

**GOVERNANCE AND ACCOUNTABILITY ACTION PLAN (GAAP)<sup>1</sup>**  
**GOVERNMENT FINANCIAL MANAGEMENT AND REVENUE**  
**ADMINISTRATION PROJECT**

**PART I : EXECUTIVE SUMMARY**

**Overview**

1. The Government Financial Management and Revenue Administration Project (GFMRAP) aims to strengthen efficiency and integrity in public financial management and resource mobilization in Indonesia, principally through strengthening governance, accountability and transparency. The Project incorporates a set of inter-related activities spanning a number of central government agencies, including the legislature. The multiplicity of implementing agencies coupled with the inherently weak internal control mechanisms currently in place create substantial governance, procurement and fiduciary risks for the Government of Indonesia (GOI). This is particularly relevant because a significant portion of the project funds will finance large contracts involving information technology, which are especially susceptible to collusion and other types of procurement irregularities. The remaining project costs will be spent on technical assistance, training and workshops. Experience has shown that difficulty in measuring the output of such expenditures also makes them vulnerable to fraud and lapses in internal control.

**Objective**

2. The objective of the Governance and Accountability Action Plan (GAAP) is to present mechanisms to strengthen management control over the Project, mitigate the risk of corruption, collusion and nepotism (KKN) and fraud and to ensure that project objectives are achieved. This action plan (i) maps the potential risks arising from the fragile project governance and accountability environment, (ii) presents mechanisms integrated into the Project Management Manual (PMM) to address these risks, and (iii) designates responsibility for implementing these mechanisms to particular project units. The GAAP seeks to demonstrate the seriousness of the GOI, and more specifically, the Ministry of Finance (MOF), Bappenas (the National Planning and Development Agency) and the DPR (the People's Representative Assembly of Indonesia) to strengthen efficiency, effectiveness, transparency and integrity in public financial management and revenue mobilization across all levels of government. Thus, the GAAP should not be viewed as a 'stand-alone' feature, but an integral part of the Government's overall reform agenda.

**Strategy**

3. The GFMRAP Team recognizes the inherent weaknesses of a project that cuts across a number of Echelon-I units within one ministry, let alone a project that traverses several ministries, and intersects both the executive and the legislature in a high-risk environment. The project proposes to address these limitations in a systematic

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<sup>1</sup> Approved by the Secretary General, Ministry of Finance and Chair of the GFMRAP Steering Committee, Mr. Mulia P. Nasution, on March 18, 2008.

manner, actively promoting greater transparency, accountability and integrity through smart project design. These actions can be summarized as follows:

- a) Governance & Accountability Project Component: An entire component of the GFMRAP has been designated to strengthen entities functioning as strategic checks and balances in the broader project governance and accountability framework.
- b) Project Implementation Arrangements: Project implementation arrangements combine a mix of centralized responsibility and decentralized arrangements to facilitate efficient, effective and accountable procurement execution, contract management and monitoring of project outcomes.
- c) Building Strong Task Teams with Effective Tools: Project management and technical teams shall be selected based on their skills, provided with further training and supported by highly qualified technical experts.
- d) Results-Oriented Monitoring and Evaluation (M&E) Framework and Action Plan: A results-oriented M&E framework and action plan has been developed for the GFMRAP to track progress and demonstrate the impact of project activities and implementation arrangements, including the effectiveness of the GAAP in achieving its objective.
- e) Enhanced disclosure and transparency: A proactive attitude and approach has been adopted relating to transparency and public dissemination of project-related information, including through the implementation of a project communication strategy under a specialized project communication advisor.
- f) Civil Society Oversight and Involvement: The project involves a degree of participation and oversight by civil society groups aimed at promoting transparency and greater awareness of GFMRAP activities.
- g) Strengthened Procurement Guidelines and Procedures: Detailed procurement guidelines as specified in the PMM will be implemented to promote efficient and timely procurement, and minimize procurement-associated risks.
- h) Due Diligence by Government and Disclosure by Bidders and Consultants: Comprehensive disclosure requirements have been introduced to eliminate corrupt and fictitious firms and/or individuals of low personal integrity participating in project activities as consultants.
- i) Specific Measures Related to the SPAN (State Treasury and Budget System): In acknowledgement of the high procurement risk posed by high-value turn-key information systems, additional measures such as independent verification and validation have been introduced for the SPAN acquisition.
- j) Strengthened Financial Management Guidelines and Procedures: Detailed procedures for strengthened financial controls, including payment validation procedures, have been designed for all project activities to mitigate fiduciary risks.
- k) Complaints Handling Mechanisms: A Complaints Handling Unit (CHU) shall be responsible for acting on all project complaints in a professional and timely manner, with utmost integrity and without any risk of reprisal to 'whistleblowers' either from within Government or those from the private sector/civil society.

