Annex 9: Anti-Corruption Action Plan

INDONESIA: Better Education through Reformed Management and Universal Teacher Upgrading Project (BERMUTU)

1. In December 2005, the GOI passed a law (Law 14/2005) that requires teachers to: (a) have a minimum academic qualification of at least four years of post-secondary education; (b) obtain practical experience as a classroom teacher, and (c) pass a certification process that will examine their proficiency in four competency domains - pedagogical, professional, personal, and social - before they can be certified as a teacher. Once they are certified, teachers will receive a professional allowance (equal to 100 percent of their basic civil service salary), a smaller functional allowance, and a special allowance for being assigned to disadvantaged areas (also equal to 100 percent of their basic civil service salary). In total, this means that, under the new law, the salaries of all teachers will double upon certification, and they will also receive a functional allowance equal to approximately a further 20 to 30 percent of basic salary, depending on their civil service grade. Teachers in remote and/or disadvantaged areas will benefit even more from the new law. Their basic salaries will triple upon certification because they will receive a special location allowance in addition to the professional and functional allowances.

2. The new Law is an ambitious effort that consists of two key initiatives:
   - Upgrading the quality of teachers through certification
   - Rewarding those teachers who are certified with substantial allowances.

3. The main objectives of the BERMUTU project is to improve teacher competency and performance to promote student learning and thus contribute to the development of high-quality human capital. This in turn will ultimately lead to a growth in productivity and an increase in Indonesia’s competitiveness in the global economy. BERMUTU does not finance the certification process or the allowances provided for in the Law, but it is designed on the principle of “added value”. This means that BERMUTU will complement the GOI’s initiatives in focusing its investments on ensuring the quality and integrity of the process.

Anti-Corruption Action Plans (ACAP)

4. Since 2003, all World Bank-assisted projects have included an Anti-corruption Action Plan (ACAP) to identify possible risks and mitigation measures. These plans are public documents and are reviewed annually to keep them up to date. Mitigation measures outlined in the ACAP must be properly reflected in project manuals and budgets. All costs associated with implementing the ACAP need to be built into the project budget.

5. The ACAP for BERMUTU has four main sections along with an attachment that lists the publicly available project documents.
   - Major Project Components
   - Main Areas of Fiduciary Risk
   - MONE’s Sector-wide Anti-Corruption Policies and Actions Taken
   - Project-specific Mitigation Measures
Major Project Components

6. In supporting the teacher upgrading and certification process, the BERMUTU project will provide direct support to:

**Component 1 - Reforming University-based Teacher Education.** – Estimate: US$ 20.5 million. Consists of performance-based incentives leading to the accreditation of the institutions that will provide teacher pre-service training; performance-based incentives to teacher training institutions; and performance-based incentives to the Open University (UT) and up to 10 LPTKs.

**Component 2 - Strengthening Structures for Teacher Improvement at the Local Level.** – Estimate: US$ 134.2 million. Consists of building capacity for recognizing the prior learning of teachers; strengthening the capacity of regional training facilities to support district and school cluster-based training activities; building the capacity of local teacher working groups as a mechanism for delivering training effectively at the school level; implementing in schools a teacher induction program for beginning teachers and a performance assessment reporting process on probationary teachers by the principal.

**Component 3 - Reforming Teacher Accountability and Incentives Systems for Performance and Career Advancement.** – Estimate: US$ 5.3 million. Consists of strengthening the provision of continuing education for certified teachers; developing an approach to performance-based appraisal; reviewing teacher progression and promotion policies and procedures; and addressing continuing under-performance.

**Component 4 - Improving Program Coordination, Monitoring and Evaluation.** Estimate: US$ 33.8 million. Consists of supporting the monitoring of project components 1 through 3 and developing an improved teacher database and a range of research and evaluation studies to document the effects of the project on teaching behavior and student achievement.

Main Areas of Fiduciary Risk

7. The implementation of Law number 14, 2005 will affect almost 3 million teachers over some 10 years. The required teacher certification process will need to be fair, transparent, and accountable.

