

INDONESIA
INVESTING IN NUTRITION & EARLY YEARS PHASE 2 (P180491)
PROGRAM FOR RESULTS

Fiduciary Systems Assessment

May 2023

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ABBREVIATIONS AND ACRONYMS

ACG	Anti-Corruption Guidelines (Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing)
APBN	<i>Anggaran Pendapatan dan Belanja Negara</i> (National Budget)
APIP	<i>Aparat Pengawas Internal Pemerintah</i> (Government Internal Supervisory Apparatus)
Bappenas	<i>Badan Perencanaan Pembangunan Nasional</i> (Ministry of National Development Planning)
BPK	<i>Badan Pemeriksa Keuangan</i> (Supreme Audit Institution)
BPKP	<i>Badan Pengawasan Keuangan dan Pembangunan</i> (Finance and Development Monitoring Agency)
DIPA	<i>Daftar Isian Pelaksanaan Anggaran</i> (Budget Implementation Document)
DLI	Disbursement Linked Indicators
CPMU	Coordinating Project Management Unit
EA	Executing Agency
F&C	Fraud and Corruption
FMIS	Financial Management Information System
FSA	Fiduciary Systems Assessment
FY	Fiscal Year
GOI	Government of Indonesia
IA	Implementing Agency
IFMIS	Integrated Financial Management Information System
IG	Inspectorate General
IPF	Investment Project Financing
ISSAI	International Standards of Supreme Audit Institutions
IVA	Independent Verification Agency
KemenPAN-RB	<i>Kementerian Pendayagunaan Aparatur Negara dan Reformasi Birokrasi</i> (Ministry of Administrative and Bureaucracy Reforms)
KSP	<i>Kantor Staf Presiden</i> (Executive Office of the President)
LAPOR!	<i>Layanan Aspirasi dan Pengaduan Online Rakyat</i> (National Public Services Complaints Management System)
LG	Local Government
LKPP	<i>Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah</i> (National Public Procurement Agency)
MOECRT	Ministry of Education, Culture, Research and Technology
MOF	Ministry of Finance
MOH	Ministry of Health
MOHA	Ministry of Home Affairs
MOV	Ministry of Villages
OPRC	Operations Procurement Review Committee
PAP	Program Action Plan
<i>Perpres</i>	<i>Peraturan Presiden</i> (Presidential Regulation)
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PforR	Program-for-Results

Pokja	<i>Kelompok Kerja (Working Group)</i>
PP	<i>Peraturan Pemerintah (Government Regulation)</i>
PPID	<i>Pejabat Pengelola Informasi dan Documentasi (Public Information Officer)</i>
PPK	<i>Pejabat Pembuat Komitmen (Commitment Making Officer)</i>
PPL	Public Procurement Law
PPSPM	<i>Pejabat Penanda Tangan Surat Perintah Membayar (Payment Verification Officer)</i>
RETF	Recipient-Executed Trust Fund
SAKTI	<i>Sistem Aplikasi Tingkat Instansi (Ministry Financial Application System)</i>
SIAP	<i>Saluran Informasi, Aspirasi dan Pengaduan (MOH's Public Information and Complaints Channels)</i>
SIRUP	<i>Sistem Informasi Rencana Umum Pengadaan (Information System for Procurement Planning)</i>
SoVP	Secretariat of Vice President
SPAN	<i>Sistem Perbendaharaan dan Anggaran Negara (Central Government FMIS)</i>
SPKN	<i>Standard Pemeriksaan Keuangan Negara (National Financial Audit Standards)</i>
SPSE	<i>Sistem Pengadaan Secara Elektronik (Government e-Procurement System)</i>
TSA	<i>Treasury Single Account</i>
UKPBJ	<i>Unit Kerja Pengadaan Barang/Jasa (Procurement Service Working Units)</i>
WBS	Whistleblowing System

I. EXECUTIVE SUMMARY

1. **The Fiduciary Systems Assessment (FSA) included reviewing of the procurement, financial management and governance systems, processes, capacity, and performance of the implementing agencies to determine their adequacy for implementation of the Investing in Nutrition and Early Years Phase 2 (INEY-2) Program.** The Bank has completed the FSA according to the World Bank's PforR Financing policy/directive. The assessment considered implementation performance of the INEY Phase 1 program and noted some risks on the proposed program. Bappenas has been confirmed as the Executing Agency for the Program, and will be the main interlocutor between the GOI and the World Bank. Bappenas will be responsible for facilitating the implementation and monitoring of the PforR Program and ensuring adherence the program management, legal, fiduciary, and environmental and social obligations of the government as outlined in the loan agreement and the Program Action Plan. It will coordinate, with support from SoVP as necessary, among the DLI implementing units. It will also coordinate with MOF and implementing units to facilitate DLI reporting, request BPKP to execute DLI verification, facilitate availability of ministry audit reports, and coordinate with MOF on disbursement and any required restructuring. The EA will play an important role on many fiduciary aspects, which include: (i) to prepare a consolidated program financial reports, procurement, and governance reports; (ii) to coordinate, monitor program activities; and (iii) to prepare DLI achievement reports and dealing with IVA and external auditor.
2. **The Program's fiduciary risk** are mainly: (i) budget effectiveness delay and adequacy of budget allocation; (ii) delay on consolidated financial reports submission; (iii) inadequate verification by the Implementing Agencies (IAs) of the Bank's list of debarred/temporary suspended firms before awarding contracts; (iv) lack of information regarding procurement profile and contract data during program implementation; and (v) risk of unattended complaints under the Program and indications of Fraud and Corruption in connection with the program are not detected and reported in a timely manner.
3. **Mitigation measures.** There are some measures proposed to mitigate the risks which are: (i) all implementing agencies have to get adequate budget from MOF to implement the program, especially for DLI achievement; (ii) EA has to assign a dedicated financial officer to manage FM aspect of the program; (iii) each IA/EA to require its Procurement Service Working Units (UKPBJs)/Procurement Officers and Commitment making officers (PPK) to check into the Bank's debarment (www.worldbank.org/debarr) and temporary suspension lists as well as record the verification in the bid evaluation report prior to awarding the contract in order to ensure that no contract under the Program is awarded to a firm or individual that is under debarment and/or temporary suspension by the World Bank; (iv) each IA through the EA to regularly provide the Bank with information on procurement profile and contracts under the Program (at least every 6 months), and (vi) each IA through the EA to inform the Bank promptly of all credible and material allegations or other indications of Fraud and Corruption in connection with the Program that come to its attention, together with the investigative and other actions that it proposes to take.
4. Based on implementation of INEY Phase I Program and assessment of INEY Phase 2 Program, the fiduciary risk is rated as Moderate. All the identified risks found during the assessment and the mitigation measures have been discussed with the EA and included in the Program Action Plan (PAP).

