

Indonesia

**NATIONAL HEALTH INSURANCE (JKN) REFORMS
AND RESULTS PROGRAM
(P172707)**

Fiduciary Systems Assessment

November 2021

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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 Budget and Planning)
BOA	<i>BPJS Office App</i>
BPK	<i>Badan Pemeriksa Keuangan</i> (Supreme Audit Board)
BPKP	<i>Badan Pengawasan Keuangan dan Pembangunan</i> (Finance and Development Monitoring Agency)
BPJS-K	<i>Badan Penyelenggara Jaminan Sosial – Kesehatan</i> (Social Health Insurance Agency)
BSSN	<i>Badan Siber dan Sandi Negara</i> (National Cyber and Crypto Agency)
CISA	Certified Information Systems Auditor
COSO	Committee of Sponsoring Organizations of the Treadway Commission
COVID-19	Corona Virus Disease
DIPA	<i>Daftar Isian Pelaksanaan Anggaran</i> (Budget Implementation Document)
DJS	<i>Dana Jaminan Sosial</i> (Social Security Funds)
DJSN	<i>Dewan Jaminan Sosial Nasional</i> (National Social Security Council)
DLI	Disbursement Linked Indicators
F&C	Fraud and Corruption
FKTP	<i>Fasilitas Kesehatan Tingkat Pertama</i> (Primary level healthcare facilities)
FKRTL	<i>Fasilitas Kesehatan Rujukan Tingkat Lanjutan</i> (Advanced level referral health facilities/hospitals)
FMIS	Financial Management Information System
FSA	Fiduciary Systems Assessment
FY	Fiscal Year
GFMRAP	Government Financial Management and Revenue Administration Project
GICS	Government Internal Control System
GOI	Government of Indonesia
HFIS	Health Facilities Information System
IA	Implementing Agency
IA-CM	Internal Audit Capability Model
IG	Inspectorate General
IMAPS	Integrated Management Asset and Procurement System
IPF	Investment Project Financing
IPPF	International Professional Practices Framework
I-SPHERE	Indonesia’s Supporting Primary Health Care Reform
ISSAI	International Standards of Supreme Audit Institutions
IVA	Independent Verification Agency
JKN	<i>Jaminan Kesehatan Nasional</i> (National Health Insurance)
Kemendesa Kemenko PMK	<i>Kementerian Koordinator Bidang Pembangunan Manusia dan Kebudayaan</i> (Coordinating Ministry for Human Development and Cultural Affairs)
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)
MAPS	Methodology for Assessing Procurement Systems
MOF	Ministry of Finance
MOH	Ministry of Health
MOHA	Ministry of Home Affairs
OECD	Organization for Economic Cooperation and Development
OJK	<i>Otoritas Jasa Keuangan</i> (Financial Services Authority)
OPRC	Operations Procurement Review Committee
PAP	Program Action Plan
<i>Perpres</i>	<i>Peraturan Presiden</i> (Presidential Regulation)
PBI	<i>Penerima Bantuan Iuran</i>
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFM MDTF	Public Financial Management Multi Donor Trust Fund
PforR	Program-for-Results
PNPK	<i>Pedoman Nasional Praktek Kedokteran</i> (National Guidelines for Medical Services)
<i>Pokja</i>	<i>Kelompok Kerja</i> (Working Group)
PP	<i>Peraturan Pemerintah</i> (Government Regulation)
PPID	<i>Pejabat Pengelola Informasi dan Documentasi</i> (Public Information Officer)
PPK	<i>Pejabat Pembuat Komitmen</i> (Commitment Making Officer)
PPL	Public Procurement Law
QAIP	Quality Assurance Improvement Program
RETF	Recipient-Executed Trust Fund
SAKTI	<i>Sistem Aplikasi Tingkat Instansi</i> (Ministry Financial Application System)
SIAP	<i>Saluran Informasi, Aspirasi dan Pengaduan</i> (MOH's Public Information and Complaints Channels)
SIPP	<i>Saluran Informasi dan Pengaduan Pelayanan</i> (BPJS-K's Service information and Complaints Channels)
SIRUP	<i>Sistem Informasi Rencana Umum Pengadaan</i> (Information System for Procurement Planning)
SPAN	<i>Sistem Perbendaharaan dan Anggaran Negara</i> (Central Government FMIS)
SPKN	<i>Standard Pemeriksaan Keuangan Negara</i> (National Financial Audit Standards)
SPSE	<i>Sistem Pengadaan Secara Elektronik</i> (Government e-Procurement System)
Stranas-PK	<i>Strategi Nasional Pencegahan Korupsi</i> (National Corruption Prevention Strategy)
TSA	<i>Treasury Single Account</i>
UKPBJ	<i>Unit Kerja Pengadaan Barang/Jasa</i> (Procurement Service Working Units)
WBS	Whistleblowing System