- l) Sanctions & Remedies: The project has zero tolerance for KKN and fraud. Any suspicion of such practices shall warrant immediate investigation with severe penalties for any party found culpable of such practices.

### **Critical Success Factors**

4. Ownership and Support. The success of the GFMRAP depends on continued support from many actors ranging from the MOF - DG Treasury, DG Budget, DG Customs and Excise, DG Tax, the Inspectorate General - MOF, Fiscal Policy Office – to the Tax Court, Bappenas, DPR and selected pilot line ministries, as well as civil society. Consultants, contractors and auditors will also play important roles in the project.
5. Periodic Review. Strengthened project procedures and guidelines alone will not completely eliminate corrupt and fraudulent activities. The GFMRAP Team consisting of the Steering Committee, Advisory Team, Working Team, and the PSSU shall regularly review GAAP implementation and, if necessary, revise the GAAP as often as deemed necessary to incorporate lessons learned throughout project implementation.

## **PART II : MITIGATION MEASURES**

### **6. Governance & Accountability Project Component**

Project Governance and Accountability is strengthened by the establishment of the following project management team which is responsible for overall project planning, management and monitoring:

- o Project Steering Committee which consists of Echelon I unit heads of implementing agencies provides strategic level guidance and supervision to the project components;
- o Advisory Team which consists of Echelon II Heads responsible for the output of the different subcomponents provides technical guidance and supervision, and monitors the performance of subcomponents;
- o Working Team which consists of the Heads of the Project Services and Support Unit (PSSU) and the Project Implementation Units of the different subcomponents is responsible for assessing and resolving operations level issues, revising the PMM and the GAAP, monitoring; and
- o PSSU headed by a Project Manager responsible for day-to day project coordination, implementation and monitoring, providing support services to all PIUs, and maintaining communications with the World Bank.
- o PIU for each subcomponent, including the PSSU as PIU for two (2) subcomponents, are responsible for managing and overseeing the day-to-day operations of all subcomponents and for ensuring that activities are implemented as planned.

### **7. Project Implementation Arrangements**

- o The roles and responsibilities of all project teams and key project personnel are delineated in the Project Management Manual (PMM) as approved by the

World Bank, and formalized in appropriate government decrees, to serve as the basis for annual reviews of project governance and accountability arrangements.

- Appropriate procedures/guidelines relating to all project units pertaining to, but not limited to, matters of procurement, financial management and reporting, record keeping, complaints handling and M&E shall be prepared and periodically reviewed by the GFM RAP Team and be included in the PMM.
- The Procurement Committee of each GFM RAP sub-component shall be responsible for all sub-component procurement activities. With the exception of the Bappenas' sub-components, the Procurement Committees of all other sub-components shall include members from the PSSU.
- The PIUs shall remain responsible for managing subcomponent activities and for verifying the progress of contracts under their respective project sub-component, linking accountability for project outcomes directly to the respective government spending unit.
- The PIU Head for each sub component shall create a Technical Working Group to assist the PIU in conducting the technical review and evaluation of Consultant's outputs and deliverables.