II. PROGRAM FIDUCIARY ARRANGEMENTS

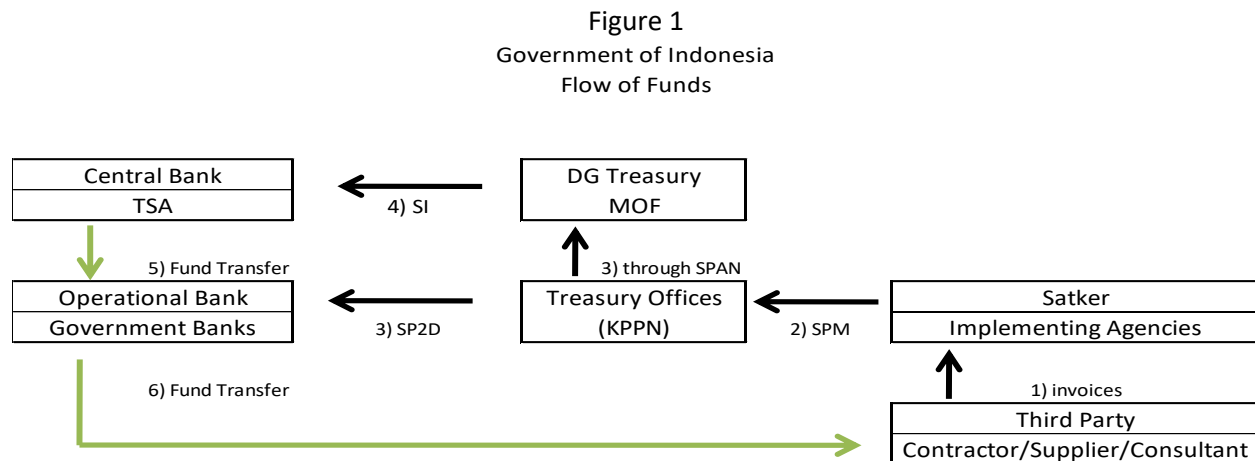
Review of PFM Cycle of the entities involved in the Program

5. **The INEY Phase 2 Program will continue arrangements under Phase 1, following government financial management (FM) system which include planning, budgeting, accounting, reporting, internal control and auditing.** FM performance works adequately and rated moderately satisfactory for the last phase I program implementation review. Despite the pandemic situation, the government kept focusing stunting issues as priority.
6. **The Public Financial Management (PFM) system in Indonesia has shown significant improvements over time.** The 2017 (latest) Public Expenditure and Financial Accountability (PEFA) report concludes that Indonesia has established a strong legal and regulatory framework that aligns with most international standards on PFM. While 9 out of 31 PEFA performance indicators received “A” score, the highest performance according to PEFA standards, overall, the average PEFA performance score is slightly below “B”. However, this score is above the basic level of performance generally consistent with good international practices. Indonesia has instruments that have allowed prudent fiscal management and control of budget execution. The roll-out of the SPAN as the financial management information system (FMIS), together with the implementation of strict cash consolidation management rules, a well-defined treasury management system at the central government level, consistency between the accounting and budgetary classifications, and the convergence of national accounting with international accounting standards for the public sector, have created a solid platform for automation and integration of PFM processes for the improved quality of financial reporting.
7. There are eight implementing agencies in the program boundaries of the INEY Phase 2 Program as follows: Secretariat of Vice President (SoVP), Ministry of Finance (MoF), Ministry of Health (MoH), Ministry of Home Affairs (MoHA), Ministry of Village (MoV), National Population and Family Planning Agency (BKKBN), National Development Planning Agency (Bappenas), and Ministry of Education, Culture, Research and Technology (MoECRT). Bappenas has been confirmed as the Executing Agency for the Program, and will be the main interlocutor between the GOI and the World Bank. Bappenas will be responsible for facilitating the implementation and monitoring of the PforR Program and ensuring adherence the program management, legal, fiduciary, and environmental and social obligations of the government as outlined in the loan agreement and the Program Action Plan. It will coordinate, with support from SoVP as necessary, among the DLI implementing units. It will also coordinate with MOF and implementing units to facilitate DLI reporting, request BPKP to execute DLI verification, facilitate availability of ministry audit reports, and coordinate with MOF on disbursement and any required restructuring. There are three laws which form the basis for the public financial management (PFM) framework: i) Law No. 17/2003 on State Finance; ii) Law No. 1/2004 on State Treasury; and iii) Law No. 15/2004 on State Financial Management and Accountability and Law No15/2006 on Supreme Audit Institution (BPK). There are several implementation regulations through Ministerial Decrees such as MOF Decrees, BPK Decrees and others.
8. **Planning and Budgeting** process are assessed as adequate. The program is included in the government plan and budget. The program is budgeted annually like other government programs. Based on PEFA 2017, The national budget has been allocated toward the government priority area. The government keeps human development program as one of priority activities. The government allocated almost USD 3 Billion for stunting reduction program in FY 2022 at the central level. Budget

tagging for FY 2023 will be completed at the end of March 2023.

9. The program budgeting process follows the existing government procedures. After decisions are made in June regarding overall budget ceilings for the next fiscal year, implementing agencies prepare program budgets in July and submit it to Ministry of Finance (MoF) for budget consolidation and to Bappenas (Planning Ministry) to conform with national development plan. All line ministries discuss the budget with relevant commission in the Parliament (DPR) during August-September. At the end of October, the Consolidated line ministry budget work plans (RKA-KL) and final budget ceilings (broken down by organizational unit, type of expenditure, function, program and activity) are approved by a full session with the DPR and adopted as the draft Annual Budget Law (RAPBN).
10. Following the issuance of Annual Budget Law (UU APBN) in December, a Presidential Decree (*Perpres*) is issued setting out the details of the budget as approved by DPR. Based on this *Perpres* and SAPSK, the LM prepares the budget authorization documents (DIPA). The LM submits these to the DG Budget, which will be endorsed and forwarded to DG Treasury. The DIPAs are approved by DG Treasury and signed by echelon 1 officials in the LM. Once the DIPAs have been approved, the LM prepares budget detail or Operational Instructions (POK), which are internal operational guidelines for the work units that elaborate on what is contained in the LM Budget Work Plan for the next fiscal year.
11. **Treasury Management.** The program will follow existing treasury system. The system is adequately transfer funds from the treasury office to third parties in a reasonable amount of time. National budget (APBN) uses central treasury office (KPPN) which are in almost all provinces.
12. Since 2015, Central Government Treasury System (SPAN) has been successfully implemented by the Treasury Offices (KPPNs) to process and control central government payments in their respective regions. SPAN simplifies and speed up the treasury process for central government budget. SPAN now manages all the financial transactions performed by over 24,000 government spending units. It consolidates government revenues into a Treasury Single Account (TSA) held at Bank Indonesia (BI) and routes all payments through this account. Daily cash balances and comprehensive transaction data of central government treasury offices are captured on a real-time basis.
13. There is a risk of payment delay if an implementing agency submits incomplete documents to KPPN. Based on random review sampling, if supporting documents are adequate, all payment order is processed within 1-2 days. A checklist of required supporting documents helps implementing agencies submit documents to KPPN completely.
14. The PPK enters into commitments and signs contracts with third parties. After signing the contracts, the flow of funds begins. PPK submits a payment request (SPP) to KPPN through a payment officer (PPSPM). The PPSPM reviews and verifies the SPP and supporting documents. After reviewing the documents, the PPSPM issues a payment order (SPM) to KPPN.
15. KPPN reviews the SPM and checks whether the SPM is made under the relevant DIPA and is supported by adequate budget balance. KPPN then issues a payment order/instruction (SP2D) through Government Treasury Account (GTA). The GTA then transfers the funds directly to the third parties. KPPN has one-working-day standard for processing SPMs when all documents are correct and complete. KPPN processes in 1-3 days in practice. The line ministry can monitor the payment

