Annex 16: Anti-Corruption Action Plan

INDONESIA: Early Childhood Education and Development Project

This Annex has three sections:

I. MoNE’s Sector-Wide Anti-Corruption Policies and Actions Taken
II. Procurement under Community Driven Development Projects in Indonesia
III. ECED Project Design and Project-Specific Anti-Corruption Measures

I. MoNE’s Sector-Wide Anti-Corruption Policies and Actions Taken

In 2004 President Yudhoyono won the Presidential election running on a strong anti-corruption platform. A Presidential decree issued very early after his entering into office (No. 5/2004) requires all Ministries to intensify work in the area of fraud and corruption. MoNE has responded by setting out explicit anti-corruption policies and strategies in its National Education Strategy Medium Term Framework 2005 to 2009 (RENSTRA). During the last two years, the Ministry has undertaken a significant number of actions that reflect the core elements of the Bank’s advice for constructing anti-corruption strategies. Specific highlights of actions undertaken by MoNE are summarized below:

Explicit anti-corruption measures in the new education policy: The Minister of National Education has emphasized improved governance and accountability as one of the three key pillars of the new education strategy. It covers all levels of education from early childhood development to tertiary education, both formal and informal. Since June 2005, a team called Tim AN-PPK (Tim Aksi Nasional Percepatan Pemberantasan Korupsi) has been established in every Echelon II of MoNE, to speed up the fight against corruption. The function of this body is to support the Inspectorate General’s (IG) office by 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 for corruption 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 money recovered. The monitoring report is presented at the MoNE coordination meeting every month and in the national coordination meeting with provinces and districts. Strategies for combating corruption at all levels are spelt out in Government’ five-year medium term plan for the education sector and these measures have been implemented as described below:

Capacity is being built in financial management. With a $1 million Dutch Trust Fund managed by the Government, the MoNE is developing a new financial management system linked to the new MOF financial management system. It aims to use information technologies to improve transparency, reduce opportunities for corruption, and provide real-time data for decision-making. TORs have been prepared for software design and installation consistent with MOF requirements and the MoNE is undertaking the procurement processes.
A complaint handling mechanism is being established. In February 8, 2006, MoNE introduced ‘Gerai Informasi and Media’, a center that provides information on the policy and activities of MoNE as well as a mechanism for handling public complaints. This system aims to provide multiple conduits for channeling complaints (SMS, email, post office box, dedicated telephone, etc.). The system will record incoming complaints, referrals and status of complaint handling such that it can all be tracked effectively through the project MIS. The Monitoring and Evaluation TORs reflect the Technical Assistance needs related to establishing and maintaining this system.

In addition, the Government has also provided another complaint handling mechanism through the provision of a PO BOX at the State Ministry of Empowering National Apparatus and PO BOX as well as Non PO BOX channels at MoNE. All the complaints are classified, verified, and followed up by IG of MoNE. Through this channel, between 2000 and 2005, communities reported 183 suspected cases of fraudulent activity related to the use of MoNE budget, which were referred to IG for follow up action. Corrective actions were undertaken in 53 cases (e.g. the suspect returned the money or provided missing documents) and closed while 130 cases are undergoing investigation. The cases reported by community are included in the total numbers of cases investigated by IG below.

Capacity to investigate fraud and corruption is being improved  Considerable progress has been made in improving supervision, performance auditing and financial auditing with collaboration among IG and BPKP. In total, auditors found 4,252 suspected cases and referred to IG for follow up action between 2000 and 2005. Corrective actions were undertaken in 1,370 cases or 32 percent (e.g. the suspect returned the MoNE or provided missing documents) and cases closed, while 2,882 cases or 68 percent are still undergoing investigation. IG anticipates being able to close about 80 percent of the ongoing investigation cases in the following year, the remaining 20 percent cases will be high priority cases to be solved in the succeeding year. IG has 497 staff, 293 of them are auditors. The auditors have participated in the training on investigation audit, performance audit, financial audit, operational audit, the new financial management system and the current education programs implemented in MoNE.

Summary of Financial Cases in the IG MoNE Annual Report 2005

<table>
<thead>
<tr>
<th>No.</th>
<th>Auditor</th>
<th>Time Period Cover</th>
<th>Suspected Cases</th>
<th>Corrective Actions</th>
<th>Undergoing Investigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Inspectorate General</td>
<td>2000-2005</td>
<td>2416</td>
<td>799</td>
<td>1617</td>
</tr>
<tr>
<td>2</td>
<td>BPK</td>
<td>1997-2005</td>
<td>774</td>
<td>386</td>
<td>388</td>
</tr>
<tr>
<td>3</td>
<td>BPKP</td>
<td>2001-2005</td>
<td>1062</td>
<td>185</td>
<td>877</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>4252</td>
<td>1370</td>
<td>2882</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td>100</td>
<td>32</td>
<td>68</td>
</tr>
</tbody>
</table>

Of the 4252 cases, the IG conducted special audits of 105 suspected cases in fraud/corruption. These cases have been included in the numbers of cases investigated by IG. Corrective actions were undertaken in 69 cases (e.g. the suspect returned the money
or provided missing documents) and cases closed, while 31 cases resulted in disciplinary actions and 5 were referred to the police for criminal investigation.