## **8. Building Strong Task Teams With Effective Tools**

- The PMM shall provide clear criteria for selection of procurement committee members for all project sub-components (these criteria will be reviewed at least once a year and amended as necessary);
- The procurement teams located in the PSSU and in all PIUs will:
  - a) Undergo training in World Bank procurement guidelines and Government procurement regulations to ensure compliance with such processes;
  - b) Be jointly supported by a team of highly qualified procurement consultants who will provide expert assistance and strengthen internal project capacity in the preparation of advertisements and tender documents, evaluation of bids, conduct of negotiations, preparation of contracts, submission of procurement-related reports, maintaining procurement and other records, to ensure smooth, timely and efficient procurement.
- The financial management teams at both the PSSUs and the PIUs will:
  - a) Undergo training on financial management and reporting, including the preparation and utilization of World Bank's Financial Monitoring Reports (FMRs). The FMR will provide an opportunity to strengthen fiduciary oversight by integrating procurement, implementation and financial management.
  - b) The PSSU Project Director shall be supported by a team of at least two experienced, well trained and competent MOF staff with accounting/financial management qualifications to handle the financial management aspects of project implementation. Their tasks and responsibilities will be clearly defined in the PMM and in appropriate government decrees.

- The Directorate General of Treasury and Directorate General of Budget as implementing agencies of SPAN, the largest project component in terms of investment value, shall be supported by a Change Management and Communication Team to implement a comprehensive communications strategy, disseminate information on, and mitigate resistance to the objectives and activities of the project.

#### **9. Results-Oriented Monitoring and Evaluation (M&E) Framework and Action Plan**

- The Steering Committee shall sign-off, and monitor the project and sub-component results-oriented M&E indicators as part of the GFMRAP result-oriented M&E framework and action plan, including those to evaluate the effectiveness of the GAAP in achieving its objective.
- The Advisory Team shall:
  - a) Develop, monitor, review and revise whenever necessary the project and sub-component results-oriented M&E indicators as part of the GFMRAP result-oriented M&E framework and action plan, including those to evaluate the effectiveness of the GAAP in achieving its objective;
  - b) Review the consolidated M&E reports, including the implementation of the GAAP, to track progress and demonstrate the impact of project activities and implementation arrangements.
- All PIUs shall be responsible for the collection and collation of data to formulate M&E baselines and compile reports.
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#### **10. Enhanced Disclosure and Transparency**

- The PSSU shall:
  - a) Establish and maintain a GFMRAP website which provides updated information on project activities and can be accessed by the general public;
  - b) Arrange the provision of a link between the websites of the Ministry of Finance, Bappenas, the Tax Court, the Office of the Secretary General of the DPR and pilot line ministries (Finance, Public Works, Agriculture, Health and Education) with that of the project website.
- The procurement committees will promptly make publicly available, through the project website:
  - a) All annual procurement plans and schedules, including all updates thereof;
  - b) All short-lists of contractors, suppliers, and consultants (individuals and firms) together with the names and dates of all expressions of interests.
  - c) In the case of pre-qualification, all lists of pre-qualified contractors and suppliers together with the names and dates of proposals received;

- The PSSU will make publicly available, through the project website all annual financial audit reports including qualified audit reports prepared in accordance with the financing agreements for this project The disclosure of audit reports will be completed not later than 60 days after receipt of these reports by project management.
- The PSSU will make available to any member of the public, promptly upon request, bid documents in accordance with the procurement provisions of this agreement, subject to payment of a reasonable fee to cover the cost of printing and delivery, when deemed necessary.
- The PSSU will post information relating to the printing and delivery fee (and acceptable modes of payment, where applicable) of specific documents posted on the project website.

#### **11. Civil Society Oversight and Involvement**

- At least once a year, the GFMRAP Steering Committee will invite the World Bank, donor partners and selected civil society partners (mainly from academic institutions and independent think tanks to a consultative meeting to discuss the progress of the project, and to obtain feedback and recommendations. Arrangements on the consultative meetings will be stipulated by a decree of the Chairman of the GFMRAP Steering Committee.
- The PSSU, with support from the World Bank, will designate an independent Procurement Observer from a credible, independent organization. The Observer will be responsible for observing all goods contracts except for those designated as “Shopping” and those related to the SPAN. Terms of Reference for the Procurement Observer are to be agreed upon between the World Bank and the GFMRAP Steering Committee. The TORs will be included in an updated Project Management Manual.