process online through the Treasury website for national budget. Not all local governments have an online monitoring system. Figure 1 shows flow of funds process for the government budget.



16. **Accounting and Financial Reporting.** As part of government program, all implementing agency use the government accounting and reporting system (SAI) application to record overall program expenditures as well as line item expenditures. SAI application produces financial reports on a regular basis quarterly, bi-annually, and annually. The government has been following accrual basis since FY 2015. In the last five years, all implementing agencies produce financial reports and provided to the external auditor timely.
17. PEFA 2017 noted that There has been an improvement in the quality of the government’s annual financial reports (LKPP), shown by the achievement of an unqualified audit opinion from BPK for the first time in 2016. This unqualified opinion is the first such opinion achieved since the first annual financial accountability report was prepared and initiated in 2004. Based on audit results, BPK expressed unqualified opinion for LKPP 2019. All participant ministry in this program also got unqualified opinion on their financial reports.
18. Program financial reports will use a standard government report that produced by government accounting system, included budget realization report (LRA). LRA are prepared and follow a cash basis by each implementing agency. EA will compile the LRA reports for program financial purposes from implementing agencies. EA compiles the reports manually using excel sheet. The annual report will be used for monitoring program implementation and for audit purposes. As EA was not used to compile the reports, there is substantial risk in EA preparing the consolidated LRA. There is a need to strengthen FM capacity and provision of FM technical assistance to EA during program implementation.
19. **Internal Control.** The internal control system follows the existing government system. Government issued a Government Regulation No. 60/2008 and adopted COSO as its control framework in August 2008. Each ministry/agency has internal audit unit (Inspectorate General) that report to minister or head of the agency. BPKP has collaborated with the Inspector General (IG) to ensure they are providing support to implementing units in strengthening controls.
20. Based on PEFA 2017, internal controls on non-salary expenditure are adequate. A comprehensive set of controls, including segregation of duties, is in place at the central government level and throughout

the expenditure process. The functions and accesses are defined in the SPAN integrated budget and treasury payment system with appropriations and commitment controls. In general, discrepancies related to compliance with payment rules and procedures occurred, but they are not material and can be considered negligible.

21. The internal audit function, through the Inspectorate General (IG), is effectively in place in all implementing agencies. The IG supervises and monitors the follow up actions of external audit findings. IG assignment mostly involves conducting compliance audits on the operational aspects of the government activities. However, the capacity and therefore the effectiveness of the internal audit function is still limited and mostly devoted to compliance-related checks.
22. Overall, the internal control framework of the public spending entities in Indonesia is now in place and aligned with the five components of internal control from the COSO framework. The internal control for all ministries should be improved and followed MOF circular letter PMK No. 09/2017, which provides guidelines for the implementation, assessment, and review of Internal Control over the Central Government Financial Report (ICOFR).
23. **External Audit.** Based on Law 15/2014, BPK is mandated to audit all the government agencies. BPK audits all line ministries financial statements annually. There are three types of audit assignment by BPK: i) Financial Audit ii) Performance Audit and iii) Audit for Special Purposes, Inc. investigative audit. BPK has achieved many good results in public sector auditing, as recognized by peer review reports from Netherland SAI in July 2009 and Poland SAI in April 2014. BPK has been following national financial audit standards (*Standard Pemeriksaan Keuangan Negara*, or SPKN) since 2007. Over time, BPK has revised and improved the SPKN, which are generally aligned with ISSAIs. BPK approved the latest standards through BPK Decree No. 1/2017 issued on January 6, 2017.
24. BPK expressed unqualified (clean) opinion to all implementing agencies that will implement the INEY 2 program. Even though all implementing agencies got clean opinion, BPK noted outstanding 215 findings and recommendation to the financial reports up to FY 2020. Based on Law No. 15/2004 states that the auditee (officer) needs to respond to the follow-up actions stated in BPK audit findings within 60 days. Otherwise, the officer may be subject to administrative sanctions in accordance with the provisions of the law and regulations on personnel. Most agencies submit their formal responses within 60 days. Based on BPK audit reports FY 2021, BPK noted that 195 (90.7%) findings and recommendation has been followed it up.
25. Implementing agencies will submit the program budget realization report to EA. Then EA will prepare and provide a consolidated program financial reports to BPK for audit purposes. Since EA is not accounting entity and only compiling the financial reports from the implementing ministries; and there is no budgeting relationship between EA and the ministries. Therefore, responsibility and accountability of program implementation are at implementing agencies. Moreover, all implementing agencies have their own budget and execute the budget independently. Due to the above condition, BPK will conduct an audit assignment and do an audit to program expenditures in implementing agencies.