8. In years past, it became clear that teachers were managed in ways that did not comply with relevant laws and regulations. For example, many teachers were required to pay bribes to be promoted, transferred, or selected for in-service training. Such corrupt practices in teacher management negatively affect quality, equity, and ethical standards. The implementation of Law 14/2005 will avoid such pitfalls by ensuring the more professional measuring of teacher performance and by introducing tighter controls over any discretionary parts of the process. Since the new Law introduces allowances that will increase overall teacher remuneration substantially after certification, it may also create new opportunities for corrupt practices. If
these risks are not addressed, the MONE may fail to meet its objective, and BERMUTU, which will assist the GOI in 2008 in implementing this ambitious strategy, may also be negatively affected.

9. The MONE is currently preparing to apply the new process to a first group of 20,000 teachers. There have been delays in getting the necessary implementing regulations approved, so the first group is expected to be certified by July 2007 at the earliest. This will allow the MONE to gain firsthand experience of the process of certification. In addition, five pilot initiatives have started as part of a joint project by the PMPTK and the World Bank to study and evaluate the implementation of teacher certification in five selected districts. In these pilot tests, approximately 5,000 teachers will be certified.

10. An evaluation of these early examples will allow the MONE to improve the process before the next, larger group of teachers will become eligible for certification. The evaluation should: (i) assess whether the policies, procedures, and instruments are adequate and appropriate for certification; (ii) whether the process takes place in a transparent way; and (iii) whether the required accountability systems are in place, appropriate, and working. Analyses will be undertaken to look more closely at the dynamics and relationships between those teachers who have received an increase and their contemporaries who may have to waiting for training for several years to come.

11. International experience and best practice have both shown that there are several mechanisms for addressing a lack of transparency and accountability. One possibility would be to adopt a grievance mechanism that can handle complaints, while another would be to create a watchdog to ensure the transparency of the process and to sanction those who do not comply with the rules. The Ministry plans to undertake such measures to ensure that the ten-year transition period is not fraught with problems. The measures related to activities funded under the BERMUTU project are contained in this Anti-corruption Action Plan.

MONE’s Sector-wide Anti-Corruption Policies and Actions Taken

12. The Ministry of National Education has already instituted a number of anti-corruption measures as part of national efforts to eradicate corruption and collusion. In 2004, President Yudhoyono won the Presidential election running on a strong anti-corruption platform. He issued a Presidential decree very early after he took office (No. 5/2004) that requires all ministries to intensify their work in the area of fraud and corruption. The MONE has responded by setting out explicit anti-corruption policies and strategies in its National Education Strategy Medium-term Framework for 2005 to 2009 (RENSTRA). The Minister of National Education has emphasized improved governance and accountability as one of the three key pillars of the new education strategy, which covers all levels of education from early childhood development to tertiary education, both formal and informal. Key measures already in place are noted below.

13. Since June 2005, a taskforce called Tim AN-PPK (Tim Aksi Nasional Percepatan Pemberantasan Korupsi) has been established in every Echelon II of the MONE to speed up the fight against corruption. The function of this body is to support the Inspectorate General’s office in developing an action plan for fighting corruption; monitoring, evaluating, and reporting
on implementation; and following up on all corruption cases. Specific target indicators to be monitored include the number of cases of irregularities found by auditors, the amount of government losses found by auditors, and the number of follow-ups to investigations and the amount of money recovered. The monitoring report is presented at the MONE coordination meeting every month and at the national coordination meeting with provinces and districts.

14. **Strengthened Financial Management Capacity.** A $1 million Dutch Trust Fund has been used by the MONE to develop a financial management system linked to the new MOF financial management system. It aims to use information technologies to increase transparency, reduce opportunities for corruption, and provide real-time data for decision-making. The MONE has used the Dutch Trust Fund to develop a web-based financial management system, using financial management applications developed by the MOF such as the KKAKL (for planning), the DIPA (for budgeting), the SPM (for processing payments and budget execution), and the SAI (for accounting). The MONE aims to develop a system that will allow it to integrate the separate modules on financial management developed by the MOF and being applied in the MONE, and web-enable them so that financial management information from over 600 locations of the MONE (the center, provinces, and districts) can be prepared on a consistent basis and made available promptly at the center for aggregation and monitoring. As of the closing of the Trust Fund on December 31, 2006, software on the application had been developed, training for trainers conducted, and the application piloted. The final report is expected shortly.