**Independent monitoring procedures are being established:** Using savings from the reduction in fuel subsidy, the Government has been providing grants to schools on a per student basis (BKS or Bantuan Khusus Sekolah) and scholarships for the poor families (BKM or Bantuan Khusus Murid). Scholarships have been allocated to about 700,000 senior secondary students for a total of Rp 817 billion for 18 months over CY05 and 06. Schools grants have been allocated to schools to cover about 40 million primary and junior secondary students for a total of Rp15,341 trillion or USD1.5 billion over the same period. School grants are transferred directly to schools’ bank accounts. The MoNE has put in place an internal monitoring unit for the implementation of BKS, BKM and contracted NGOs and universities to do external independent monitoring of the program. In addition, BAPPENAS has requested an independent assessment of the BKS program aimed at assessing program socialization and implementation, allocation, disbursement and utilization of funds, and complaints mechanisms. The assessment consists of a rapid qualitative assessment in six provinces, and quantitative assessments covering over 20,000 households, schools and public representatives. Preliminary results show that schools which applied for BKS, received the funding. However, due to lack of time for proper planning and implementation, most schools received the funds too late in the school year to allow for effective utilization of the funds. MoNE created these independent mechanisms specific to BKS and BKM and are additional channels for community oversight and complaint.

**Public disclosure is increasing:** Annually since 2004, MoNE has published the procurement plan for goods and services in the national newspaper. Furthermore, the MoNE has posted its ministry-wide budget on the web. In addition, the largest budget item, the primary and secondary education budget was announced in detail in the national newspaper.

**Procurement is shifting to the local level:** In the past, one of the major areas of corruption was collusion by bidders for large scale procurement managed centrally by the Government. In MoNE, incentives and opportunities for large scale corruption have been reduced by a wholesale shift in procurement policy from large sum procurement at the central level to schools, managed with community oversight. This has been under implementation for three years. In 2004 70 percent of Annual Budget was in the form of block grants; this has increased to 90 percent of the Annual Budget by 2006. The money is transferred to the schools’ bank account directly to avoid possible leakage at the district level.

As an example, textbooks are included in the Block Grants and school committee/parents are responsible for procurement of textbooks through a competitive procurement process. A Textbook Evaluation Committee was established in 2003 and has completed the technical evaluation for textbook quality for all levels of primary, junior and senior secondary education, in three main subjects for each level. The committee included a
broad range of experts. Core selected textbooks are published in national newspapers and disseminated to districts and schools.
II. Procurement under Community Driven Development Projects in Indonesia

The government and the Bank both see the new emphasis on community control of local educational resources as a positive move. The ECED project builds on the lessons of recent CDD projects in Indonesia, including KDP, UPP and WSSLIC. These projects have been shown to be effective in lowering the prevalence of corruption, lowering the costs of civil works, and increasing quality.

*Community participation seems to put a check on corruption.* Sample transaction audits by private audit firms arranged by the Bank have found suspected corruption rates in the KDP to be below 1.5 percent, far below the average for projects in Indonesia. From 1998 to the end of 2005, KDP disbursed more than USD 600 million and supported some 120,000 activities, generating about 14 million workdays of employment. Most suspected cases get solved: by the end of 2005. Of all the cases in 2005, only 79 suspected corruption cases thought to involve more than USD 4,000 were still unresolved at the end of 2005, and many of these were actually “cold cases” left from previous years due to lack of sufficient evidence.

*CDD helps to lower costs and increase quality.* Another way of gauging the likelihood of corruption in a project is to look at cost-effectiveness. In a recent cost benefit analysis by Anthony Torrens (2005) KDP’s infrastructure subprojects were compared to similar works built by contractors – the average saving through using the KDP was between 30 percent and 50 percent for comparable quality works. Clearly such savings would not be possible if corruption were truly rampant in the CDD environment. The education sector show similar results: in another study of impact evaluation of a Bank-funded Basic Education Project, school construction managed by school committees showed a 40 percent savings compared to similar, non-project schools.

