

PAMSIMAS

Anti Corruption Action Plan

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 WSLIC 1 and WSLIC 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 WSLIC-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 over-arching 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 Manual (POM) and the Project Management Manual (PMM), 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 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.

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 WBOJ 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.

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 Keppres 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.

Attachment A: Experience from WSLIC-1/WSLIC-2 and PAMSIMAS design.

	WSLIC-1	WSLIC-2	PAMSIMAS
Loan amounts	US\$ 80 m	US\$ 77.4 m	US\$ 160 m
Executing agency	MOH (DG CDC&EH) and Bappenas	MOH (DG DC&EH)	MOPW (DG CK)
Implementing agency	MOPW (DG CK), MOH (DG CDC&EH), MOHA (DG PMD)	MOH with TA from MOPW (DG CK) , MOHA (DG PMD and Bangda)	MOPW, MOH (DG DC&EH), MOHA (DG PMD, DG Bangda)
Time period	10/25/93 - 11/30/99	08/15/00 - 07/31/09	09/01/06 - 12/30/11
Components (name, cost/component, VERY SHORT summary)	1) direct Infrastructure development (water US\$60 m and sanitation US\$16 m) 2) Institutional Dev. and Building (Hygiene sanitation US\$7 m, Training and Community/Inst CB US\$20.4, TA US\$10.2, and project Mgm US\$9.1).	1) Community & Local CB - service contracts for facilitation, training, etc - US\$27 m 2) Improving health behavior and Service - health education, direct service to reduce water borne disease, school based health promotion, etc. - US\$11.5 m 3) developing water Infrastructure to provide water supply to rural pop, TA facilitation etc. - US\$38.3 4) project Mgm - US\$0.6	(from the April 14 version of the PAD) 1) Community Empowerment and Local Institutional Development - US\$ 16 m 2) Improving Hygiene and Sanitation Behaviour and Services - US\$ 18 m 3) Water Supply and Peri-Urban Sanitation Infrastructure - US\$ 168 m 4) Social and Economic Development Innovation Grant - US\$ 10 m 5) Implementation Support and Project Management - US\$ 22 m
Locations (e.g. which provinces and total number of districts/des as)	6 prov, 38 districts, 1,999 villages	8 prov, 72 districts, 2,854 communities	Estimated in 15 prov, 85 districts, 5,000 villages

	WSLIC-1	WSLIC-2	PAMSIMAS
Main corruption/ governance problems and how they were solved	<p>WSLIC 1 channeled funds through several sector budgets, and left contracting for civil works and facilitation to local technical agencies (dinas). There were very substantial problems found in these decentralized contractual arrangements, resulting in some very poorly constructed civil works in places and other oddities, such as a proliferation of ghosts (phantom facilitators) in others.</p>	<p>Far fewer problems than WSLIC-1. Some communities mismanaged savings from "unannounced discounts". There was an instance of outright theft. There was also some "cheating" on training organized through a tender at the district level. WSLIC 2 channels funds directly to communities for civil works (CDD) program, moving corruption risks to the lowest level. Publicly posting project financial and contract information, strengthened participatory planning by all parts of the community to reduce elite capture, and strengthened Bank supervision through more frequent visits to more villages with smaller teams, less advance notice.</p> <p>At the central level, community facilitation contracts are managed in relatively large provincial "packets", which can be cumbersome but are more easily monitored. Consultant performance monitoring mechanism has been introduced. Enhanced training for facilitators. Transparently set fee scales for facilitators</p>	<p>If the facilitation of the project is of high quality then the level of corruption risks in village level grants should be low. Care is needed in procurement of consultants and facilitators, particularly in relating to preventing collusive bids. Contract management also needs special attention. Based on experience from other programs, the main risks are expected to be in the "soft" investments such as training, workshops, campaigns, etc. Special efforts will be needed to monitor/ supervise these inputs to ensure that they are not abused.</p>

Attachment B: Fiduciary risk and mitigation matrix for PAMSIMAS.