Procurement

26. The INEY Phase 2 Program procurement systems have been assessed and the FSA concludes Program will achieve intended results through its procurement processes and procedures.¹
27. **Procurement regulation and procedures applicable to the INEY Phase 2 Program.** All procurement processes under INEY Phase 2 Program are required to follow the Government Procurement Regulations (*Peraturan Presiden/Perpres* No. 16/2018) as amended through *Perpres* No.12/2021 and its technical guidelines (*Peraturan Lembaga/Perlem* LKPP), under which use of competitive methods is mandated for procurement of works, goods and non-consulting services exceeding IDR 200 million (approx. US\$13,333) and for consulting services exceeding IDR 100 million). Contracts for Works, Goods and other services with an estimated cost more than IDR 5 billion (approx. equivalent to US\$333,333 at US\$1 = IDR 15,000) are required to be procured through open public bidding method, which requires advertising of the bidding notice for at least 7 working days. For smaller value contracts of non-complex nature with an estimated cost between IDR 200 million (equivalent to US\$13,333) and IDR 5 billion (equivalent to US\$333,333), other simplified competitive methods may be used, e.g. *Lelang cepat* (fast tender). The SPSE system is mandated for competitively procured contracts and has been periodically reviewed by LKPP based on feedback from stakeholders especially procuring entities and the latest version is SPSE Version 4.5. Contract information of those awarded through competitive method are subsequently published in a national website. The *Perpres* also includes provisions for handling complaints, resolution of disputes, as well as remedies for breaches in integrity during the procurement process. A wide range of Standard Bidding Documents for national competitive procurement for all procurement category (goods, works, non-consulting services and consulting services) have been issued by National Public Procurement Agency (*Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah* or LKPP) are available for use by the procuring agencies. This standard bidding document was issued through *Perlem* LKPP No.12/2021. However, there is currently no standard bidding document or standard form of contract agreement available for international procurement of goods, works or non-consultant services for use by procuring agencies in the country as one is yet to be developed by LKPP. The use of local content is required by *Perpres* 16/2018, as amended *Perpres* No.12/2021. Article 66(1) of *Perpres* 16/2018, as amended *Perpres* No.12/2021, requires ministries/agencies/local governments to provide a margin preference for domestically manufactured goods and domestic contractor (services). Assessment of the level of domestic content uses a calculation combining the National Contribution Value (*Tingkat Komponen Dalam Negeri*, TKD) plus the Corporate Contribution Value (*Bobot Manfaat Perusahaan*, BMP), with TKDN set out in an inventory list issued by the Minister of Industrial Affairs. Article 66(5) also mentions that it is possible to procure imported goods on the condition that: (i) such goods are not produced domestically; or (ii) the domestic volume cannot meet the demand.
28. **Procurement plans and bidding opportunities are publicly disclosed in *Sistem Informasi Rencana Umum Pengadaan/Information System for Procurement Planning (SIRUP)* website (<https://sirup.lkpp.go.id/sirup>).** The bidding reference number, package description, procuring agency, owner estimate, and location are published in the SIRUP's website. Bidding information, from advertisement to award information, including bidding schedule, name of registered bidders, quoted and evaluated prices, and bid evaluation are publicly disclosed in the SPSE e-procurement system. Contract award information is also published on the national website of the public procurement agency, which is freely accessible to the public. In new SPSE version 4.5, procurement through direct procurement and direct contracting (non-tender) are recorded in SPSE system.

¹ Section III.8 of the Bank Policy: Program-for-Results Financing.

29. **The use of the *Sistem Pengadaan Secara Elektronik (SPSE)* e-procurement system is mandated for competitively procured contracts exceeding IDR 200 million** (equivalent to US\$13,333) and the procurement process is required to be carried out by dedicated procurement services working units (*Pokja UKPBJs*) established in each implementing agency. LKPP has updated and launched new SPSE system version 4.5 in early 2021. In the latest version of SPSE system, procurements below the open competitive threshold (non-tender) or carried out through non-competitive methods (Direct Contracting), or those through the e-catalogue are recorded in SPSE system.
30. ***Perpres* No. 16/2018 as amended *Perpres* No. 12/2021 also mandates the use of e-catalogue system for procuring goods/services listed in the system.** E-catalogue may include national, sectoral and local e-catalogue. The suppliers in the e-catalogue system are selected by LKPP or ministries/agencies/local governments either competitively or through direct contracting. As per the LKPP Regulation No. 16/2018 and its amendment No. 12/2021, the head of line ministry, head of institution, and head of Local Government can also propose to LKPP their requirement of goods/services to be included in the e-catalogue by submitting to LKPP the technical specification of goods/services and annual volume requirement. In addition, the suppliers of goods/services can also propose that LKPP include their products in the e-catalogue system by submitting to LKPP the technical specification, unit cost, and service coverage. In addition, LKPP regulation allows line ministries and LGs to select suppliers for the catalogue for their specific needs. In such cases, after the selection of suppliers by line ministries/LGs, LKPP includes the items and suppliers in the e-catalogue.
31. **The Implementing Agencies' Procurement Profile and Market readiness.** The procurement profile of each Implementing Agency under the Program is shown in Annex 2 of this FSA. The FSA assessed the Program procurement data, provided by each IA and obtained from the SPSE system, and concluded that the market capacity to cope with the INEY Phase 2 Program is adequate. Competition has been achieved, with bidders' participation ranging from 3-9 per package particularly for procurement follow open or fast tender method, executing the Program with a suitable level of economy and efficiency in procurement (Annex 2).
32. **Procurement Organization and Capacity.** The procurement process is required to be carried out by procurement service units (*Procurement Services Working Unit/UKPBJ*) which are established in each Ministry/Agency and to include procurement accredited staff whose certification is valid for three years and can be extended by the National Public Procurement Agency, LKPP, if they are still working as procurement staff.
33. **Contract Administration.** After the issuance of notification of award by *Pokja UKPBJ*, the Commitment Making Officer – *Pejabat Pembuat Komitmen* (PPK) will be responsible to sign the contract, monitor and supervise the contract implementation.
34. In sum, the assessment of INEY Phase 2 Program procurement systems indicates that Program planning, bidding, evaluation, contract award, and contract administration arrangements and practices provide reasonable assurance that the PforR will achieve intended results through its procurement processes and procedures.
35. **Scope and implementation of Procurement under the PforR Program.** Procurement spending under the PforR Program is not expected to exceed 5% of the total Program expenditure. Based on the information available, the procurement is expected to be mainly the same with on-going INEY Phase

1 Program, such as procurement of medicines, vitamins, modules, flipcharts, and books. Based on the data available in SPSE, it is likely the procurement of those goods will be procured in multiple contracts and using e-purchasing for goods already included in e-catalogue system. In addition to procurement of goods, several consulting services for monitoring and evaluation and non-consulting services for socialization and dissemination, workshop and coordination meeting may also be procured under the Program. At the time of assessment, procurement of civil works is not expected under the program. No contract is expected to fall under OPRC's review threshold. There are multiple Implementing Agencies under the program (SoVP, MOF, MOH, MOHA, MOV, BKKBN, Bappenas, and MOECRT) which have experience in implementing INEY Phase 1.

36. Procurement under the Program will be governed by Government Procurement Regulation (*Perpres* 16/2018) as amended *Perpres* 12/2021, and its technical guidelines. *Perpres* 16/2018 sets out the main principles of a sound public procurement system and provides for use of competitive procurement methods as the default requirement.
37. The INEY Phase 2 Program procurement system provides reasonable assurance that the overall Program will achieve intended results.