*Processes are important.* The CDD approach can lend itself to many different forms of activity. Indeed, the proposed ECED project draws heavily from lessons learned in a CDD-style water and sanitation project. That said, it is very important that the various elements of the approach are given due attention. For example, a high quality *facilitation process* is usually a vital key to avoiding local elite capture of the process. Involvement of objective *civil society groups* in the oversight of the project, as independent, external observers helps to ensure that deals are not struck between corrupt actors at the village level and in local government. *Dissemination of information* through village level meetings and creative use of the media will also help to raise participation rates and ensure more active community control over the field level activities. Furthermore, the *threat of audits* can make a significant difference in deterring corruption. This is not surprising, as the perceived threat of an audit does tend to make people more careful about how they spend money. A participatory approach that had the auditors discussing findings with the villagers, in addition to village management teams has shown to be effective in preventing wastage and corruption.
The ECED project design builds on lessons such as these by having intensive facilitation and monitoring at the local levels and by extensive dissemination of project related information. It avoids the mass purchase of goods that are difficult to measure in terms of quality or quantity. Furthermore, like other CDD projects, it emphasizes the role of civil society\(^1\) at large as external observers of the process, encouraging them to play an active supporting role where this is possible, through the ECED forums.

Taking lessons from above, the ECED project design allocates roughly 60 percent of the project funds to community grants for villages, at less than $10,000 per grant. Some 40 percent of the funds are allocated to central level procurement for consultancy, monitoring and facilitation services, including training that are aimed at ensuring the maximum benefit from the grants. There are no large scale civil works or goods procurement.

### III. ECED Project Design and Project Specific Anti-Corruption Plan

The following text highlights some of the very specific measures to be taken in the ECED project, above and beyond measures taken by the MoNE, as described above. This section is organized based on the six key elements that have been identified by the Bank's Anti-corruption Committee for Indonesia (ACI) as being crucial to preventing corruption at the project level, namely:

1. Enhanced disclosure provision and transparency
2. Mitigation of collusion risks
3. Mitigation of forgery and fraud risks
4. Civil society oversight
5. Complaints handling system
6. Clear definition of sanctions and remedies

The ECED 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 outlined below. Some of the measures that will be included in the POM required are outlined in Attachment A concerning disclosure of information, Attachment B contains information on fiduciary risks and mitigation measures. Further anti collusion measures related to procurement have been included as part of para 5 “The Summary of Risk Mitigation Actions” of Part B of Annex 8 “Procurement” of this PAD.

The salient features of the project Anti-Corruption Action Plan have now been integrated into the project budget. Key areas of the project that support the over-arching anti-corruption effort include project management, monitoring and evaluation, independent

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\(^1\) Most areas do not yet have NGOs or other civil society groups specifically focusing on ECED issues, but there are often overlapping concerns with related groups, such as those dealing with health or education issues and those that deal with the rights of women and children.
auditing, disclosure and raising awareness, all of which are planned project expenditures detailed in other parts of this PAD.
**The Six Key Elements of the ACAP**


Undue secrecy tends to foster corruption. Some correspondence and documents, such as periodic Aide Memoires between the Bank and the Borrower are considered 'confidential' unless both parties should agree otherwise, but most of the other key project documents will be made available to the public in order to reduce corruption risks.

Public documents related to the project will be made available on an internet web site dedicated to the project. The CPICU will ensure that the website includes updated information on project activities, including: for each project location (province): nature of any contracts or grants awarded (estimated cost, scope of works, provider details); current estimate of the progress of implementation (e.g. estimate of completion as a percentage of works to be carried out); concise information from other project related activities such as training, workshops, etc.; up-to-date information concerning any problems, complaints and remedial actions. Access to this website will be unrestricted, without limitations such as membership.

In close consultation with the Bank, the CPICU will establish a mechanism whereby the media and civil society groups can become involved in monitoring the progress of the project (see also Civil Society Oversight, below). This mechanism will be detailed in the POM and will include regular sharing of information with the media. Copies of press cuttings will be sent to the CPICU for discussion and filing.

Other actions related to the release of public ECED documents are referred to in Attachment A.

Simple, short, standardized formats will be prepared to ensure annual reporting of progress to national level and local level NGOs and media. Data from these reports will also be published each month on the public internet website by the CPICU. Information concerning contracts, implementation progress, and project related workshops and other activities will be included in these reports. The site will also include basic data related to the number, type and status of complaints for each province and kabupaten.

A summary of project information and progress, including problems and solutions, will be included in IFRs (Interim Financial Report) and presented to civil society (e.g. NGO) forums in hardcopy at the national and provincial levels. IFRs are due annually and will also be placed on the project website.

Materials, including the ACAP and any revisions thereto, will be translated into Bahasa Indonesia and provided in hardcopy to interested civil society groups at all levels. The ACAP in English and Indonesian versions will also be posted on the project website through a special dedicated link in the main page.
b. Mitigation of Collusion Risks

Collusion has been identified as a serious source of corruption problems in Indonesia. Procurement in particular is often fraught with collusion-related issues. For the ECED, the prime concern in relation to collusion will be to the procurement process for the consultancy contracts as there are no centrally managed civil works or goods contracts. The procurement process will be detailed in the POM and further guidance will be provided from WBOJ procurement section whenever necessary. Anti collusion measures related to procurement have been included as part of para 5 “The Summary of Risk Mitigation Actions” of Part B of Annex 8 “Procurement” of this PAD.