<i>CORRUPTION MAPPING AREA AND RISK LEVEL</i>	<i>Opportunity for Corruption</i>	<i>Mitigation Action</i>
PREPARATION OF SPECIFICATIONS/SELECTION CRITERIA IN THE BIDDING DOCUMENTS (MEDIUM RISK)	Guidelines are not properly followed resulting in a low standard of procurement	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.
Advertisement (HIGH RISK)	<ul style="list-style-type: none"> - Improper advertisement: i.e introduction of requirements that limit competition, incomplete information, the use of newspapers with limited circulation etc. - Fictitious advertisement 	<ul style="list-style-type: none"> - Establish standard forms of advertisement for the project agreed with the Bank in the Project Manuals - Require an advertisement on government website 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 Manual - Copy of the original newspaper to be kept for audit purpose
Preparation of owner's estimate (HIGH RISK)	<ul style="list-style-type: none"> - 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 <p>Lack of standard cost/base information makes it difficult to determine reasonableness of original estimate and owner estimate</p>	<ul style="list-style-type: none"> - Guidelines to prepare owner estimates for consultancy contracts will be defined in the Project Manuals. This will include the requirement to provide a detailed breakdown of estimates, suggestions to conduct simple market price surveys, and maintaining a data base of survey results and previous purchases, which will be accessible to all Implementing Units. - Publication of the procurement plan, which will include the contract estimates. - Publication of contracted amount.

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Capacity of the Procurement Committee (HIGH RISK)	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.	<ul style="list-style-type: none"> - 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 must be provided on file to justify that the members of procurement committee are qualified. The legal agreement will provide an explicit clause that the Bank may declare misprocurement if qualification of the procurement committee is not satisfactory
Preparation of RFP (MEDIUM RISK)	- Criteria are made to suit certain consultants only.	- Establish clear guidance on criteria preparation in the Project Manual;
Shortlisting (HIGH RISK)	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Require a narrative justification for each shortlisted firm/individual. Guidelines on preparing these justifications will be prepared and included in the Project Manuals. - 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
Pre-bid meetings (MEDIUM RISK)	If pre-bid meetings for procurement of simple goods and small works are to be conducted some bidders may be disadvantaged	It will not be compulsory for bidders to attend pre-bid meetings. 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 CPMU and included in the Project Manuals.
Opening of technical and financial proposals (HIGH RISK)	- Manipulation of Minutes of proposal opening records	<ul style="list-style-type: none"> - Public openings for ICB, NCB, QCBS and QBS, in accordance with Bank guidelines processes will be attended by the Procurement Officer, Treasurer and representatives of the Internal Auditor. Independent (civil society) observers will be encouraged to attend. Procurement at the community level will adhere to the principle of competitiveness, fairness in the fully transparent way in order to provide community the best service to their needs - Minutes of proposal opening must be sent to the Bank for information within 2 weeks for all prior review cases.

<i>CORRUPTION MAPPING AREA AND RISK LEVEL</i>	<i>Opportunity for Corruption</i>	<i>Mitigation Action</i>
Keeping the technical and financial proposals in a safe place for confidentiality purpose (HIGH RISK)	- Collusion between Consultants and the procurement committee to modify the technical and/or financial proposal which have previously been submitted and open	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).
Evaluation of proposals (HIGH RISK)	Delays in evaluating technical and/or financial proposals that would allow some "bargain" practices	<ul style="list-style-type: none"> - The executing agency 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 Project Manuals. - 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). The legal agreement will provide an explicitly specific clause that the Bank may declare misprocurement if this is not complied with. - 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.
Extension of bid validity (HIGH RISK)	Extending bid validity can increase the risk of the process being abused	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
Award of Contract (MEDIUM RISK)	<ul style="list-style-type: none"> - The committee may call the prospective winner and negotiate the contract amount - Collusion and nepotism in awarding the contract 	<ul style="list-style-type: none"> - No negotiation of unit rates for competitive selection - Mandatory disclosure of contract awards
Reputation of the bidders/consultants (HIGH RISK)	- Bidders/consultants may be in a conflict of interest situation, and/or involved in corrupt/fraudulent practices in the past	<ul style="list-style-type: none"> - 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 government departments/ ministries associated with the project.

<i>CORRUPTION MAPPING AREA AND RISK LEVEL</i>	<i>Opportunity for Corruption</i>	<i>Mitigation Action</i>
Quality of delivered products/services (MEDIUM RISK)	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Form a qualified, independent committee to review and assess the performance of the contractors/suppliers/ consultants - Ensure that the performance of facilitators is routinely evaluated - Enhanced complaint handling mechanism - Enforce reward and punishment system as defined in Keppres 80/2003
Submission of price proposals (MEDIUM RISK)	Mark up prices for kickbacks	<ul style="list-style-type: none"> - 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 RISK)	Suppliers may be in a conflict of interest situation, and/or involved in corrupt/fraudulent practices in the past	<ul style="list-style-type: none"> - 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 government departments/ ministries associated with the project.