Governance

38. **Transparency. Based on Law No. 14, year 2008 regarding Transparency of Public Information, public information should be open and accessible.** An exception to public information is information that is restrictive and limited, such as protection of privacy or national security. An applicant is supposed to be able to obtain public information promptly, and at low cost. When it is classified as confidential information pursuant to the Law, ethics, and the interest of the public, a decision for information to be shared is based on an examination of the consequences that occur if the information is provided to the public. Each IA has established a Public Information Officer (PPID) mechanism in accordance with Law 14/2008, which manages public requests for information. Information such as the IAs' finance and performance accountability reports are routinely disclosed to the public on their websites, though the documents published are not all up to date. Audit reports for IAs are accessible to the public from BPK, upon request.
39. **Complaints Handling. All public services in Indonesia are required to establish a complaint handling system per Presidential Regulation 76/2013 regarding Public Services Complaints Management, including the Ministry of Health.** To implement this regulation, the Executive Office of the President (KSP), Ombudsman, and Ministry for State Apparatus and Bureaucracy Reform (KemenPAN-RB) have developed an online public complaint system called LAPOR! (*Laporan Aspirasi dan Pengaduan Online Rakyat*/online public aspiration and complaint). LAPOR! is web-based, and is also available on mobile applications or via text message (SMS), as well as on social media platforms such as Twitter and Facebook. Actionable complaints are directed to the related government agency to be followed up and resolved. The application requires the public to register prior to submission of their complaint, but the complaints received and the responses from relevant government agency are publicly accessible. Information on public complaints and inquiries about IAs programs that are submitted through the government-wide complaint handling system—SP4N-LAPOR!—is publicly accessible through the LAPOR website, including their progress and resolution status (<https://www.lapor.go.id/instansi>). Some IAs also have other public communication and complaints channels, such SIAP (*Saluran Informasi, Aspirasi dan Pengaduan*) and *Halo Kemenkes* hotline for MoH and Integrated Service Unit (*Unit Layanan Terpadu*) for MoECRT.

40. **The national procurement regulation includes provisions for submission and handling of procurement complaints.** It allows submission of procurement related complaints within a specified period after announcement of the bidding result and requires the complaint to be reviewed in the first instance by the procurement service working unit (UKPBJ) of the implementing agency, which must be responded to within a specified number of days. In case the UKPBJ's response is not satisfactory to the bidder the complainant can submit an appeal to higher levels within the same implementing agency. The complaints should be submitted by the bidder to the UKPBJ with a copy to APIP (Government Internal Supervisory Apparatus). For contracts above the threshold procured through SPSE e-procurement system, complaints can be submitted by bidders through SPSE and responses by the UKPBJ can also be sent through SPSE, which are recorded in the system. In addition to complaint sent by the bidders through SPSE system related to procurement process, any complaint can also be sent by stakeholders outside SPSE system to APIP. These can be submitted through the LAPOR! system for the general public as referenced above, or through the IA's Inspectorate General's complaint handling or whistleblowing system described below.
41. **Applicability of World Bank's Anticorruption Guidelines (ACG) for PforR.** Through the PforR's legal documents, the recipient of the loan is formally committed to the obligations under the ACG for PforR operations. In particular, in the context of this PforR, IAs will be required to agree to the application of the ACG, and promptly inform the World Bank of any credible and material allegations of fraud and/or corruption regarding the PforR as part of the overall PforR reporting requirements. The World Bank will, among others, promptly inform the recipient of all credible and material allegations or other indications of F&C in connection with the Program that come to its attention, consistent with Bank policies and procedures. IAs will also be requested to issue specific guidelines instructing compliance with the requirements of the ACG, including by their staff, suppliers and consultants under the PforR, which will include any person or entity debarred or suspended by the World Bank not being awarded a contract under or otherwise being allowed to participate in the Program during the period of such debarment or suspension.
42. **Fraud and Corruption.** For management of complaints and allegations of fraud and/or corruption, the IAs' Inspectorate General (IG) units maintain whistleblowing systems, where reports can be submitted online or offline. The IG forwards complaints pertaining to public services to the relevant units within each IA, while it reviews the reports that have potential state loss implications and follows up on credible and material allegations. The EA will be responsible for coordinating with the IAs through the respective IGs for the regular monitoring and reporting on Fraud and Corruption (F&C).
43. **The national procurement regulation, Perpres 16/2018 as amended Perpres No.12/2021, includes provisions against fraud and corruption.** Also, the Commitment Making Official (PPK), procurement officer, and work acceptance officer are required to sign integrity pact to declare that they will not be involved in fraudulent and corrupt practices and that they will report to the authorities if there is any fraud and corruption practice in the procurement process. Contractors are also required to sign integrity pact to declare that they (a) will not be involved in fraudulent and corrupt practices; (b) will provide correct and accountable information and be transparent; and (c) agree to be blacklisted if they violate the regulations and the provisions in the integrity pact.

44. **Ineligibility of firms sanctioned by the Bank to participate in the Program.** The assessment revealed that IAs generally comply with the requirement of ineligibility of firms blacklisted by the Government and published on LKPP's website. It is suggested that each IA issue a circular letter to request each working unit including *Pokja UKPBJ*/Commitment Making Officer (PPK)/procurement officer that involve under the program to comply with fiduciary action plan. The requirement for developing and putting in place a mechanism within IAs for enforcing the ineligibility of the Bank's debarred/temporarily suspended firms and individuals to be awarded contracts under the Program has been discussed with IAs. The IAs through the EA shall submit to the World Bank a regular report on the verification checks and the results. The establishment of such a mechanism is also specified in the Program Action Plan and will be monitored by the Bank for compliance.
45. **The World Bank has a right to conduct an inquiry into such allegations** or other indications, independently or in collaboration with the borrower, regarding activities and expenditures supported by the PforR and the related access to require persons, information, and documents.

III. FIDUCIARY RISK ASSESSMENT, MITIGATION MEASUREMENT, AND IMPLEMENTATION SUPPORT

46. **Risk Assessment:** Based on the information available at the time of assessment, the overall fiduciary Risk is rated as Moderate. Description of risks and mitigation actions, including actions to be included as PAP, is given below:

Risk	Mitigation Measures	Type of Action
Budget effectiveness delay and adequacy of budget allocation	All implementing agencies have to get adequate budget from MOF to implement the program, especially for DLI achievement	
Delay of consolidated financial reports submission	EA has to assign a dedicated financial officer to manage financial management aspect of the program, included preparation and submission of the program consolidated financial report.	
Inadequate verification by IAs of the Bank's list of debarred/temporary suspended firms before awarding contracts	All IAs to require Procurement Service Working Units (UKPBJ)/Procurement Officers/Commitment Making Officers (PPK) to check the Bank's debarment (www.worldbank.org/debarr) & temporary suspension lists & record the verification in bid evaluation report before contract award to ensure that no contract under the Program is awarded to a firm or individual that is under debarment and/or temporary suspension by the Bank.	PAP
Lack of information regarding procurement profile and contract data during program implementation	All Implementing Agencies through the Executing Agency to regularly provide the Bank with information on procurement profile and contracts under the Program (at least every 6 months of PforR Program implementation).	PAP