Efforts to reduce elite capture at all levels, including at the community level, will be built into the program, with the special attention to the process of channeling the block grants and include multiple channels for complaint (see complaint handling below) and strict auditing of accounts.

c. Mitigation of Fraud and Forgery Risks

Fraud and forgery of invoices, particularly with regard to travel and training expenses, is a serious risk in Indonesia. Audits of past and on-going projects have revealed problems with incomplete record keeping, non-adherence to procurement procedures, and falsification of receipts.

Standard guidelines for the management of monitoring contracts do not yet exist within MoNE but, with the assistance of the CPICU, they will prepare suitable guidelines which will be incorporated into the POM. These guidelines will include tracking of aspects such as unit costs, overall expenditures and works quality to ensure that forgery and fraud risks are minimized.

MoNE and the CPICU will establish procedures to maintain proper project and procurement filing, including filing of correspondence, advertisements, bidding documents, evaluation reports, contract award and final contract documents. They will also establish procedures for regular reviews of accounting reports including all supporting documents (i.e. travel report, receipts, etc.).

MoNE and the CPICU shall conduct annual audits by third parties, which will include review of procurement and implementation results (end - use checks, quality and quantity of acquired goods, works or services, verification of payments, price comparison between contract price and market price, etc.).

There are substantial risks at the village level because the capacity of the villages to be selected is unknown at this stage. Community facilitators will provide and training and capacity building to the VIUs as well as to play an oversight role, quarterly reviews of their accounts will be carried out by the communities (VIUs) themselves, with assistance from facilitators. To ensure independence of the facilitators from both the villages and the
districts, facilitators will be hired centrally through RMCs. The village level records/accounts will be subject to audit on a sample basis and as required for troubleshooting.

Because of limited capacity, internal audits by the Inspectorate General will require technical assistance support. This will be based on Terms of Reference to be agreed with the Bank before negotiations, and will include, *inter alia*, an assessment of the internal control arrangements, checks on the substance of reported transactions and an assertion that all project disbursements have been for expenditures that were eligible for financing. The results of these reviews will be reported to the Bank and the external auditors.

Strengthened payment validation procedures will be specified, and linked to the M&E system. The POM will detail agreed procedures that are in addition to normal government accounting practices (such as the need to provide air tickets and boarding passes when claiming travel by air). For trainings, workshops and other activities alike, enhanced accounting evidence will be sought before payments are authorized. This requirement will include signed lists of all those who attended funded training events with names, designations and addresses, and 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 prudent.

Vendor invoices will be required to be formal invoices on letterheads with clear documentary trails and tax registration numbers; for goods procured additional supporting documents such as transportation documents (bills of lading for imports and delivery notes or “surat jalan” for locally procured goods) will also be required.

Other technical and financial reviews may be performed by these agencies or by the Bank as and when deemed necessary to strengthen the project monitoring.

Guidelines for submission of complete documentation required for 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 are in need of strengthening in order to reduce corruption risks.

d. Civil Society Oversight

The Government has been successfully implementing ECD 1 (LN 4378). This former project already engaged civil society through the PADU forum which consisted of the government, DPRD (local parliament), experts on ECD, representatives of communities and other civil society leaders interested in ECD. The plan is to build on this experience in the new project.

To help ensure that information is widely disseminated, and to encourage civil society oversight, *Public Accountability Meetings* will be held in each participating district at the beginning and at the end of each work cycle. The first of these will occur before

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2 PADU is the Indonesian acronym for ECD, it is now called PAUD
procurement takes place, so that civil society observers of the procurement processes (etc.) can be selected in a transparent manner. The second will occur each work package has been completed in the field. Each meeting must be properly organized in accordance to standards that will be laid down in the POM. The agenda for the meeting will be widely distributed at least two weeks beforehand to interested civil society groups, such as the local NGO/CSO forum and Universities. At these meetings the project consultants and staff will give a detailed presentation concerning the scope, cost and progress of the project within the province and sufficient opportunity will be given for attendees to pose questions directly to the project management. These meetings will be open to all adults from the general public, without exception. Though these meetings may be hosted by the local level government, at least one central level staff and consultant will attend as a key resource person. Attendance lists and minutes will be forwarded to the CPICU. This level of evidence is considered necessary because “soft components” such as workshops and training have proven particularly vulnerable to corruption in other projects.