I. Executive Summary

1. The Fiduciary Systems Assessment (FSA) has been carried out in accordance with the Bank Policy on Program-for-Results, and the Bank Directive on Program-for-Results, to determine whether the Program fiduciary arrangements are adequate and provide reasonable assurances that the financing proceeds will be used for intended purposes. The FSA has concluded that overall, the Program fiduciary systems that will be used to implement the Program are adequate to support the Program and provide reasonable assurance that the Program funds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability, subject to implementation of fiduciary actions as defined in the Program Action Plan. The FSA also identified potential risks, areas for further strengthening and proposed measures to mitigate the fiduciary risks under the Program. **The Overall Program's Fiduciary risk rating is substantial.**
2. The Program is being implemented through four government agencies, three ministries including Ministry of Health (MoH), Ministry of Finance (MoF), the National Social Security Council (*Dewan Jaminan Sosial Nasional/DJSN*) under the Coordinating Ministry for Human Development and Cultural Affairs, as well as the Health Social Security Agency (*Badan Penyelenggara Jaminan Sosial Kesehatan/BPJS-K*) which is an autonomous Agency¹. These agencies consist of two distinct fiduciary systems: (i) the Government fiduciary systems that will support the Program implementation by the three Government Implementing Agencies (IAs) (MOH, MOF and DJSN) and (ii) the fiduciary systems used by BPJS-K, which is a public autonomous agency and therefore subject to more discretionary rules. The FSA reviewed the fiduciary systems and the capacities of the four implementing agencies directly responsible for the PforR Program implementation. Based on the Program Expenditures Framework and technical assessment, the Program activities to be implemented by BPJS-K towards achieving DLI 4 would not involve procurement (except for minor procurable expenditures under operating costs and related human resources costs).
3. **Information collection and methodology for the FSA.** The FSA has been conducted based on information available in (i) FY 2021 DIPA Ministry of Health (MoH), Ministry of Finance and Coordinating Ministry for Human Development and Culture (*Kemenko PMK*); (ii) FY 2019-2020 annual audit reports of MoH, FY 2018-2019 annual audit reports of MoF and *Kemenko PMK*; (iii) procurement data publicly available on MOF, DJSN, and MOH's website and LKPP's M&E system (iv) virtual interviews and meetings. The Bank team discussed with Procurement Service Units of the three Government IAs using Government fiduciary systems about the procurement process of the entities as well as the role and responsibility for carrying out the procurement activities under the program, procurement method to be used, and broad list of procurements that would be conducted under the Bank program. About procurement performance, the Bank was able to collect publicly procurement available data from MOF, DJSN, and MoH's e-procurement system as well as LKPP's website. The FSA has also benefited from the initial findings of the ongoing Indonesia public procurement assessment using 2018 MAPS methodology. Regarding fiduciary assessment of BPJS-K, the data collected is limited due mainly to BPJS-K information confidentiality. The limited information collected so far includes (i) BPJS-K FY 2019 and 2020 summary financial statements; (ii) BPJS-K and DJS management letter for FY 2019 audited financial statement; (iii) sample of BPJS-K FY 2020 internal audit report; (iv) selected Government Regulation and BPJS-K Director Decree obtained online and Director BPJS-K Directors Decree no 309 FY 2018 regarding list of information not qualified for public access, (v) BPJS-K procurement regulations namely BPJS-K Director Regulation no. 09/2020 on Procurement Guidelines: Goods/Services; (vi) BPJS-K Director Regulation no. 46/2020 on the

¹ the government established Law Number 24 of 2011 concerning the Social Security Administrative Body (*Badan Penyelenggara Jaminan Sosial/BPJS*) and appointed PT Askes (Persero) as the organizer of the social security program in the health sector. PT Askes (Persero) also changed to BPJS-K Kesehatan.

amendment to Procurement Guidelines: Goods/Services. The documents are categorized as confidential and are listed in the BPJS-K Director's Decree no. 309/2018, and hence not available except to the organization. The Bank team was provided special access with the condition to be consulted in their offices on September 30 and October 1, 2021; and (vii) series of virtual meetings with planning, internal audit, accounting, prime secretary, treasury and IT units of BPJS-K. BPJS-K provided access to the above specific information and documents that were required for the completion of the FSA though limited review of the performance of the agency fiduciary system.