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<p>Purchase of goods/equipment/materials by community (HIGH RISK)</p>	<ul style="list-style-type: none"> - 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 - VIT procures all materials/equipments without involving villagers as a committee (elected community members). - Capacity of VIT in knowing the quality of materials/equipments - VIT buy materials/equipment in one supplier. - Lack of documentations of receipts. - Materials/equipments supplied by villagers should be subjected to VAT (?). - Facilitators/DPMU guide VIT to buy materials to certain suppliers in a discount rate (without considering materials' quality) - The committee may call the prospective winner and negotiate the contract amount. - Collusion and nepotism in awarding the contract. 	<ul style="list-style-type: none"> - 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 (e.g. community level water supply and sanitation facilities) - Make use of open community meetings for accountability of the procurement and financial management processes - 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 - CFT, VIT and community representative must be involved as members of procurement committee. - Training on procurement to be provided by executing agency. - For procurement of materials and equipments valued at less than Rp. 15.000.000,- the committee should compare prices from at least 3 different sources for goods with equal quality and should select supplier with the lowest price. The list of materials and equipment and the offered price should be properly signed and stamped by the supplier. - Bidding process will be required to procure goods/equipment valued at more than Rp.15 million. It is possible to arrange joint procurement with other villages in order to reduce the price. The procurement team should conduct a prior survey on prospective suppliers with relevant experience in supplying the related goods/equipments as well as collect information on retail and unit prices. A minimum of 3 prospective bidders shall send their quotation in sealed envelopes and will be opened one by one in the village meeting in front of the villagers/audience. If there is a suspected irregularity in the bids, clarification should be sought. The villagers then will select the winner and the team will reward the contract based on the agreement of type and quality of material, delivery time, unit price, and quantity. - For every received material/equipment, the procurement team must request and document the original receipt as well as make sure these materials/ equipment is the same as in the contract/agreement. - For materials supplied by the villager(s), the price should not include PPN (VAT). For materials supplied by contractors/ suppliers, it is assumed that the price is already covers VAT, and it is the responsibility of the contractors to pay the tax, not the villagers. - A description of goods/equipment such as type, quality, volume/quantity, delivery place and schedule, packaging and delivery condition

<i>CORRUPTION MAPPING AREA AND RISK LEVEL</i>	<i>Opportunity for Corruption</i>	<i>Mitigation Action</i>
Reputation of the Community Groups receiving the grants (HIGH RISK)	<ul style="list-style-type: none"> - Community Groups may be in a conflict of interest situation, and/or involved in corrupt/fraudulent practices in the past 	<ul style="list-style-type: none"> - 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. This statement will be made public in a village meeting. - 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.
Technical design as a menu of technical options (MEDIUM RISK)	<ul style="list-style-type: none"> - Delay in making a technical design would benefit the consultant. - The budget estimation (RAB) for construction may high due to lack of consultant performance or incomplete survey; will be effected to the total cost of construction especially community contribution - Insufficient technical oversight by district engineering consultant/DPMU or non independent review by process monitoring consultant (PMC) may increase total cost or bad design with high probability of system failure 	<ul style="list-style-type: none"> - The procurement plan with details should be binding in the Legal Agreement and will set as the basis for any procurement actions. - The Evaluation team for community action plans is responsible for checking the costs of proposal under PAMSIMAS design. District consultants will also check costings of designs prior to evaluation

Corruption Mapping Area and risk level	Opportunity for Corruption	Mitigation Action
Execution of sub projects under community grants (MEDIUM RISK)	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	<ul style="list-style-type: none"> - Regional Management Consultants are employed to assist communities - The Community facilitator team will assess the CGs capacity and the required trainings. This needs approval from district consultants and oversight by PMC.
Procurement Planning (HIGH RISK)	Risk of kickback, and budget markup	Disclosure of Procurement Plan in public domain
Overall Procurement (HIGH RISK)	Risk of kickback, collusive practices to "award" the contract to "preferred" bidders, and lower quality of products/services	<ul style="list-style-type: none"> - 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
Appointment of project implementing unit (<i>Satker</i>) and staff (commitment maker, treasurer, advance holder, remittance/ <i>SPM</i> issuer) at district levels is not based 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. (MEDIUM RISK)	Insufficient capacity and transparency may potentially lead to collusive practices.	The Project Manual shall include: (i) criteria for selection and performance indicators for project manager, treasurer, planning staff, procurement staff, and financial staff; (ii) requirement to conduct annual performance appraisal based on the criteria; (iii) Require the CPMU to conduct sufficient training on the Project Manual for all of the project staff
Recruitment process for CFs, PMUs, etc (HIGH RISK).	<p>Risk of collusive practices to recruit "preferred" consultants.</p> <p>Risk of un-sufficient capacity of PMU staff</p>	<ul style="list-style-type: none"> - Enhanced disclosure, complaint handling, and sanction as defined in Keppres 80/2003. - Supervision by Bank and GOI will be supplemented by independent monitoring by civil society. - The result of selected consultants must be NOL-ed by the Bank to avoid 'black list' of consultants from other Bank-projects - Training to be provided by the project on project management and treasury. - Regular evaluation on consultant performance (rewards for consultants who have best performance should be considered). - All personnel selections will be through the implementation of fully fair, objective and transparent mechanisms in accordance with Bank Guidelines. The selection committee will be required to show their commitment to manifest fair, objective and transparent selection process and avoid any misuse of