It is recognized that projects can only encourage, and not order any voluntary, non-project observers to assist in project monitoring processes. In ECED this encouragement may include: advice to civil society groups on how to select observers; briefing/training for potential observers; monitoring of compliance by the CPICU on lower implementation units and sanctions on such units for non-compliance. Recent experience indicates that local government should not proactively select observers as this can seriously undermine the credibility of the exercise. The national and province level teams must run these processes, preferably with assistance from a respected independent entity from the national level such as a university or mass-based organization.

**Voluntary observers to procurement.** To ensure broader participation in the procurement process under this project especially of the consultancy services, voluntary attendance of at least two non-government observers from respected civil society institutions (NGO forum, university, end user groups, etc.) will be strongly encouraged. Clear processes and criteria for the selection of observers will be established with the agreement of the World Bank and detailed in the POM, which will also include details of the related training/briefing processes. Selection and briefing processes must obtain direct assistance from the CPICU team. All observers to the procurement process will sign the integrity pact to avoid conflict of interests and to ensure confidentiality of the selection process, and may be subject to severe legal sanctions according to national civil law if they are found trying to influence the process in favor of a particular supplier/provider. Observers will be asked to complete concise short, simple report forms at each stage of the process. These forms will be sent direct to the CPICU. Reports, to be reviewed by the CPICU will be sent in from the province concerning the selection and training of observers. These province selection/training reports must be accepted by the CPICU before procurement can proceed.

**Voluntary observers to implementation.** The integral complaint handling system of this project will allow any group to send early warning messages to the CPICU if they see problems occurring during implementation. To help ensure a broader coverage, Community Organizations (CSOs) will be invited by the government to send selected
observers on periodic supervision/site visits. The public accountability meetings detailed above will further encourage groups to provide inputs to the project on a routine basis.

Third party monitoring contracts. In the case of contractual relationships (e.g. not the voluntary relationships above), the project is clearly in a much a stronger position to dictate the form, quality and timing of deliverables (e.g. reports and analysis) but care must still be taken that objectivity is not lost and so it is better that selection and management of any contractual arrangements be done from the national level. Within the Monitoring and Evaluation system, the project includes some third party monitoring roles (see Component 3.2). Management of the project will need to periodically reevaluate whether these provide sufficient feedback in terms of ensuring good governance.

e. Complaints Handling System

Working closely with the office of the Inspectorate General and the Secretary General, the project will build a strong complaint handling system. This system is expected to sit within the Ministry’s newly established ‘Gerai Informasi and Media’ complaint handling system which would provide an ideal architecture with multiple conduits for channeling of complaints (SMS, email, post office box, dedicated telephone, etc.). The system will record incoming complaints, referrals and status of complaint handling such that it can all be tracked effectively through the project MIS. The Monitoring and Evaluation TORs reflect the Technical Assistance needs related to establishing and maintaining this system.

f. Clear Definition of Sanctions and Remedies

MoNE and The CPICU will put adequate internal supervision on project implementation.

The clarification of NCB procedures, following Keppres 80 / 2003, acceptable to the Bank will be included in the Legal Agreements. Substantial deviations from such clarifications will not be allowed and the related contract may be subject to misprocurement.

Remedies for non-compliance with agreed timelines for procurement decisions/service standards will be established, and will include the following remedies:

- An Evaluation Report must be submitted to the Bank within 6 weeks of the bid or proposal submission. Failure to do so will be deemed to be a “failure of due diligence”.
- Any request for extension of bid validity for 8 weeks (or more) beyond the original validity, will require prior approval from the Bank. Unless strongly justified, such approval will not be given and may be subject to misprocurement.

At the time of writing this M&E system is still being defined. However, the independent aspects of the monitoring are likely to include the association of ECED teachers/educationalists called HIMPAUDI and also studies conducted by universities related to project impacts, etc.
The CPICU will establish remedial actions and sanctions for cases of fraud and corruption that are reported and for which evidence is found. This will include sanctions to staff and provider proven to be involved in such cases. One section of the POM will be devoted to a clear description of such sanctions. Sufficient funds for the successful investigation and prosecution of such cases will be included in the project budget.

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, blacklisting, etc.) in accordance with Bank and Government regulations.

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 not effectively carried out key elements of the anti-corruption plan, may be excluded from subsequent funding. Information regarding such cases, where lessons are learnt and funds are retrieved, will be widely disseminated.

**Attachment A: Publicly available documents related to ECED.**

Actions related to the release of public ECED documents will include the following, *inter alia*:

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

b. MoNE and the CPICU will, and the World Bank may, make publicly available promptly after receipt, all final audit reports (financial or otherwise, and including qualified audit reports) prepared in accordance with the loan agreement and all formal responses of the government in relation to such reports.

c. MoNE and the CPICU will, and the World Bank may, further:
   - Make publicly available promptly after finalization all annual procurement plans and schedules, including all updates thereto;
   - Make available to any member of the public, promptly upon request, all bidding documents and requests for proposal 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. In the case of bidding documents from interested bidders and request for proposals from interested bidders, the relevant documents will only be made available after
notification of award to the successful firm. Each such document will continue to be made available until a year after completion of the contract entered into for the goods, works or services in question;

- Make available to any member of the public promptly upon request all shortlists of consultants and, in cases of pre-qualification, lists of pre-qualified suppliers.

