Annex 13: Anti Corruption Action Plan

INDONESIA: THIRD WATER SUPPLY AND SANITATION FOR LOW INCOME COMMUNITIES (PAMSIMAS) PROJECT

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 (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 Borrower and the Bank have agreed that the framework and actions outlined below shall be implemented under the PAMSIMAS in order to reduce the possibility of corruption, collusion and nepotism.

This Anti-Corruption Action Plan (ACAP) is heavily based on experience gained from previous projects, including WSSLIC-1 and WSSLIC-2. A matrix outlining this experience is given in Attachment A. Based on this experience the ACAP focuses mainly on those aspects of the project related to larger contracts (e.g. Technical Assistance) and high risk aspects of the “soft” investments such as training, workshops and campaigns which together constitute about 30% of the total project value. Previous experience in WSSLIC-2 and other CDD-related projects strongly suggests that the community-managed 70% of the investment is a lower risk in terms of corruption and also needs fewer anti-corruption measures. For the village level the keys to good governance are transparency, high quality facilitation and community-based management that is held accountable to the community and to the project.

All of the salient features of the project Anti-Corruption Action Plan will be fully integrated into the project budget. Key areas of the project that support the overarching anti-corruption effort include project management, monitoring and evaluation, independent auditing, disclosure and raising awareness. A matrix of detailed interventions has been prepared as an integral part of this plan and is given in Attachment B. Details of aspects related to disclosure are given in Attachment C. It should be noted that items in Attachment B and C are mainly clauses that have become standard in ACAPs over the past two years: they represent standard “good governance” measures and are not crafted specifically for any perceived additional risks in PAMSIMAS.

This ACAP refers to Project Manuals which include the PAMSIMAS Project Operation Manuals (POMs) which together 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.

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.
Detailed explanation of each of the measures outlined above are shown below.

a. Enhanced Disclosure Provision and Transparency

Undue secrecy can foster corruption. Some correspondence and documents, such as periodic Aide Memos 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.

Public documents related to the project will be made available on a website dedicated to the project. The Implementing Agency 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. The website will specifically provide information of forthcoming events that are open to the public in each location. Access to this website must be unrestricted, without limitations such as membership.

At the community level the project will disseminate information through an extensive range of media such as posters, circulars, signboards and meetings. Information dissemination at the district and province levels will ensure that related government and civil society groups are informed of the project and encouraged to support it.

Salient 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 link on the main webpage.

Disclosure of information will be supervised mainly through (a) checking the frequency and comprehensiveness of website updates and, (b) checking the distribution of materials to and within communities on a sample basis, particularly in relation to end-users.

b. Mitigation of Collusion Risks

Collusion has been identified as a serious source of corruption problems in Indonesia, particularly in relation to procurement. For PAMSIMAS, the prime concern in relation to collusion will be the consultancy contracts, as there are no centrally managed civil works or goods contracts. The procurement process will be detailed in the Project Manuals and further guidance may be provided from WBOI procurement section whenever necessary.

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. Participatory Transparency tools and mechanisms described in Annex 4 will provide public oversight by all community members of the collective decision making process, and will safeguard compliance of sub-project implementation with collective community decisions made during planning.

It is particularly important that bidding committees within the government system be fully trusted in terms of competence and integrity. If there are instances where the bidding committee has not reported a violation that later results in a re-bid, then the committee will be automatically disbanded and a new one formed with a new membership. If the project unit concerned lacks appropriate personnel to form a new
committee then either the national CPMU will carry out the tender on the behalf of the project unit or the package will be dropped from the list.

Mitigation of collusion risks will be supervised mainly through (a) tracking key data related to procurement (e.g. unit costs, schedules, etc.) and (b) periodic analysis of all bids that have suffered from collusion with an aim to identifying weaknesses in the system.

c. Mitigation of Fraud and Forgery Risks

The project will establish and follow procedures to maintain proper filing of project documents including those related to procurement, inter alia correspondence, advertisements, bidding documents, evaluation reports, contract award and final contract documents.

Rigorous payment validation procedures will be specified, and linked to the M&E system. The Project Manuals will detail agreed procedures that are in addition to normal government accounting practices (such as the need to provide 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 and addresses. Similar activities have tended to be highly vulnerable to fraud in the past and so these additional measures are deemed prudent. 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 required.

Mitigation of forgery and fraud risks will be supervised mainly through (a) reviewing the findings of strong technical and financial audits, to be held during (interim audits) and after (post audits) each year for a significant sample and (b) encouraging third party observation, with a possible focus on "soft" investments such as training, workshops and campaigns.

d. Civil Society Oversight

The Government has been successfully implementing previous rounds of the WSLIC series of projects and has engaged civil society through many related forums and networks.

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 procurement takes place, so that civil society observers of the procurement processes (etc.) can be selected in a transparent manner. The second round of public accountability meetings will occur when 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 Project Manuals. 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 CPMU. This level of evidence is considered necessary because "soft components" such as workshops and training have proven particularly vulnerable to corruption in other projects.

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 Project Manuals, 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 Kepres 80/2003) 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 CPMU. Reports, to be reviewed by the CPMU, will be sent in from the province concerning the selection and training of observers. These province selection/training reports must be accepted by the CPMU 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 CPMU 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 local groups to provide inputs to the project on a routine basis.

It is recognized that projects can only encourage, and not order any voluntary, non-project observers to assist in project monitoring processes. In PAMSIMAS this encouragement may include: advice to civil society groups on how to select observers; 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.

Civil society oversight will be supervised mainly through (a) reviewing the attendance of civil society groups in Public Accountability Meetings and (b) reviewing the reported inclusion of CSOs in project activities, particularly their roles in monitoring procurement.

e. Complaints Handling System

Working closely with the office of the Inspectorate General, the project will build an appropriate complaint handling system such that information regarding incoming complaints, referrals and status of complaint handling can be tracked through the project MIS. The Monitoring and Evaluation TORs will reflect the Technical Assistance needs related to establishing and maintaining this system.

The complaints handling system will be supervised mainly through (a) periodic review of statistics based on problem typology, severity and location, and (b) field level checks to ensure that problems are being reported and acted upon.

f. Clear Definition of Sanctions and Remedies

The agencies responsible for project implementation will ensure adequate internal supervision on all project activities. These agencies 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 providers proven to be involved in such cases. One section of the Project Manuals will be devoted to a clear description of such sanctions. Funds for the review of cases, case management and tracking will be included in the project budget.

In all procurement contracts, proof 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. 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.

The system of sanctions and remedies will be supervised mainly through (a) periodic review of the sanctions that have been enforced by the project based on typology, severity and location, and (b) periodic review of sanctions enforced by agencies external to the project such as the police, attorney general and Corruption Eradication Commission.