<p>Risk of unattended complaints under the Program and indications of Fraud and Corruption in connection with the program are not detected and reported in a timely manner.</p>	<p>All Implementing Agencies through the Executing Agency to inform the Bank promptly of all credible and material allegations or other indications of Fraud and Corruption in connection with the Program that come to its attention, together with the investigative and other actions that it proposes to take.</p> <p>The EA will consolidate and provide periodic reports for all the IAs to the Bank, at least every 6 months with the Program report.</p>	<p>PAP</p>
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47. **Implementation support.** Fiduciary support would include:

- Monitoring implementation progress and working with the Bank Task Team to ensure the achievement of Program results and DLIs that are of a fiduciary nature.
- Monitoring the performance of fiduciary systems and audit report submission, including implementation of the PAP.
- Monitoring changes in fiduciary risks to the Program and compliance with the fiduciary provisions in the legal document (if any).
- Provide support to IAs to resolve implementation issues and conduct capacity building.

Annex 1: Draft Anti-Corruption Protocol

In order to operationalize the “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing”, dated February 1, 2012 and revised on July 10, 2015 (the “Anti-corruption Guidelines”), issued by the International Bank of Reconstruction and Development (“Bank”) and applicable to the “Investing in Nutrition and Early Years Phase 2 Program” pursuant to Section 5.13 of the General Conditions, as defined in the Loan Agreement for the financing of the Program, the Borrower and the Bank agree to the following supplementary Anti-Corruption Protocol:

1. The Borrower shall be responsible for carrying out administrative investigations of all materials and credible allegations of Fraud and Corruption (as defined in the ACGs) under the Program, keeping the Bank abreast of their progress and findings, and make public their conclusions/results.
2. For the purposes of Section 6 of the ACGs, the Borrower, through [Bappenas], shall collect, consolidate and provide the Bank, on a semi-annual basis, or more frequently as warranted and reasonably required by the Bank, with a report on (i) any credible and material allegations and other indications of fraud and corruption under the Program which come to the attention of the Borrower during such period, including those reported under the Borrower’s whistleblowing system, (ii) any investigations launched by the Borrower’s Inspectorate General units into such allegations, and (iii) the progress of and outcomes from such investigations and any remedial or corrective actions taken or planned in response to such allegations or the findings of such investigations. If there are no allegations received or investigations or remedial actions undertaken during the reporting period, the Borrower shall so note in the report.
3. For purposes of Section 7(a) of the ACGs, the Bank shall inform the Borrower of any material and credible allegations of fraud and corruption in connection with the Program that may come to its attention, consistent with the Bank’s policies and procedures, for investigation by the Borrower under the relevant criminal and civil laws.
4. For purposes of Sections 6(f) and 7(b) of the ACGs, in the event that the Bank decides to conduct its own inquiry into allegations or other indications of fraud and corruption in connection with the Program – whether alone, jointly with the Borrower, or in parallel with a Borrower’s investigation –, the Borrower shall cooperate fully with the representatives of the Bank and take all appropriate measures to ensure full cooperation of relevant persons and entities subject to the government jurisdiction in such investigation, including, in each case, allowing the Bank to access sites and facilities, meet with relevant persons/entities and to inspect all of their relevant accounts, records and other documents and have them audited by, or on behalf of, the Bank. If the Bank were to find evidence of corrupt practices, the Bank shall refer the case to the Borrower for investigation under the relevant criminal and civil laws.
5. The Borrower shall ensure that any person or entity debarred or suspended by the Bank is not awarded a contract under, or otherwise allowed to participate in or benefit from, the Program during such period of debarment or suspension by the Bank. To this end, the Borrower shall put in place appropriate measures, including but not limited to the following: (i) issue guidance to its procurement units to ensure that no contract under the Program is awarded to a firm or individual that is under debarment and/or temporary suspension by the World Bank; and (ii) check the Bank’s debarment (www.worldbank.org/debarr) and temporary suspension lists and record the verification in the bid evaluation report before contract award to ensure that no contract under the Program is awarded to a firm or individual that is under debarment and/or temporary suspension by the World Bank. A regular

reporting on the verification checks and the results shall be submitted bi-annually to the Bank by the Executing Agency.

6. For the purposes of this Anti-Corruption Protocol, the [PIC in the EA] shall be the focal point, with whom the Bank can communicate with on these matters.

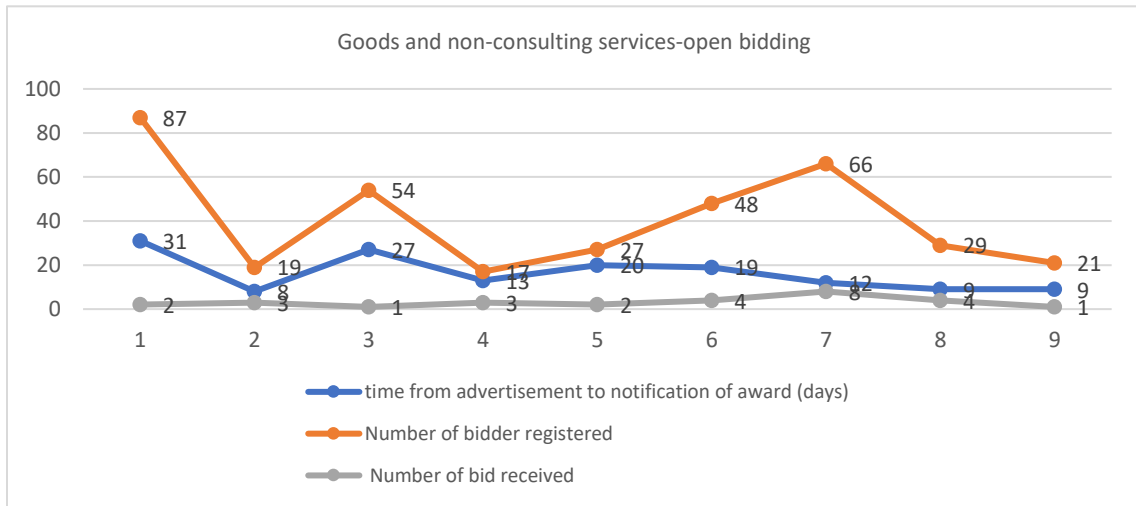
Template for Reporting on Handling of Allegations of Fraud and Corruption

Location	Date Allegation Received	Complainant	Alleged Perpetrator	Description of Allegation	Stage of Handling of Allegation [Initial Review, Investigation, Referral, Prosecution, etc.]	Description of Progress in Investigation	Outcome of Investigation