- 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; and

- 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, ensure an easy access for the public to obtain the Indonesian version of the project’s anti-corruption plan;

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

Most of the documentation above should be placed in full on the project website as well as in hardcopy. Some of the documentation will also be summarized in order to provide better access to key information. Full details on how each of the above will be made available by MoNE and the CPICU will be contained in the POM.
### Attachment B: Fiduciary risk matrix for ECED.

<table>
<thead>
<tr>
<th>Corruption Mapping Area</th>
<th>Level of Risk</th>
<th>Opportunity for Corruption</th>
<th>Mitigation Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROCUREMENT</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>SELECTION OF CONSULTANTS AT CENTRAL LEVEL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertisement</td>
<td>HIGH</td>
<td>- Improper advertisement: i.e introduction of requirements that limit competition, incomplete information, the use of newspapers with limited circulation etc.</td>
<td>- Establish standard forms of advertisement for the project agreed with the Bank in the Project Operation Manual. - Require at least an advertisement on <a href="http://www.depdiknas.go.id">www.depdiknas.go.id</a> for easy reference for interested consultants, in addition to the normal advertisement requirements as mandated in the Guidelines. - Establish criteria on minimum requirements for newspapers to be used, and guidelines on disclosing information on procurement packages in the Project Operation Manual. - Copy of the original newspaper to be kept for audit purpose.</td>
</tr>
<tr>
<td>Preparation of owner’s estimate</td>
<td>HIGH</td>
<td>- Inclusion of mark-ups in estimates and the owner estimate information is leaked to contractors/consultants to ensure mark up price are inserted into the quotations/proposals. - Collusion among actors for personal enrichment; shared profit among actors - Lack of standard cost/base information makes it difficult to determine reasonableness of original estimate and owner estimate</td>
<td>- Publication of the procurement plan, which will include the contract estimates. - Publication of contracted amount.</td>
</tr>
<tr>
<td>Capacity of the Procurement Committee</td>
<td>HIGH</td>
<td>Non independent judgment of the evaluation process. The decisions tend to bias towards bidders/consultants as “instructed” by the higher level officials or other parties.</td>
<td>- Three experts will be hired as part of members of procurement committee - Invitation to independent (voluntary) civil society groups to be observers of a procurement process - An individual procurement consultant will be hired to assist the procurement committee. The report of the procurement consultant will be part of the decisions of the procurement committee - The CVs of the procurement committee</td>
</tr>
<tr>
<td>Committee</td>
<td>Level</td>
<td>Issue</td>
<td></td>
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<tr>
<td>-----------</td>
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<td></td>
</tr>
<tr>
<td>Preparation of RFP</td>
<td>MEDIUM</td>
<td>- Criteria are made to suit certain consultants only. - Establish clear guidance on criteria preparation in the Project Operation Manual;</td>
<td></td>
</tr>
<tr>
<td>Shortlisting</td>
<td>HIGH</td>
<td>- Manipulation of information on the shortlisted firms or individuals to favor certain firms or individuals to be included in shortlist - Pressures from higher level to include certain firms in the shortlist that a lot of times lead to non qualified firms in the shortlist - Require a narrative justification for each shortlisted firm/individual. - Require that during shortlisting process, the procurement committee is responsible for conducting due diligent check on the information submitted by the Consultants being proposed to be included in the shortlist</td>
<td></td>
</tr>
<tr>
<td>Opening of technical and financial proposals</td>
<td>HIGH</td>
<td>- Manipulation of Minutes of proposal opening records - Minutes of proposal opening must be sent to the Bank for information within 2 weeks for all prior review cases. - Invite Civil Society representative(s) to observe/witness proposal opening</td>
<td></td>
</tr>
<tr>
<td>Keeping the technical and financial proposals in a safe place for confidentiality purpose</td>
<td>HIGH</td>
<td>- Collusion between Consultants and the procurement committee to modify the technical and/or financial proposal which have previously been submitted and open At least a sworn public notary will be invited to officially witness the opening of technical and financial proposals, and certify the Minutes of Opening of technical/financial proposals. The public notary will also keep in a safe place one copy of the technical proposals submitted by each consultant (once they are open), the whole copy of the financial proposals (before they are open), and one copy of the financial proposals submitted by each consultant (once they are open).</td>
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<tr>
<td>Evaluation of proposals</td>
<td>HIGH</td>
<td>Delays in evaluating technical and/or financial proposals that would allow some “bargain” practices - The Technical Evaluation Report must be completed in 4 weeks, and the proposal for the award of contract and the draft contract must be made available within 4 weeks after completion of the Technical Evaluation Report or after getting the no objection from the Bank (whichever is later).</td>
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</tbody>
</table>
The legal agreement will provide an explicitly specific clause that the Bank may declare misprocurement if this is not complied with.

