Annex 15: Anti-Corruption Action Plan

INDONESIA: Farmers Empowerment through Agricultural Technology and Information

General Overview

1. The objective of this Anti-Corruption Action Plan (ACAP) is to identify corruption risks and suggest mitigation measures that might normally be beyond the standard control systems employed by projects. The mitigation measures in the ACAP are tailored to the needs of the project based on the identification of corruption risks. The attached matrix contains details concerning risks and mitigation measures.

2. The following text highlights some of the measures to be taken, based on the six key elements that have been identified by the Bank’s Anti-corruption Committee for Indonesia (ACT) 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

3. The Borrower and the Bank have agreed that the framework and actions outlined below shall be implemented under the FEATI in order to reduce the possibility of corruption, collusion and nepotism. Changes and revisions may be made to this action plan during the term of the project with the agreement of both parties. Annual joint reviews will be made to review the effectiveness of the ACAP.

4. The FEATI Project Management Manual (PMM) will 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.

5. An appropriate budget must be allocated to ensure each of the anti-corruption measures can be carried out effectively.

Anti-Corruption Action Plan

a. Enhanced Disclosure Provision and Transparency

6. 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 should be made available to the public in order to reduce corruption risks.

7. Public documents related to the project will be made available on an internet web site dedicated to the project. This must be established by the Implementing Agency prior to project effectiveness. The Implementing Agency will ensure that the website includes monthly 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.
8. In close consultation with the Bank, the Implementing Agency 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 include regular sharing of information with the media. Copies of press cuttings (etc.) will be sent to the national level for discussion and filing.

9. Other actions related to the release of public FEATI documents will include the following, inter alia:

a The Executing and Implementing Agencies 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 The Executing and Implementing Agencies 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 The Executing and Implementing Agencies 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) which will be carried out by national and provincial governments and shall be approved by the Bank.

10. 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 the Executing and Implementing agencies will be contained in the PMM.

11. Simple, short, standardized formats will be prepared to ensure monthly 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 PMU. Salient 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.

12. A summary of project information and progress, including problems and solutions, will be included in FMRs (Financial Management Report) and sent to civil society (e.g. NGO) forums in hardcopy at the national and provincial levels. FMRs are due every three months and will also be placed on the project website.

13. Salient materials, including the ACAP and any revisions thereto, must 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.

b. Mitigation of Collusion Risks

14. Collusion has been identified as a serious source of corruption problems in Indonesia. Procurement in particular is often fraught with collusion-related issues.

15. Clarification of National Competitive Bidding (NCB) procurement procedures following Keppres 80/2003 to be acceptable by the Bank will be included in the Legal Agreements. These will encourage greater competition and thereby reduce the risk of collusion. Following such clarifications, the implementation plan will include:
• Wide advertisement in national newspapers
• Removal of geographic and other restrictions
• The use of post-qualification which allows participation by bidders without any restriction.

16. A standard format of advertisement and criteria for acceptable newspapers with sufficient circulation for placement of advertisement will be specified in the PMM. The Implementing Agency may request the Bank for placement of advertisement in the UNDB website.

17. Guidelines for preparation of specifications/selection criteria in the Bidding Documents, or Request for Proposal will be prepared to ensure compliance with Bank guidelines. This will include suggestions to conduct simple surveys on available products in the market and the alternative of hiring consultants for procurement of complex goods, equipments, works or services to define the specification or Terms of Reference.

18. Guidelines to prepare owner estimates, for consultancy and construction work will be defined in the PMM. This will include the requirement to provide a detailed breakdown of estimates, suggestions to conduct simple market price surveys, and maintaining a database of survey results and previous purchases, which will be accessible to all Implementing Units.

19. A narrative justification of each shortlist will be required for proposing shortlists for prior review contracts. Guidelines on preparing these justifications will be prepared and included in the PMM.