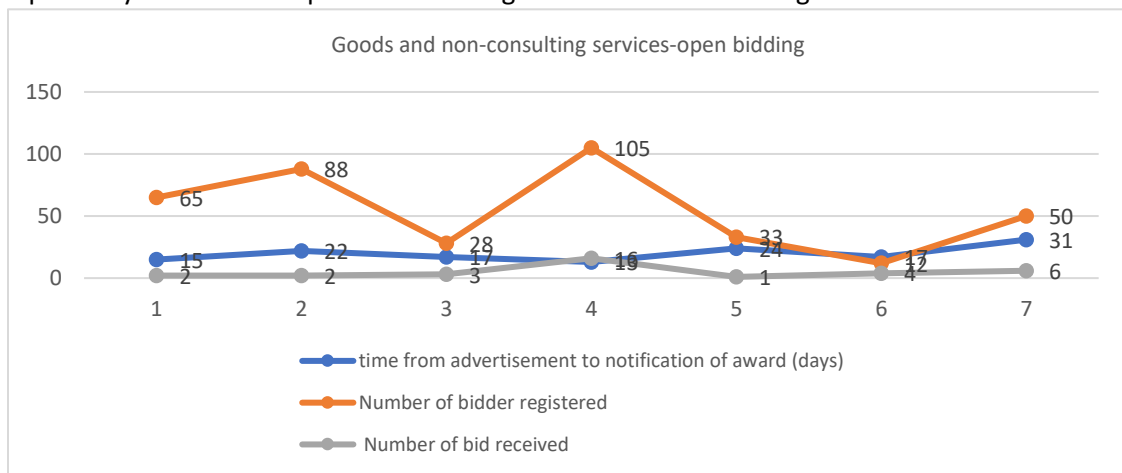
Annex II: Implementing Agencies' Procurement Profile

1. The information provided by each Implementing Agency varies in terms of procurement contract management data. Contract management data are limited to name of supplier/contractor/consultant, contract signing date, contract amount and completion date. The following is summary of procurement profile for each Implementing Agency for the last three (3) years:

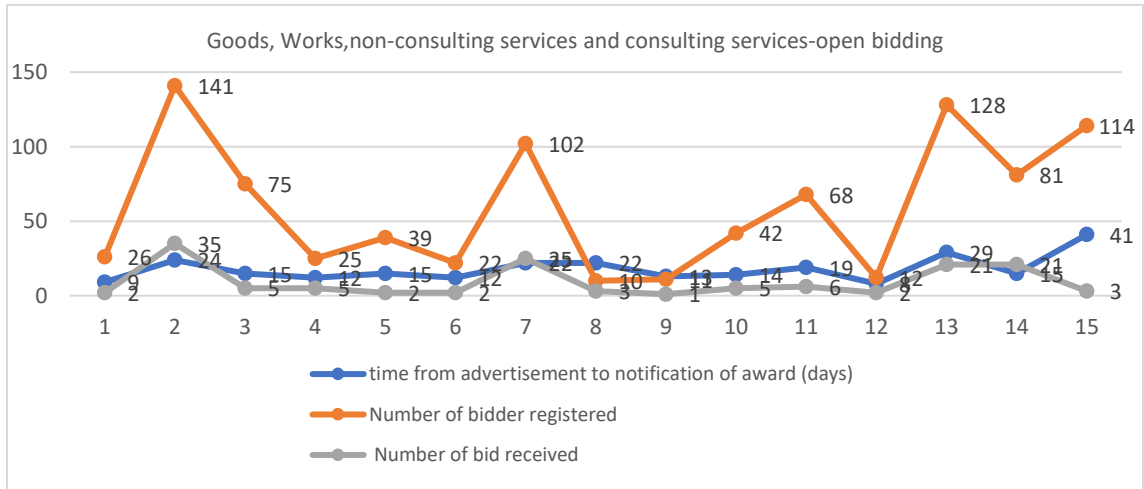
- a. SoVP: It is indicated that the time period to complete the procurement process through open/fast tender is between 8-31 days. In terms of level of interest and competition for open/fast tender, there is average of 41 and 3 bidders who registered and submitted the bids respectively for various of procurement of goods and non-consulting services.



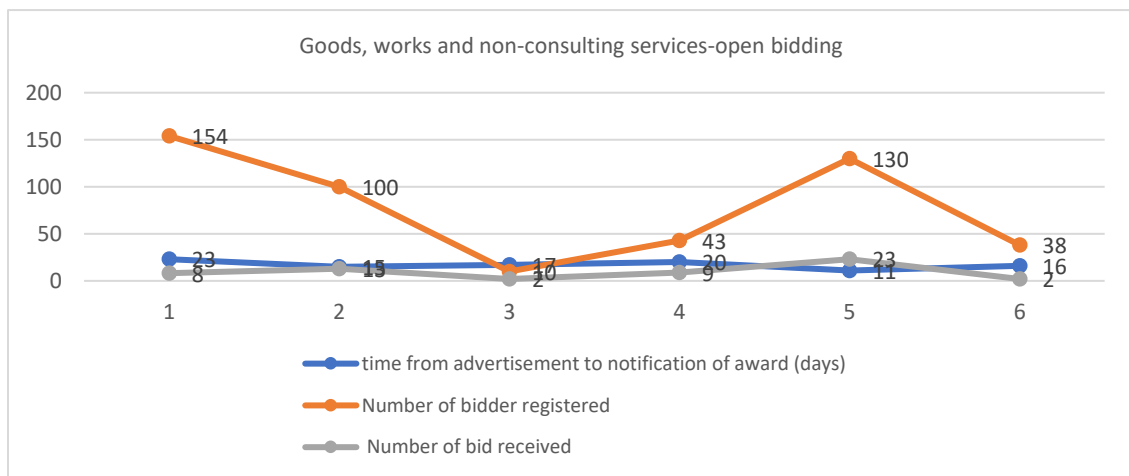
- b. Bappenas: It is indicated that the time period to complete the procurement process through open/fast tender is between 15-31 days. In terms of level of interest and competition for open/fast tender, there is average of 54 and 5 bidders who registered and submitted the bids respectively for various of procurement of goods and non-consulting services.



- c. Ministry of Finance (MoF): It is indicated that the time period to complete the procurement process through open/fast tender is between 9-41 days. In terms of level of interest and competition for open/fast tender, there is average of 60 and 9 bidders who registered and submitted the bids respectively for various of procurement of goods, works, non-consulting services and consulting services.