15. **A New Complaint Handling Mechanism.** On February 8, 2006, the MONE opened Gerai Informasi and Media, a center that provides information on the policy and activities of the MONE and also handles public complaints. This is managed by the Center of Information and Communication (Pusat Informasi dan Himas or PIH) situated within the MONE. Since its launch, it has been used as a forum for communicating information about the MONE’s programs and as a place for communities to send their questions and complaints. The center issues a monthly newsletter and bulletin, which can be accessed on the ministry website (www.depdiiknas.go.id). BERMUTU will also use this facility to disseminate information and handle complaints.

16. In addition to the new Gerai Informasi and Media system, the government has provided additional channels for complaints by providing a Post Office Box at the State Ministry of Empowering National Apparatus and both a Post Office Box and confidential Non-PO Box channels at the MONE. All of the complaints are classified, verified, and followed up by the Inspectorate General’s office of the MONE. It is expected that this system will also be able to handle any complaints related to the reforms envisaged under BERMUTU.

17. **Improved Capacity to Investigate Fraud and Corruption.** Some progress has been made in improving supervision, performance auditing, and financial auditing with collaboration between the Inspectorate General (IG) and the state auditors (BPKP). The IG has 497 staff, 293 of whom are auditors. The IG’s auditors have had training in investigation audits, performance audits, financial audits, operational audits, the new financial management system, and the current education programs being implemented in the MONE.

18. **Enhanced Public Disclosure.** Every year since 2004, the MONE has published
procurement plans for goods and services in national newspapers. Furthermore, the MONA has posted its ministry-wide budget on an Internet website. In addition, the ministry announced details of its largest budget item - the primary and secondary education budget - in the national newspapers.

19. Independent Monitoring Procedures Established. Using the savings from the reduction in fuel subsidy, the government has been providing grants to schools on a per student basis (BOMM) and scholarships for the poor families (Bantuan Khusus Murid or BKM). In calendar year 2006, scholarships were given to about 585,000 senior secondary students for a total of Rp 467 billion. Schools grants were allocated to about 35 million primary and junior secondary students for a total of Rp10,623 trillion or US$1.2 billion during the same period. School grants are transferred directly to schools' bank accounts. The MONA has put in place an internal monitoring unit for the implementation of BKS and BKM and has contracted NGOs and universities to carry out external independent monitoring of the program. In the current system of transferring funds to KKGs (Rp 10 million per KKG), the PMPTK transfers the funds to the approximately 5,500 KKGs and 441 MGMPs through the LPMPs, which are responsible for ensuring a degree of quality control.

Project-specific Mitigation Measures

20. This section specifically addresses activities funded by BERMUTU as opposed to those implemented under the Teacher Law and certification process, neither of which are financed by BERMUTU.

21. The BERMUTU Project Operation Manual (POM) will further define required procedures for all aspects of the management of the project, including detailed guidelines and provisions for each of the anti-corruption actions. Some of the measures that will be included in the POM are outlined in Attachment A to this annex concerning the disclosure of information. Further good governance measures have been included in the financial management and procurement sections of this PAD.

22. The salient features of the project’s Anti-corruption Action Plan are integrated into the project budget. Key areas of the project that support the overarching anti-corruption effort include procurement (including the provision of a procurement advisor), project management, monitoring and evaluation, independent auditing, and information disclosure, all of which are planned project expenditures detailed in other parts of this PAD.

Enhanced Disclosure Provision and Transparency

23. Transparency is an essential feature of the BERMUTU project. To the extent possible, all project documents need to be made available to the public in order to reduce the risk of corruption.