20. If pre-bid meetings for procurement of simple goods and small works are to be conducted, it will not be compulsory for bidders to attend the meeting. The specifications shall be defined clearly in the bidding documents. Clarifications can be sought through written correspondence and replies will be sent to all bidders/shortlist firms. Appropriate guidelines providing for this will be prepared by the PMU and included in the PMM.

21. Public openings for ICB, NCB and QCBS processes will be attended by the Procurement Officer, Treasurer and representatives of the Internal Auditor. Independent observers (see Civil Society Oversight, above) will also be invited to attend these meetings.

22. Two copies of the reports and records of public openings for all prior review contracts shall be submitted to the Bank within 96 hours of meeting closure.

23. The executing agency, with the assistance of the CPMU, will provide guidelines and training on how to conduct clarifications and negotiations which are in line with the Bank guidelines. The guidelines will be incorporated into the PMM.

24. Timelines for procurement decisions will be agreed between GOI and the Bank to establish service standards and avoid procurement delays, thus reducing opportunities for corruption. These will be clearly defined in the PMM.

25. It is vitally important that bidding committees be fully trusted both in terms of competence and in terms of integrity. If there are instances where the bidding committee has not reported a possible violation and collusion is strongly suspected by the Bank or by the PMU that a bid must be re-tendered, the local bidding committee will be automatically disbanded and a new bidding committee formed with a new membership. If the project unit concerned lacks appropriate personnel to form a new committee then either the national PMU will carry out the tender on behalf of the project unit or the package will be dropped from the list.
26. Efforts to reduce elite capture at all levels, including at the community level, will be built into the program and include multiple channels for complaint (see complaint handling below) and strict auditing of accounts.

c. Mitigation of Fraud and Forgery Risks

27. The Executing Agency, with the assistance of the Central Project Management Unit (CPMU), will prepare guidelines on monitoring contract implementation. The guidelines will be incorporated into the PMM. These guidelines will include sufficient tracking of aspects such as unit costs, overall expenditures and works quality to ensure that forgery and fraud risks are minimized.

28. The Central Project Management Unit (CPMU), sub-PMUs, and each Project Implementation Unit (PIU) will include a qualified procurement officer and a qualified financial management officer. Monthly and quarterly reports will be tracked by the central management level that will be responsible to follow-up findings.

29. The Executing Agency and Implementing Agency 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.

30. The Executing Agency and Implementing Agency will establish procedures for regular reviews of accounting reports including all supporting documents (i.e. travel report, receipts, etc.).

31. The Executing Agency and Implementing Agency 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.).

32. An independent audit will be conducted under the supervision of the BPKP of activities at least quarterly, based on terms of reference which were agreed with the Bank during negotiations, which will include, inter alia, an assessment of the project implementing agency’s internal control arrangements 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.

33. Rigorous payment validation procedures will be specified, and linked to the M&E system. For civil work and construction, enhanced accounting evidence will be sought before payments are authorized: this will include photographic evidence of construction at each stage as well as technical evaluation report by independent agencies on the quality of work; Provider invoices will be required to be formal invoices on letterheads with clear documentary trails and tax registration numbers; for goods procured, transportation documents such as bills of lading for imports will also be asked for; and for expenses on workshops and training events, signed lists of all those attended funded training events with names and addresses will be required.

34. 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, including an interim audit on a semiannual basis.

35. 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 PMM.
d. Civil Society Oversight

36. To help ensure that information is widely disseminated, and to encourage civil society oversight, Public Accountability Meetings will be held in each participating location at the beginning and at the end of each work cycle. The first of these will occur at the district level before procurement takes place, so that civil society representatives required for the procurement processes (etc.) can be selected in a transparent manner. The second will occur after each work package has been completed in the field. Each meeting must be properly organized and the agenda widely distributed at least two weeks beforehand to interested civil society groups, such as the local NGO 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 staff or consultant from the relevant central PMU will attend as a key resource person. Attendance lists, minutes and photographs will be forwarded to the CPMU.

37. In relation to the FEATI, it is envisaged that the formal Civil Society Oversight will take three main forms, namely: Voluntary observation of procurement, voluntary observation of implementation and third-party monitoring contracts. Each of these is further described below.