4. **Key Fiduciary Risks.** The Government of Indonesia has been strengthening public financial systems and accountability frameworks over the last decade. In that context, the FSA noted that; (i) MoH and MoF have experience in managing Bank-financed PforR projects and public procurement using its own inhouse capacity; (ii) Kemenko PMK has sufficient capacity in managing projects particularly funded by donors (iii) based on the experience during COVID-19 Program implementation, the government has been processing budget revisions and payments remotely without relaxing the internal control; and (iv) similarly, accounting and reporting are operated by the Integrated Financial Management System remotely; (v) The flow of funds has been uninterrupted as the banking system has demonstrated its ability to continue working during this difficult period; (vi) the MoH Inspectorate General (IG) is willing to share information on internal audit conducted for the Program including the findings and follow up action; and (vii) MoH external audit report will be submitted timely to the Bank. However, a number of risks are involved, including: (i) 91.7% of the Program financing is concentrated in the single item on health insurance subsidy for the poor (*Penerima Bantuan Iuran/PBI*) which is allocated to the Centre for Health Financing and Assurance under the responsibility of the Secretary General of MoH and requires greater attention during Program implementation; (ii) the independent verification agency for the Program has not been appointed; (iii) BPJS-K has no experience in implementing Bank financed Program; (iv) BPJS-K has not made its audited financial statements available to the public as stipulated by article 14 of Law 14 of FY 2008; (v) internal control risk in BPJS-K especially the weak IT access security raised by external auditor in the 2019 management letter; (vi) the implementing agencies may award a contract under the Program to World Bank sanctioned firms and individuals; and (vii) credible and material allegations or other indications of Fraud and Corruption in connection with the Program may not be reported to the Bank in a timely manner.
5. **Mitigation measures.** Risk mitigation would require that the Government takes a number of measures, in compliance with the laws and regulations on PFM and public disclosure of information, including: (i) MoH to report on a semi-annual basis the results of the internal audit conducted by its Inspectorate General on health insurance subsidy as the main expenditures of the Program; (ii) MoF needs to formally appoint BPKP to conduct the independent verification task for the Program and provide sufficient budget for it; (iii) BPJS-K will take action to remove any regulatory obstacles that may prevent compliance with the requirements of the existing Indonesian law on public information disclosure; (iv) BPJS-K to improve the capacity of internal audit unit for better internal control: (a) BPJS-K human resources unit to conduct assessment on capacity needed for Certified Information System Auditor (CISA) certified internal auditor; and (b) to improve BPJS-K internal capacity to have competency in conducting continuous audit on BPJS-K information systems; (v) BPJS-K to improve its records management practice and regulation to ensure secure access to records and retain, preserve and dispose of records appropriately; (vi) IAs shall require their Procurement Services to 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; and (vii) IAs shall inform the Bank promptly of all credible and material allegations or other indications of Fraud and Corruption (F&C) in connection with the Program that come to its attention, together with the investigative and other actions that IAs propose to take, and provide the

Bank, on a semi-annual basis, a report on allegations of F&C under the Program received and registered during such period, as well as any related investigations and actions taken.

6. **Exclusions.** The analysis of the Program procurement profile suggests that there are no large value contracts expected to fall under the Operations Procurement Review Committee (OPRC) review thresholds.