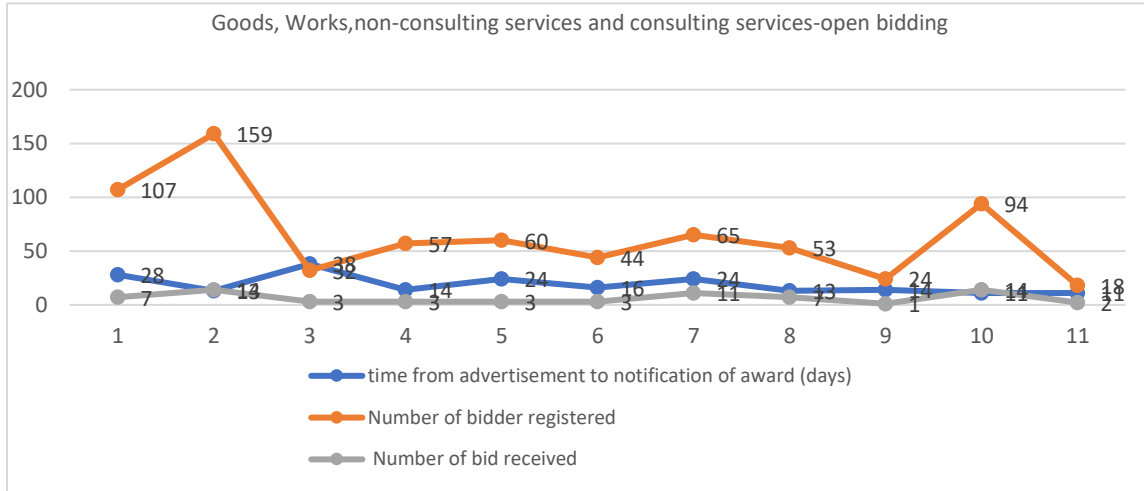


- d. Ministry of Home Affairs: It is indicated that the time period to complete the procurement process through open/fast tender is between 11-23 days. In terms of level of interest and competition for open/fast tender, there is average of 79 and 10 bidders who registered and submitted the bids respectively for various of procurement of goods, works and non-consulting services.

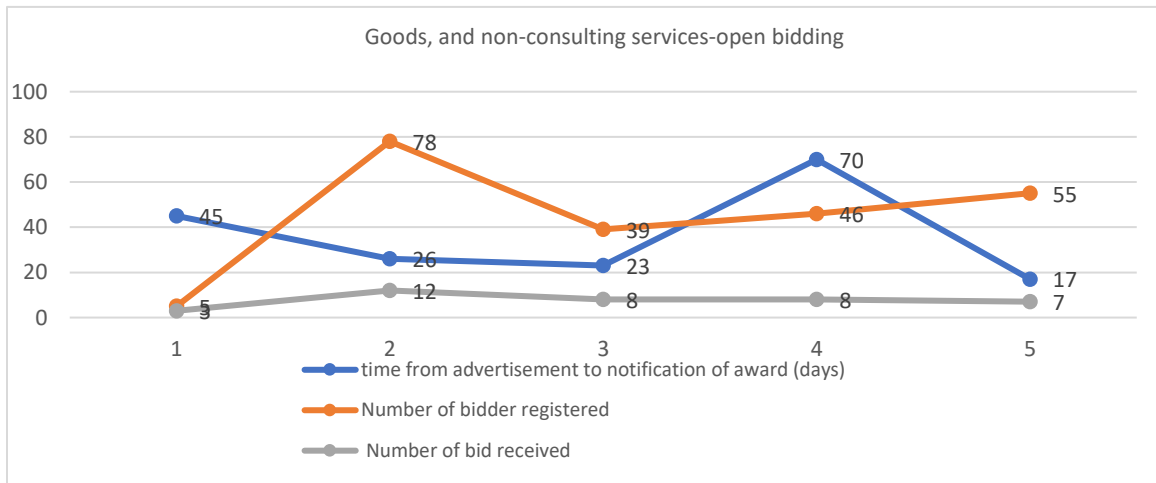


- e. Ministry of Villages (MoV): It is indicated that the time period to complete the procurement process through open/fast tender is between 11-38 days. In terms of level of interest and competition for open/fast tender, there is average of 65 and 6 bidders who registered and submitted the bids respectively for various of procurement of goods, works and non-consulting services.

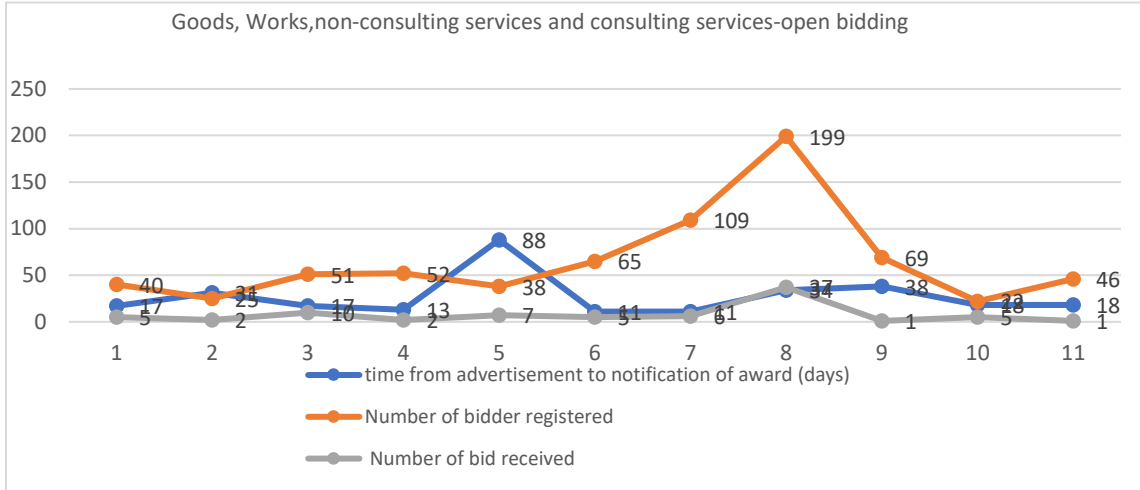
submitted the bids respectively for various of procurement of goods, works, non-consulting services and consulting services.



- f. Ministry of Health (MoH): It is indicated that the time period to complete the procurement process through open/fast tender is between 17-45 days. In terms of level of interest and competition for open/fast tender, there is average of 45 and 8 bidders who registered and submitted the bids respectively for various of procurement of goods and non-consulting services.



- g. Ministry of Education, Culture and Research Technology (MoECRT): It is indicated that the time period to complete the procurement process through open/fast tender is between 11-88 days. In terms of level of interest and competition for open/fast tender, there is average of 65 and 7 bidders who registered and submitted the bids respectively for various of procurement of goods and non-consulting services.



h. BKKBN: It is indicated that the time period to complete the procurement process through open/fast tender is between 13-58 days. The level of interest and competition for open/fast tender, there is average of 43 and 7 bidders who registered and submitted the bids respectively for various of procurement of goods and non-consulting services.