24. Public documents related to the project will be made available on an Internet website dedicated to the project. This site should be updated on a monthly basis, or more frequently if required. Access to this website will be unrestricted, without any limitations such as
member. The documents to be made available on the website are outlined in Attachment A. This Anti-corruption Action Plan will also be made available on the website in both English and Indonesian. Audited financial reports for the project will also be placed on the project website.

25. A summary of project information and progress, including problems, obstacles, and solutions will be prepared and disseminated in the form of quarterly press releases to the mass media, to selected national and regional civil society organizations, universities, and other academic institutions. These will also be made publicly available on the MONIE website. In addition, information about the progress of the project will be made available to teachers and educators in the form of regular articles to be published in Gjaro, the thrice-yearly magazine produced by the Ministry.

Mitigation of Fraud and Forgery Risks

26. The MONIE and the PCU will establish procedures to maintain proper project and procurement filing, including the filing of correspondence, advertisements, bidding documents, evaluation reports, contract awards, and final contract documents. They will also establish procedures for regularly reviewing payment vouchers including all supporting documents (such as travel reports and receipts). The MONIE and the PCU will ensure that audits by an independent third party are conducted annually.

27. In relation to Component 2 (grants delivered to teacher working groups), the KKG grants will be transferred by the KPPN directly to the recipients' bank accounts. Such transactions will be conducted in accordance with the "Transaction Evidence" details outlined in the POM. A grants manual for KKG-based professional development activities will be developed prior to the disbursement of the grants.

28. The cluster level records and accounts will be subject to audit on a sample basis as required for necessary fiduciary oversight.

29. The project financial reports will be subject to external audits. In addition, to increase oversight, the Bank will require the Inspectorate General of the MONIE to carry out internal audits of the project activities. This audit should be conducted at least once a year and include an internal control review and a technical audit of the project's implementation. The IG will make copies of the audit reports available to the Bank upon request.

30. Strengthened payment validation procedures will be specified and will be linked to the M&E system. The POM will detail the agreed procedures that are more stringent than normal government accounting practices (such as the need to provide air tickets and boarding passes when claiming travel by air). For training, workshops, and other activities alike, extensive accounting evidence will need to be forthcoming payments are authorized. This requirement will include signed lists of all those who attended funded training events with their names, designations, and addresses as well as approved records or minutes of workshop and training events. Similar activities have tended to be highly vulnerable to fraud in the past and so these additional measures are deemed to be prudent precautions.
31. Other technical and financial reviews may be performed by these agencies or by the Bank as and when it is deemed necessary to strengthen the monitoring of the project.

32. Guidelines for submitting the complete documentation required to accompany requests for payments to the Treasury Office of the Ministry of Finance will be prepared and documented in the POM. This is a necessary step because standard government practices need to be strengthened to reduce the risk of corruption.

**Oversight**

33. In close consultation with the World Bank, the MONE will establish an oversight committee comprising the Inspectorate General and the BPKP. This committee will verify overall compliance with the Anti-corruption Action Plan. It is envisioned that this committee will meet at least bi-annually and will conduct field visits at least once per year. The committee will develop a means of assessing the quality, relevance, and cost-effectiveness of BERMUTU-funded teacher training activities. The terms of reference for this committee detailing the composition of the committee—and its expected reporting requirements will be included in the POM.

**Effective Sanctions and Remedies**

34. The MONE and the PCU will ensure adequate internal supervision on project implementation.

35. The PCU will establish remedial actions and sanctions for cases of fraud and corruption that are reported and for which evidence is found, including those arising from investigations conducted under the Complaints Handling System (see below). This will include sanctions on staff and/or external service providers who have been proven to be involved in such cases that are in accordance with existing government regulations. The POM will provide a clear description of such sanctions. Sufficient funds for the successful investigation and prosecution of such cases will be included in the project budget.

36. In all procurement contracts, evidence of fraud, corruption, collusion, or coercive practices will result in termination of the relevant contract, possibly with additional penalties imposed (such as fines and blacklisting) in accordance with the Bank’s and the GOI’s regulations.