Expenditure Framework and Procurement Profile of the JKN Program

Table 1. Program Preliminary Expenditure Framework (2021-2026 total)

Program	Outputs	Estimated Program Boundaries for 2021	Year 1	Five Years program
		In IDR in 000	In US\$ (as of Sept 15 = 14251)	In US\$ (as of Sept 15 = 14251)
Government's Ministry /agency spending	Total MoH (include PBI)	49,054,992,518	3,442,214,056	17,211,070,282
	Total MoF	8,908,052	625,083	3,125,413
	Total Kemenko PMK	12,152,397	852,740	4,263,700
	Total BPJS-K (exclude PBI)	67,778,520,000	4,756,053,610	23,780,268,051
	BPJS-K deficit/surplus	0	0	0
	Total 4 Ministry and Agency (small p)	116,854,572,967	8,199,745,489	40,998,727,446
Government's JKN Program boundary	Program Boundary MoH	49,054,992,518	3,442,214,056	17,211,070,282
	Program Boundary MoF	8,908,052	625,083	3,125,413
	Program Boundary DJSN/Kemenko PMK	12,152,397	852,740	4,263,700
	Program Boundary BPJS-K	4,364,107,000	306,231,633	1,531,158,164
	BPJS-K deficit/surplus	0	0	0
	Total boundary from 4 ministry and agency (big P)	53,440,159,967	3,749,923,512	18,749,617,559
PforR financing	PforR World Bank (IBRD component)			400,000,000

	PforR as shared of program boundary			2.1%
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7. **The National Health Insurance (JKN) program for 5 years is valued around US\$ 40 billion.** Out of this, the Bank PforR Program is valued about US\$ 19 billion) with Bank financing of US\$ 400 million or 2.1% from the total Program. The Program financing allocated to the Centre for Health Financing and Assurance under the Secretary General of MoH (US\$ 17.2 billion or about 91.7%) is mainly to finance the Health Insurance Subsidy (*Penerimaan Bantuan Iuran/PBI*). While US\$ 1.5 billion (or 8% of the total Program) is allocated to BPJS-K to finance reforms in claim management and improvement in data management. Based on the Program Expenditures Framework and technical assessment, the Program activities to be implemented by BPJS-K towards achieving DLI 4 would not involve procurement (except for minor procurable expenditures under operating costs and related human resources costs). The remaining 0.3% is allocated to MoF and DJSN to finance improvement in monitoring and coordination in JKN program implementation.

A. Review of the Fiduciary system of MOH, MOF and DJSN

Overview of the country Public Financial Management (PFM) cycle

8. **The Public Financial Management systems in Indonesia have 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.. Indonesia’s fiscal management institutions have enabled 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. On oversight, Indonesia Government has implemented COSO framework for its internal control and 399 out of 630 of its internal audit units have achieved level 3 of IA-CM, which is considered as implementing world class internal audit practice and the effort is still ongoing to get 85% achievement level 3 of IA-CM. The 2019 peer review of BPK, the State Audit Institution, indicated overall high-quality financial audits. However, there is more room for improvements in the effectiveness of the expenditure management institutions and the performance orientation and monitoring of the PFM systems.

Review of PFM Cycle of the entities involved in the Program

9. **Planning and budgeting. The planning and budgeting process within MoH, MoF and DJSN under Coordinating Ministry of Human Development and Cultural Affairs (Menko PMK) is acceptable.** The latest PEFA was conducted in 2017, but Government of Indonesia has continued to make progress in improving its Public Financial Management systems supported by the World Bank and number of development partners. Government Indonesia budgeting issued a comprehensive annual budget preparation calendar to allow sufficient time for preparation. The parliament strictly scrutinizes the budget submitted. The budget is approved before the start of the fiscal year and is defined by law (DIPA). Significant budget revisions are processed through a fairly transparent process. MoH, MoF and DJS budgeting process follows the Government budgeting process. Review of MoH, MoF and Kemenko PMK FY 2019-2020 audit reports implied in general no major weakness in the planning and budgeting process.