38. It is recognized that projects can only encourage, and not order any voluntary, non-project observers to assist in monitoring project processes. In FEATI this encouragement may include: advice to civil society groups on how to select observers; provision of funds to cover reasonable related expenses; briefing/training for potential observers; monitoring of compliance by the CPMU 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. In the case of contractual relationships, the project is clearly in a much stronger position to dictate the form, quality and timing of deliverables (e.g. reports and analysis) but care must be taken that objectivity is not lost and so it is better that selection and management of contracts be done from the national level.

39. Voluntary observers to procurement. To ensure broader participation in the procurement process under this project, voluntary attendance of non-government observers will be strongly encouraged. Representatives of civil society groups (for example end-users, special interest groups local university staff, NGO forum, the local parliament) will be given sufficient opportunity to send observers to the procurement process. Clear processes and criteria for the selection of observers, and allowable expenses, will be established with the agreement of the World Bank and detailed in the PNM, which will also include details of the related training/briefing processes. Selection and briefing processes must obtain direct assistance from the CPMU team. All observers to the procurement process will sign the integrity pact (laid down by Kepers 80/2003) and may be subject to severe sanctions if found guilty of trying to influence the process in favor of a particular provider/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 CPMU. Reports from the district/province concerning the selection and training of observers must be received and accepted by the CPMU before procurement can proceed.

40. Voluntary observers to implementation. The integral complaint handling system of this project will allow any group to send early warning messages to the CPMU if they see problems occurring during implementation. To help ensure a broader coverage, 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 local groups to provide inputs to the project on a routine basis.
41. *Third party monitoring contracts.* Third party monitoring is inherently built into key project components. About 25 percent of the total project cost will be in the Farmer Managed Grants at various levels – village, district, and province. The District Extension Committees (DEC) and the Provincial Extension Committees (PEC) (to be created by local/provincial government decree) will comprise both government and non-government representation including NGOs, farmers associations, local universities, etc. The procedures for soliciting proposals, evaluation criteria will be made publicly available to ensure transparency and a level playing field. The results of the decision on awards will be made public at the press and on the project website along with details of contract value. Proposals will be retained and made available to the public on request. Procedures and selection criteria for the members of the DEC/PECs will be detailed in the PMM. Small contracts for specific studies related to aspects such as quality and impact (perhaps working with local universities) as well as small contracts with local entities to monitor progress, where deemed necessary is already built in to the project M&E system. Additional independent oversight of the project through contracts to an appropriate provider with relevant experience to help create meaningful links between the project and local (district/province level) civil society, and media will be established. This entity would be able to provide small sub-contracts to local civil society groups (one per location) to help the project with the selection and training of the local observers for procurement and implementation phases; with the effective running of local accountability meetings, and with other local level activities. The responsibilities of this entity will be specified in the PMM.

42. A list of the main monitoring contracts and related TORs were agreed on with the Bank during negotiations. These arrangements will be clearly established and approved prior to implementation so that the third parties can assist in the monitoring of planning, procurement, implementation procedures and impacts. The personnel from the third party organization(s) will be briefed regularly. Their monitoring of the project will include discussions with local government, local communities, supervising engineers and providers. Reports from these entities are expected to include recommendations to the national level office and the Bank for improvements to this ACAP. Guidance on appropriate procedures will be provided in related documents, such as the Terms of Reference for the central level consultant team and the PMM. An adequate budget and timeline for encouraging civil society oversight will be prepared and presented to the Bank as a part of the final PMM. The Bank may also mobilize third party supervision resources using civil society and/or other resources at anytime in order to carry out surveys, studies and audits in relation to the project.

43. **Complaints Handling System**

44. A complaints handling mechanism, which includes maintaining a project complaint log and filing to monitor status and follow up of each complaint, will be established by the Implementing Agency. The mechanisms will include provision for follow up actions of substantial complaints by the Internal Auditors, or third party auditor, to ensure independency and reliability of the system. Consideration will be given to including a complaints handling component in the website to be established for the project.