37. Disbursement of funds to any level of the project may be suspended in cases where there appear to be significant problems, especially if the local government has not taken appropriate actions to rectify the problems in their area. Project expenditures made without adequate accounting evidence may be declared ineligible for funding under this project and will need to be refunded to the Bank. Any entity that is found to have misused funds or to have failed to carry out key elements of the anti-corruption plan, may be excluded from subsequent funding. Information regarding those cases from which lessons have been learned and funds retrieved will be widely disseminated.

38. It is expected that the Indonesian law related to corruption, collusion, and nepotism (such
as Laws 3/1971, 31/1999, and 20/2001) will be strictly and fully applied with the complete support of the Ministry.

39. As an extra measure beyond the normal requirement of ACAPs, technical assistance has been provided, and will continue to be provided, by the Bank to assist the government in implementing measures to mitigate the risk of corruption in the certification process.

Complaints Handling System

40. Because of the critical importance of ensuring the presence of a vigorous and independent complaints handling system, the Bank has had ongoing discussions with the GOI on how best to establish such a mechanism. The Bank will continue to provide technical assistance to support and improve complaints handling related to all aspects of the BERMUTU project.

41. Towards this goal, a Complaints Resolution Panel will be established to receive, investigate, and, where possible, resolve complaints related to all aspects of project implementation.

42. It is important that multiple conduits for the channeling of complaints exist (including SMS, e-mail, post office boxes, and dedicated telephones) exist and that all incoming complaints are dealt with efficiently and on a timely basis in accordance with minimal service standards to be established by the ministry. The system will record incoming complaints and referrals and the status of complaint handling so that it can all be tracked effectively through the project MIS. It is expected that the panel will be situated within the Gerai Informasi dan Media and that the panel members will include representatives from the Oversight Committee and the Teacher’s Association. Complaints handling procedures will be clearly detailed in the Project Operational Manual.

43. The Monitoring and Evaluation terms of reference will reflect the technical assistance needs related to establishing and maintaining this system. The World Bank will monitor the effectiveness of the Complaints Handling System during the course of its supervision missions but may also conduct independent assessments of this aspect of the ACAP.
Attachment A: Publicly Available Documents related to BERMUTU

Actions related to the release of public BERMUTU documents will include:

- Promptly after the completion of a mid-term review of the project carried out in accordance with the loan agreement, the MONEx and the PCU will, and the World Bank may, make publicly available the mid-term review report and the aide memoire prepared for this purpose.

- Promptly after receiving all final audit reports (financial or otherwise, including qualified audit reports) prepared in accordance with the loan agreement, the MONEx and the PCU will, and the World Bank may, make them publicly available as well all formal responses of the government in relation to such reports.

The MONEx and the PCU will, and the World Bank may, further:

- Make publicly available promptly after finalization all annual procurement plans and schedules, including all updates.

- Make available to any member of the public, promptly upon request, all bidding documents and requests for proposals issued in accordance with the procurement provisions of the loan agreement, subject to payment of a reasonable fee to cover the cost of printing and delivery.

- Make available to any member of the public promptly upon request all shortlists of consultants.

- Disclose to all bidders and parties submitting proposals for specific contracts, promptly after the notification of award to the successful bidders, 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, 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 an assessment), the name of winning bidder, and the contract price. Such summaries will be made available to the public promptly upon request.

- Make publicly available and publish widely contract award information for all contracts, promptly after such award.

- Make available, promptly upon request by any person or company, 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 provider/supplier/consultant, the contract amount, the number of bidders/proposals, the procurement method followed, and the purpose of the contract.

- Make available the project management manual to the public.

- Provide, make available, and ensure easy access to the Indonesian version of the project’s anti-corruption plan.

- Make publicly available the review of the consolidated project Annual Works Program (AWP) as approved by the Bank.

Most of the documentation above should be placed in full on the MONEx website and/or on the Directorate’s website (www.skiel.deodiknas.go.id). Designated documents, as specified in the POM, will also be summarized and made available in hardcopy to any member of the public on request.