| 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 of unit rates for competitive selection  
- Mandatory disclosure of contract awards |
|-------------------|--------|------------------------------------------------------------------------------------------------------------------|
| Reputation of the bidders/consultants | HIGH | - Bidders/consultants may be in a conflict of interest situation, and/or involved in corrupt/fraudulent practices in the past  
- As part of their submitted proposals, bidders/consultants are required to sign a legal statement declaring that they are not in a conflict of interest situation, and/or involved in corrupt/fraudulent practices in the past that otherwise they will be discarded and legal actions from government will be pursued.  
- All bidders/consultants which intend to participate in any of the procurement packages under this Project, are required to disclose information upfront if any of their members of board of directors/commissionaires and their immediate family members are immediate family of: (i) members of the respective procurement committee as well as (ii) Echelon I – IV of the Ministry of National Education. |
| Quality of delivered products/services | MEDIUM | - The delivered products/services are of lower quality than the ones specified in the TOR, and the officials may take kickback through the difference  
- Intentional low quality of supervision of contracts, and kickback from the contractors/suppliers/consultants  
- Form a qualified, independent committee to review and assess the performance of the contractors/suppliers/consultants  
- Enhanced complaint handling mechanism  
- Enforce reward punishment system as defined in Keppres 80/2003 for poor performance |
### PURCHASE OF GOODS UNDER SHOPPING PROCEDURES

| **Submission of price proposals** | **MEDIUM** | **Mark up prices for kickbacks** | **- Public disclosure of the contract award, at least the name of suppliers with their prices**  
**- The procurement plan has been designed in such a way that only relatively few small contract packages under shopping, and the rest of purchases of goods will be channeled through community grants** |
|----------------------------------|------------|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| **Reputation of the suppliers**  | **HIGH**   | **- Suppliers may be in a conflict of interest situation, and/or involved in corrupt/fraudulent practices in the past** | **- As part of their submitted proposals, suppliers are required to sign a legal statement declaring that they are not in a conflict of interest situation, and/or involved in corrupt/fraudulent practices in the past that otherwise they will be discarded and legal actions from government will be pursued.**  
**- All suppliers which intend to participate in any of the procurement packages under this Project, are required to disclose information upfront if any of their members of board of directors/commissionaires and their immediate family members are immediate family of: (i) members of the respective procurement committee as well as (ii) Echelon I – IV of the Ministry of National Education.** |

### PROCUREMENT UNDER COMMUNITY PARTICIPATION

| **Purchase of goods/equipment/materials by community** | **HIGH** | **- Pressures from the government officials for purchases of goods/materials/equipment to limited suppliers only**  
**- Kickbacks to government officials**  
**- Lack of documentation at community level** | **- Disclosure of sub project budget which will be implemented by community**  
**- On the project design, the works to be accomplished by community are more output based ones. Therefore, the community grant will also serve as contracts between local governments with the community groups to deliver certain outputs**  
**- Make use of open community meetings for accountability of a procurement process**  
**- Public disclosure of contracts or summary of purchases** |
Facilitators are to be provided to community for assisting and building capacity within the community for maintaining record keeping.

- Monitoring consultants/NGOs will be hired to oversee the implementation in the community levels.

| Reputation of the Community Groups receiving the grants | HIGH | - Community Groups may be in a conflict of interest situation, and/or involved in corrupt/fraudulent practices in the past.
- As part of their submitted proposals, community groups are required to sign a legal statement declaring that they are not in a conflict of interest situation, and/or involved in corrupt/fraudulent practices in the past that otherwise they will be discarded and legal actions from government will be pursued.
- The Community Groups are required to disclose information upfront if any of their representatives or their immediate family members are immediate family of: (i) members of the evaluation committee at the local government levels, (ii) the board of directors and commissionaires of the relevant management consultants, or (iii) Echelon I – IV of the respective local governments. |

| Execution of sub projects under community grants | MEDIUM | Community Groups do not have the adequate capacity and resources to carry out the required activities/works under the Community Grants, which may lead to poor performance or poor quality of products.
- Regional Management Consultants are employed to assist communities. |

### OTHER PROCUREMENT RISKS

| Procurement Planning | HIGH | Risk of kickback, and budget markup. |
| Overall Procurement | HIGH | Risk of kickback, 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.
- Enhanced capacity for the officials involved in procurement decision, including hiring of consultants.
- Enhanced the control system (internal and external) including involvement of civil society in the procurement decision actions.
- Development of Project Manuals. |