Corruption Mapping Area and risk level	Opportunity for Corruption	Mitigation Action
		<p>authority and discretion in the selection in the aim to obtain personal, family, groups and/or other interests by signing an integrity pact in accordance with the relevant government procurement regulations (Keppres 80/2003). Criteria for selections are constructed based on meritocracy principle that only the most qualified people are recruited</p> <ul style="list-style-type: none"> - Community Facilitators will be selected based on their performance after they follow a pre-service training
Publication of audit report (LOW RISK)	Risk that information on the progress and result of project implementation (including misuse, collusive and nepotism practice if any) may not be available.	<ul style="list-style-type: none"> - 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.). - Make audit report and all formal responses of the government publicly available promptly after receipt of final report prepared in accordance with the loan/credit agreement.
Sub-project accountability mechanisms (MEDIUM RISK)	Lack of experience among DPIUs may result in misuse of funds.	Make use of project's oversight and supervision provisions to minimize risks.
Selection of participating villages (HIGH RISK)	Lack of transparency and unfair process. Conflicts of interest.	Avoid conflicts of interest by providing guidelines for selection criteria of participating groups that will benefit from PAMSIMAS (see Project Manual)
Appointment of team managing block grant funds at the community level (HIGH RISK)	Appointment of unqualified candidates is not based on capacity and community consensus but on the closeness of relationship between the candidate and the village elites.	<ul style="list-style-type: none"> - Establish agreed criteria mechanism criteria for selection of the team managing block grant funds; - Disseminate the criteria publicly and hold annual performance appraisal. - Names of candidates need to be announced at least a week before pooling
Limited dissemination of information related to the project. (LOW RISK)	Information is limited to implementing units.	<ul style="list-style-type: none"> - Disseminate the project's objectives, and its rules and regulations through meetings and workshops at district level - Ensure that other PAMSIMAS-related offices know what their respective roles and responsibilities are and how to hold each other accountable for their agendas.
Corruption Mapping Area and risk level	Opportunity for Corruption	Mitigation Action

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Dissemination of information (MEDIUM RISK)	Information kept by certain group	<ul style="list-style-type: none"> - Any information related to project must be disseminated widely to community and other parties to control and monitor program performance and intervention impact. - Facilitators must ensure that poor, remote sub-villages, women groups. (etc.) obtain similar information to others - Enhancing complaint handling mechanism and sanction for those who keeps the information.
Selection of project locations (village) (HIGH RISK)	A negotiation may be done in selecting village between the executing agency and district representatives	<ul style="list-style-type: none"> - The selected villages must be really based on the poverty, water and sanitation demand come from community. - Enhancing complaint handling mechanism - Tighten Bank supervision
Consultant training (MEDIUM RISK)	Poorly conducted, not conducted according to the timetable	To invite CSO representative to participate in the training & report the training quality
Salary payment of consultants (CFT) (MEDIUM RISK)	Delay in salary payment for consultant may effect to the performance of project such as misused the fund, budget markup.	<ul style="list-style-type: none"> - Enhanced complaint handling and sanction for the late payment. - Consultant performance rating mechanism applied by firm should be reviewed and approved by the Bank? - The executing agency (with help from the Bank) will prepare SOP for consultant.
Payment (HIGH RISK)	Fictitious report/supporting documents on, for example, travel expenditures and workshop / training expenditures.	<ul style="list-style-type: none"> - Provide guidelines (as part of the Project Manual) for monitoring claims of expenditures supported by relevant documentation, including reports on activities, evidence of participation, ticket, receipts, etc (see Project Manual). - Compare price reports in different locations giving due attention to actual variations caused by problems of access, scope of activities, etc. - 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, <i>inter alia</i>, 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.
Filing (MEDIUM RISK)	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.	<ul style="list-style-type: none"> - Establish clear guidelines in the Project Manual 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