#### **12. Strengthened Procurement Guidelines and Procedures**

- The PMM shall include a standard format/template for advertisements including criteria for acceptable newspapers with sufficient circulation for placement of advertisements.
- The PSSU/PIUs shall:
  - a) Conduct surveys on available products and their prices in the market and the alternative of hiring consultants for procurement of complex goods/equipments/works/services to define the specification/TOR;
  - b) Use uniform specifications for procurement of standard items as agreed by the procurement committee on goods, which supports all Subcomponents
  - c) Prepare any specifications to be included in RFPs/Invitations to Bid.
- The procurement committees shall:
  - a) Place Specific Procurement Notices (SPN) in local media as outlined in the PMM and, where necessary, on the UNDB and DGMarket websites;

- b) Specify within any SPN/Invitations to Bid, the requirement for all proposals to include clear and detailed specifications and cost breakdowns for all proposals
- c) Not impose any restrictions (geographic or otherwise) to limit the participation of consultants/bidders;
- d) Invite representatives of end-users to attend bid openings;
- e) Prepare and maintain reports of bid openings for all contracts subject to prior review by the World Bank;
- f) Seek at least three quotations in cases of shopping
- g) File and maintain procurement documents in accordance with PMM guidelines
- o The PSSU shall:
  - a) Post all SPN and information on all bid opening on the GFMRAP website;

### **13. Due Diligence by Government and Disclosure by Bidders**

- o The GFMRAP Procurement Committees shall:
  - a) Explicitly state in all SPNs for all procurements valued at or more than US\$100,000 the requirement for all firms to submit as part of their proposal their full particulars including:
    1. The postal and email address, telephone and fax numbers, URL of the registered office, and address of the principal place of business if different from the registered office;
    2. The names, addresses, telephone and fax numbers of all partners and shareholders who hold a 10% or greater share in the firm;
    3. The names, addresses, telephone and fax numbers of all principal officers of the firm;
    4. An explicit disclosure of interest, if any Echelon I, II or III officials of the MOF, Bappenas, Tax Court or DPR, as the case may be, or their close relations, are partners, shareholders or employees of the firm;
    5. A banker's opinion statement of the firm.
  - b) Have the right to reject a firm's proposal if any of the above information is not disclosed;
  - c) Require all individual consultants to disclose a signed statement of any relationship up to the third degree with any Echelon I, II or III official from the MOF, Bappenas, Tax Court or DPR, as the case may be;
  - d) Be responsible for conducting adequate checks and due diligence on any information and/or signed statements provided by firms and individual consultants

### **14. Specific Measures Relating to the SPAN (State Treasury and Budget System) Acquisition and Implementation**

- The Steering Committee will:
  - a) Oversee the entire two-stage bidding process;
  - b) If necessary, advise the procurement committee during contract negotiations;
  - c) Monitor the development and implementation of the SPAN until acceptance and sign-off by the appropriate officials of the user agencies, namely DG Treasury and DG Budget.
  - d) The Director General of Treasury will establish a SPAN Counterpart Team comprising of representatives of MOF units namely DG Treasury and DG Budget, and of pilot line ministries, to give support to and oversee the work of the SPAN turnkey solution providers, for better coordination, continuity, accountability and capacity building.
  - e) Responsible officials from the Directorate General of Treasury and the Directorate General of Budget shall accept and sign-off changes in the user and technical requirements as well as changes in the SPAN bid document;
- The SPAN Counterpart Team will:
  - a) Provide inputs and validate the user and technical requirements developed by the preparatory consultant team;
  - b) Thoroughly review and revise as needed the bid documents that will embody the new system specifications.
- An Independent Verification and Validation (IV&V) Consultant Team will:
  - a) Independently verify and validate progress against specific acceptance criteria and sign-off stages within the turn-key solution provider's contract;
  - b) Conduct post-implementation reviews at an agreed number of sample locations;
  - c) Provide facilitation and mediation between the Government and the turn-key solution provider;
  - d) Highlight in advance the implementation issues and potential disputes that may threaten the successful outcome of the project component;
  - e) Recommend remedial measures wherever such issues and potential disputes arise.