44. The system will be centered on a Complaint Handling Unit (CHU) established within the CPMU and monitored through the project's M&E system. The Complaint Handling Unit must be willing and able to provide routine reports concerning number, location and typology of complaints in a format acceptable to the Bank. The processing of complaints must incorporate the actions mentioned below. Multiple channels for complaint will be established, including telephone and fax numbers, SMS number, email address and Post Office Box. All of these channels will lead directly to the CHU without passing through other project entities.
45. The processing of complaints will follow this sequence:

- Record incoming complaint and codify with reference number that indicates date, type and status (complainant may be given a reference number so that he/she can track the progress of their complaint through the system);

- Refer complaint to most appropriate, qualified entity (e.g. not the entity to be investigated);

- Check progress of each complaint on a monthly basis;

- Provide a written report on complaint processing on a monthly basis to the head of the CPMU;

- Head of the CPMU to take direct action on those complaints that appear to be taking too long to process or where outcomes do not appear appropriate;

- Provide statistical analysis of complaint processing each month on the project website, showing clearly, which types of complaints have been received and current processing status for each type.

46. All complaints received shall be responded to by the CPMU within 7 days of receipt, with copy to CPMU files, the World Bank and the government.

f. Clear Definition of Sanctions and Remedies

47. The Executing Agency and Implementing Agency shall delegate the authority for supervision of works by stating clearly, and in detail, in the related bidding/contract documents the authority for the Engineer and the Engineer’s Representative. Clear, strict sanctions for abuse of this authority will also be stated in these documents.

48. 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.

49. 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”. Timely and appropriate action, acceptable to the Bank, will be required to remedy the situation.

- 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.

50. The Implementing Agency 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 PMM 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.
51. 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.

52. 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. 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.

**Corruption Mapping Matrix**

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<th>CORRUPTION MAPPING AREA</th>
<th>LEVEL OF RISK</th>
<th>OPPORTUNITY FOR CORRUPTION</th>
<th>MITIGATION ACTION</th>
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<tr>
<td>Procurement</td>
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<tr>
<td>Selection of the tender/evaluation committees and other teams responsible for decision making</td>
<td>HIGH</td>
<td>Collusive/nepotistic selection of members with the aim of gaining profit from the procurement, etc.</td>
<td>PMM to establish the steps of the membership selection process and minimum qualifications for members</td>
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| Preparation of owner’s estimate for procurement packages and other estimates in relation to the use of project funds | MEDIUM | - Inclusion of mark-ups in estimates  
- Possibility that estimate information is leaked to preferred providers/consultants to ensure mark-up prices are inserted into the quotations/proposals  
- Collusion among actors to establish inflated prices around the amount of the owner’s estimate for personal enrichment or to share profit with others | - Establish guidelines for the preparation of owner estimates and other costing estimates in the PMM  
- Frequently review estimates for (standard) costs for similar activities across the different project components and locations  
- Maintain project price database from previous contracts obtained through competition  
- Require clear breakdown of items, specifications and prices |
| Preparation of bidding documents for the selection of consultants/providers | LOW | Criteria/specifications are made to suit certain consultant/provider | Establish clear guidance on criteria/specifications for document preparation in the PMM. This must include templates for project units and communities to use for bidding/shopping procedures as appropriate. |
| Advertisement of packages for bidding | MEDIUM | No or inadequate advertisement in terms of content of information, size, and/or small circulation newspapers | - Establish clear guidance on criteria/preparation in the PMM  
- Establish criteria on minimum requirements for newspapers to be used |
<p>| Eligibility of the bidders | HIGH | Fake documents by the bidders to create impression of adequate | - Tight cross-checking of the documents with the parties |</p>
<table>
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<th>qualifications</th>
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<tr>
<td>- Concerned in the document</td>
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<td>- Tracing bidder’s track records</td>
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<tr>
<td>- Penalties for bidding committees that do not verify the eligibility of shortlisted bidders</td>
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