Disclosure of Procurement Plan in public domain.
<table>
<thead>
<tr>
<th>Issue Description</th>
<th>Level</th>
<th>Risk Factor</th>
<th>Description</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointment of project implementing unit (Satker) and staff (commitment maker,</td>
<td>MEDIUM</td>
<td>Risk</td>
<td>Insufficient capacity and transparency may potentially lead to collusive</td>
<td>The Project Operation Manual (POM) shall include: (i) criteria for selection and performance indicators for</td>
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<td>treasurer, advance holder, remittance/SPM issuer) at district levels is not based</td>
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<td></td>
<td>practices.</td>
<td>project manager, treasurer, planning staff, procurement staff, and financial staff; (ii) requirement to conduct annual performance appraisal based on the criteria; (iii) Require the CPICU to conduct sufficient training on the POM for all of the project staff</td>
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<td>on their functional mandates and qualification. There are two potential reasons for such appointment: (i) The project is considered as less priority compared to others; (ii) Favoritism.</td>
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<tr>
<td>Publication of audit report</td>
<td>LOW</td>
<td>Low</td>
<td>Risk that information on the progress and result of project implementation</td>
<td>Make audit report and all formal responses of the government publicly available promptly after receipt of final report prepared in accordance with the credit agreement.</td>
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<td></td>
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<td>(including misuse, collusive and nepotism practice if any) may not be</td>
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<td></td>
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<td>available.</td>
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<tr>
<td>Sub-project accountability mechanisms</td>
<td>MEDIUM</td>
<td>Low</td>
<td>Lack of experience among DPIUs may result in misuse of funds.</td>
<td>Make use of project’s oversight and supervision provisions to minimize risks.</td>
</tr>
<tr>
<td>Selection of participating villages</td>
<td>LOW</td>
<td>Low</td>
<td>Lack of transparency and unfair process. Conflicts of interest.</td>
<td>Avoid conflicts of interest by providing guidelines for selection criteria which includes poverty rate and number of children population and non-existence/limited ECED services (see POM)</td>
</tr>
<tr>
<td>Appointment of team managing block grant funds at the community level</td>
<td>LOW</td>
<td>Low</td>
<td>Appointment of unqualified candidates is not based on capacity and community</td>
<td>- Establish agreed criteria mechanism criteria for selection of the team managing block grant funds;</td>
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<td>consensus but on the closeness of relationship between the candidate and the</td>
<td>- Disseminate the criteria publicly and hold annual performance appraisal.</td>
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<td></td>
<td></td>
<td></td>
<td>village elites.</td>
<td></td>
</tr>
<tr>
<td>Limited dissemination of information related to the project.</td>
<td>LOW</td>
<td>Low</td>
<td>Information is limited to implementing units.</td>
<td>- Disseminate the project’s objectives, and its rules and regulations through meetings and workshops at district level - Ensure that other ECED-related offices know what their respective roles and responsibilities are and how to hold each other accountable for their agendas.</td>
</tr>
</tbody>
</table>

**Notes:**
- DPIUs = District Planning and Implementation Units
- CPICU = Central Planning and Information Coordination Unit
- ECED = Early Childhood Education and Development
| FINANCIAL |
|-----------|-----------------|------------------------------------------------|
| Payment   | HIGH            | Fictitious report/supporting documents on, for example, travel expenditures and workshop / training expenditures. |
|           |                 | - Provide guidelines (as part of the POM) for monitoring claims of expenditures supported by relevant documentation, including reports on activities, evidence of participation, ticket, receipts, etc (see POM). |
|           |                 | - Compare price reports in different locations giving due attention to actual variations caused by problems of access, scope of activities, etc. |
|           |                 | - Strengthened internal audit of transactions by IG |
| Filing    | MEDIUM          | Project documents (such as procurement, financial, contract, audit, implementation reports, physical and financial back-up data, incoming and outgoing letters, and quality control testing documents) are intentionally not made available to cover up corruption practices. |
|           |                 | - Establish clear guidelines in the POM on procurement and financial filing and remedies if not maintained, including, as necessary, suspension of payments and replacement of personnel. |
|           |                 | - Establish guidelines on disclosing information on contracts that have been awarded. |
|           |                 | - Establish a proper project data and filing system. |
| Complaint handling | MEDIUM | Complaints are not handled appropriately. |
|           |                 | Establish a detailed complaints-handling mechanism, including tracking of complaints and measures for monitoring the effectiveness of its application. This includes posting announcement and brief description about the block grant in public spaces such as balai desa, mosque, etc. |
| Flow of funds | MEDIUM | Kick backs to government officials and village elites either contractors and beneficiary communities |
|           |                 | - Define transparent criteria for payment of grant tranches (from the DPIU to the community in the POM. This will be regularly reviewed by the Facilitators and randomly by the M&E team. |