## **15. Strengthened Financial Management and Payment Validation**

- The PSSU and PIUs shall:
  - a) Require written confirmation by relevant working groups of progress against agreed deliverables in project contracts before payments to contractors are released;
  - b) Require verification of completion of any workshops and training activities prior to reimbursement of any expenses incurred by the participants or the Project;

- c) Require minimal documentary requirements for payment authorization to be retained at the PIU and attached to payment voucher (SPP) for audit purposes, even if not required to be submitted to the KPPN:
  - 1. Formal invoices on company letterheads, with complete contract addresses and tax registration number;
  - 2. For individual consultants, copies of ID cards (KTP or passport) to be submitted to the PIUs for filing purposes;
  - 3. For claims for reimbursable expenses as specified in the contract, original third party invoices & receipts (including travel tickets, hotel bills, contracts for rental of office equipment, receipts for operating expenses);
  - 4. For goods, evidence of delivery (packing list or transportation documents or 'surat jalan') and acceptance, and certificate of origin if imported;
  - 5. For training, workshops and seminars held locally through the PSSU/PIUs, signed list of attendees
  - 6. The PIUs shall submit monthly progress reports, quarterly financial reports, and semi-annual Monitoring and Evaluation (M&E) reports to the PSSU including information concerning specific contracts, implementation progress, project-related workshops and other activities, and basic data related to the number, typology and status of complaints if any.
- o The PSSU shall be responsible for:
  - a) Preparation and submission of consolidated quarterly financial reports and semi-annual M&E reports to the GFM RAP Team;
  - b) Publishing the consolidated quarterly financial report and semi-annual M&E Reports on the GFM RAP website.

## **16. Complaints Handling Mechanisms**

- o The Complaints Handling Unit (CHU) is to be established under the authority of the GFM RAP Advisory Committee. It shall:
  - a) Administer a dedicated email address (to be overseen by the head of the Advisory Committee) to facilitate submission of complaints.
  - b) Act with the highest integrity in maintaining the anonymity of all parties registering complaints;
  - c) Ensure widespread access to the complaints handling mechanism by including information on how it can be used on the project website and in all GFM RAP publications and reports;
  - d) Record and maintain a log of complaints received against the Project;
  - e) Acknowledge all complaints received, in an automatic standardized format, within 5 working days of receipt;
  - f) Refer, as necessary, any complaints to the appropriate PIU, copying the GFM RAP Advisory Committee and the World Bank Task Team Leader;

- g) Track the status of investigations and measures taken and disclose such information in quarterly reports to the GFMRAP Advisory Committee and the World Bank.
- h) Full details on the complaint handling mechanisms are to be included in the PMM.
- o The PSSU will:
  - a) Post information on the GFMRAP website regarding the project's complaint handling mechanisms;
  - b) Provide the CHU with a web-based complaint registering service to facilitate anonymous complaints.
  - c) The GFMRAP Working Committee shall periodically review the effectiveness of the complaints handling mechanism for the project, particularly follow-up actions on the investigation of serious and unresolved complaints made through the dedicated email or via internal or third party audits,. The Working Committee shall also ensure the impartiality and reliability of the system.

## **17. Sanctions & Remedies**

- o In instances of fraud, collusion or corruption, the Chairman of the GFMRAP Advisory Committee shall inform the Secretary General of the Ministry of Finance (or the concerned institution in cases falling outside the MOF) to take action against staff involved in KKN.
- o The GFMRAP Advisory Committee shall sanction any contractors or consultants in any proven case of fraud, collusion or corruption in accordance with existing procedures. Such sanctions may involve dismissal, disqualification from all further project activities, blacklisting and possible prosecution.
- o The GFMRAP Steering Committee may drop/discontinue an entire sub-component if it fails to properly deal with issues of KKN and/or fraud.