whistleblowers’; and

(f) **Sanctions and Remedies.** Clear sanctions and remedies are an important final step in fighting corruption. Any official (government, non-government, etc.) can be prosecuted, if sufficient evidence is available. In all procurement contracts, evidence of corruption, collusion or nepotism will result in termination of the relevant contract, possibly with additional penalties imposed (such as fines, blacklisting, etc.), in accordance with Bank and GOI regulations.

*Corruption Mapping Matrix*

Preventing project-related corruption starts with identifying potential risk areas – this is called corruption mapping. The mapping of corruption opportunities, risk levels, and mitigation measures will be reviewed at least every six months as the project progresses and lessons are learned.
<table>
<thead>
<tr>
<th>Corruption Mapping Area</th>
<th>Level of Risk</th>
<th>Opportunity for Corruption</th>
<th>Mitigation Action</th>
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<td><strong>TRANSPARENCY</strong></td>
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| Access to information on key public policy processes, programs and documents. | HIGH (Local Government/LG) | Lack of transparency leads to greater opportunities for nepotism, corruption, and less efficient and more ad hoc use of public resources | Prepare a local regulation on transparency that ensures access of all citizens to important public information, especially related to:  
- on-going discussions on public policy at local legislative bodies  
- local regulations  
- latest planning documents (including Propeda, Renstrada, Repetada, RUTRK/RDTRK/RTRK)  
- budget documents (APBD), budget realization papers, and other financial documents  
- latest Annual report (accountability report) of the Mayor/Regent |
| Access to information on processes, costs and time needed for permits and public services including identity cards, business licenses, building permits, birth certificates, and land certificates | HIGH (Local Government/LG) | Lack of clarity and transparency leads to greater opportunities for bribery and corruption. | Prepare a local regulation on transparency that ensures citizens to have reliable and up-to-date information on permits and public services |
| **PROCUREMENT**         | MEDIUM (Central Government) | Biased judgment of the bidding/evaluation process. The decisions may illegitimately favour bidders/consultants as “instructed” by the higher level officials or other parties. | - A member of professional civil society is included as part of the committee  
- Capacity building for all actors involved in procurement, including certification of staff in accordance with Kependes 80/2003  
- Development of Project Operations Manual to streamline all procedures and sanction/complaint handling mechanisms |
| Bid/proposal evaluation | HIGH | - Delay in evaluation process that may benefit certain bidders/consultants  
- Proposals rejected due to reasons unrelated to the capacity of bidders in carrying out the contracts/services  
- False information provided by the bidders | - The Procurement Plan will be specified in the Legal Documents, and will serve as the basis for any procurement actions.  
- The Bank would declare miss-procurement for any unjustified extension of bid proposals  
- Post qualification system |
|---|---|---|
| Award of Contract | MEDIUM | - The committee may call the prospective winner and negotiate the contract amount  
- Collusion and nepotism in awarding the contract | - No negotiation for competitive selection/bidding  
- Mandatory disclosure of contract awards |
| Quality of delivered products/services | MEDIUM | - The delivered products/services are of lower quality than what was indicated in the project’s technical specifications, and officials may take kickbacks  
- Intentionally shoddy contract supervision, and kickbacks from the contractors/suppliers/consultants | - Civil society provides oversight to the inspection of the delivered products/services  
- Form a qualified, independent committee to review and assess the performance of the contractors/suppliers/consultants  
- Enhanced complaint handling mechanism  
- Involvement of civil society groups in monitoring the quality of the projects and reform components  
- Enforce reward punishment system as defined in Keppres 80/2003 |
| Procurement Planning, including sub project procurement | HIGH | Risk of kickbacks, and budget markups | Mandatory Bank review of Procurement Planning, and disclosure of the Procurement Plan to the public, including the monitored unit rates forming part of the reform program |
| Overall Procurement | HIGH | Risk of kickbacks, collusive practices to “award” the contract to “preferred” bidders, and lower quality of products/services | - Enhanced disclosure, complaint handling, and sanctions as defined in Keppres 80/2003, and developed in the LG structure as part of the reform component. At the central level, MPW already developed its own mechanism for complaint handling as well as a sanction system.  
- Enhanced capacity of the officials involved in procurement decisions, and hiring of consultants |
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<th>FINANCIAL MANAGEMENT</th>
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<td>The final list of CPMU, PMU and PIU staff with their: (i) experiences in handling donor financed projects; and (ii) history of project management and or treasury training taken</td>
<td>HIGH</td>
<td>Risk of insufficient capacity of CPMU, PMU and PIU staff.</td>
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<td>Audit Report Publication</td>
<td>MEDIUM</td>
<td>Risk of unavailability of information on the progress and result of project implementation (including misuse, collusive and nepotism practice if any).</td>
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<td>- The criteria and performance indicators for the Project Manager, Treasurer, planning staff, procurement staff, financial staff, and CPMU, the and PIU staff are agreed by the Bank and incorporated into the PMM. They will be used as the basis of the annual performance review of the relevant staff.</td>
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<td>- Requirement that the PMM is used to guide project implementation</td>
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<td>- Requirement for Government: Project Management, Treasury and PMM training for CPMU, PMU and PIU staff</td>
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<td>- Annual Training agreed by the Bank on CPMU, PMU and PIU staff</td>
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<td>The implementing agency will (and the World Bank can) promptly make information publicly available after receipt of final audit reports prepared in accordance with the Loan Agreement, and all formal government responses</td>
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