<i>Corruption Mapping Area and risk level</i>	<i>Opportunity for Corruption</i>	<i>Mitigation Action</i>
Complaint handling (MEDIUM RISK)	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 grants in public spaces such as <i>balai desa</i> , mosque, etc.
Flow of funds (MEDIUM RISK)	Kick backs to government officials and village elites either contractors and beneficiary communities	Define transparent criteria for payment of grant tranches (from the DPMU to the community in the Project Manual. This will be regularly reviewed by the Facilitators and randomly by the M&E team.

Corruption Mapping Area and risk level	Opportunity for Corruption	Mitigation Action
Community training (MEDIUM RISK)	The participant of training may only benefit certain group without involving the poor.	Ensuring community training reaches as many as possible participants from different groups and by combining gender balance in order to avoid nepotism.
Village government (MEDIUM RISK)	The involvement of village government (kades) in every stage of the process may risk the interventions.	<ul style="list-style-type: none"> - Village implementation team regularly provides reports to community on progress and expenditures - Public notice board is set up in the village for project related information - Ensuring information transparency and proper dissemination of information to avoid attempted nepotism and collusion. - Enhancing complaint handling. - At the village level, quarterly reviews will be carried out by the communities themselves, with assistance from facilitators as required. The village level records/accounts will be subject to audit on a sample basis and as required for troubleshooting.
Fund channeling and disbursement (HIGH RISK)	<ul style="list-style-type: none"> - Risk to the delay of project implementation - The fund may be disbursed all at once to village. - Risk of improper/incomplete financial documentation 	<ul style="list-style-type: none"> - Simplify process fund channeling. - The executing agency will provide the SOP for fund channeling and disbursement - 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 Project Manuals. This is a necessary step because standard government practices are in need of strengthening in order to reduce corruption risks. - Disbursement of Fund must be transparent – using information board - The disbursement in village based on the need in every stage of implementation, after the CF and VIT submitting the required budget estimation. - Monitoring by community, - The project will contract independent team as auditor to make sure the money is accounted for. - Financial Management Support (FMS) staff in CPMU and PPMU to monitor and audit the financial matters. - A team to give training on book keeping and project management. - Enhancing complaint handling, and sanction for those who disbursed the fund not following the regulation. - Village Accountability meeting will be conducted and should be attended by all villagers.

<i>Corruption Mapping Area and risk level</i>	<i>Opportunity for Corruption</i>	<i>Mitigation Action</i>
Development of an institutional organization in the village to do O&M (MEDIUM RISK)	<ul style="list-style-type: none"> - Capacity of O&M team in managing, operating and maintaining the sub-project as well as deciding the tariff for O&M. - Risk of collusive practice 	<ul style="list-style-type: none"> - Capacity building for O&M provided by consultants/ executing agency. - Ensuring there is mechanism for transparency.
Selecting Village Implementation Team (VIT) (HIGH RISK)	<ul style="list-style-type: none"> - Risk of nepotism - Capacity of VIT - The meeting doesn't include the poor, remote subvillages' reps and women group - Direct selection rather than election of representatives. 	<ul style="list-style-type: none"> - VIT must be selected through village meeting attended by all villagers. Member of VIT should have responsibility in doing project implementation. - Training for VIT must be provided by the executing agency. - PMC should review, monitor and approve the selection process
Commitment letter regarding the contribution in cash which is 4% of total construction cost (MEDIUM RISK)	<ul style="list-style-type: none"> - Risk of fraud - Risk that local elites loan community the "contribution" thus undermining the process. 	The commitment letter must be known and signed by community including the marginalized group.

Technical and financial reviews to supplement the measures above, may be performed by agencies involved in the project or by the Bank as and when deemed necessary to strengthen the project monitoring or supervision.

Attachment C: Enhanced Disclosure of Information in PAMSIMAS.

The following notes provide examples of how PAMSIMAS will reduce the risk of corruption through enhanced disclosure.

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 be detailed in the Project Manuals and will include regular sharing of information with the media. Copies of press cuttings (etc.) will be sent to the CPMU for discussion and filing.

Other actions related to the release of public PAMSIMAS documents are described in the matrix.

Release of public PAMSIMAS 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) 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 the Executing and Implementing agencies will be contained in the Project Manuals.

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 CPMU. 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.

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

**For further information related to PAMSIMAS,
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