10. The budget reallocation or revision process based on Ministry of Finance Regulation no 208/PMK.02/2020 is basically processed online through MoF budget application system. The current system includes One Budget (*Satu Anggaran*) and DJA Single Window (DSW) which were developed for budget development, review, and monitoring performance for internal process within DG Budget MoF and Ministry Financial Application System (*Sistem Aplikasi Tingkat Instansi/SAKTI*) which was developed to support budgeting process from ministry level. SAKTI allowed all ministries, including MoH, MoF and Kemenko PMK to process budget revision electronically with DG Budget MoF. All information and supporting documentations are submitted through the system and original documents are filed within the ministry. The review conducted by DG Budget staff is based on the information provided, clarification or meeting needed can be conducted online through email or video conference facility. Access to the system is limited for registered users with email address identification. Request for new user ID can be processed through DG Budget service center. All the above process is completed in 2 days.
11. **Procurement planning.** Public Procurement legal and regulatory framework allows for a relatively realistic preparation of annual procurement plans based on budget allocations and annual work plan (AWP). The agencies prepare its plan in two stages: a preliminary procurement plan upon receipt of information about their indicative annual budget allocation, and then the final procurement plan upon receipt of final budget allocation approval. Once the budget is committed under an activity, the agencies may start procurement. This shows the close linkage between budget planning and procurement planning.
12. In preparing the procurement plan, the agencies collect information about the needs of the various departments within the Ministry and its structural divisions at the local level. The procurement plan contains information in line with the requirements of the Public Procurement Law (PPL), i.e., including the subject matter of procurement and its reference number, estimated value, method of public procurement procedure. The procurement plan is published on the web Portal. The structural agencies subordinate to the Ministry of Home Affairs (MoHA), local governments follow the same procurement rules and regulations as per PPL.
13. **Budget execution, accounting, and reporting. The program budget execution, accounting and reporting procedures are adequate.** PI-21 on Predictability of In-year Resource allocation in PEFA 2017 rated A for capacity of MoF to forecast cash commitment and requirement. Treasury Single Account (TSA) is in place, although cash forecasts are defined and updated monthly, cash balances are consolidated daily. MoH, MoF and Kemenko PMK received unqualified opinion from BPK in the past 2 years. In the past 2 years, budget realization in MoH, MoF and Kemenko PMK are as follows:

No	Ministry	% budget realization in the past 2 years
1	MoH	94.6% and 95.49% (FY 2019 & 2020)
2	MoF	84.92% and 85.68% (FY 2018 & 2019)
3	Kemenko PMK	70.41% and 81.37% (FY 2018 and FY 2019)

14. The budget execution, accounting, and reporting process of the program in MoH, MoF and Kemenko PMK follow the central government procedures. Majority of the program budget is allocated to DG Health Services to finance (i) facilitation and institutional development and public services at referral health services; (ii) facilitation and local government development a primary health care. The risk on budget execution is mainly due to requirement for DG Health Services in coordinating the program implementation with primary health care and referral health care all over the country. To mitigate this risk, the Program recommended for MoH to improve communication with primary health care and referral health care through digital platform which can be access on timely basis.

15. Law no 17 FY 2003 on State Finance require the Government to implement accrual accounting. In addition, based on State Treasury Law no 1 FY 2004, through the establishment of TSA, MoF streamline budget execution, improving reporting on budget execution. MoF is also improving government financial reporting through the implementation of government accrual accounting standard. Through the issuance of Government Regulation (*Peraturan Pemerintah/PP*) no 71 FY 2010, accrual accounting is fully implemented since FY 2015. The implementation of IFMIS (*System Perbendaharaan dan Anggaran Negara/SPAN*) in Indonesia facilitates the accounting and financial reporting in central government. Indonesia's accounting standards are consistent with international standards. The Program implementation will follow the government accounting and reporting system which records the overall program expenditures. The Government has also implemented review of internal controls for central government financial reporting starting in FY 2017. All ministry financial statement should be reviewed by its internal auditor before it is submitted to the State Audit Institution (*Badan Pemeriksa Keuangan/BPK*) for audit. Specifically, for the Program, a Secretariat for the Program will be established in MoF which also responsible to ensure submission of audited financial statement of MoF, MoH and Menko PMK and BPJS-K with sufficient disclosure of the Program. This proposed audit arrangement has been discussed with MoF as the coordinator of the Program.

Procurement Profile

16. Procurement spending under the PforR Program is not expected to exceed 1% of the full Program implementation period. Based on the technical assessment, activities to be undertaken to achieve the DLIs by the agencies, and the Program preliminary expenditure framework, it is expected that the procurement expenditures under the Program activities will mainly include procurement of consulting services for monitoring and evaluation, capacity building activities, upgrading of IT systems of the IAs to be able to communicate seamlessly between them, and procurement of goods may also be procured by the three agencies namely MOH, MOF and DJSN under the Program. No contract is expected to fall under OPRC's review threshold. Based on the Program Expenditures Framework and technical assessment, the Program activities to be implemented by BPJS-K towards achieving DLI 4 would not involve procurement and the associated procurable expenditures would be limited to operating costs.

General procurement procedures applicable to MOH, MOF and DJSN

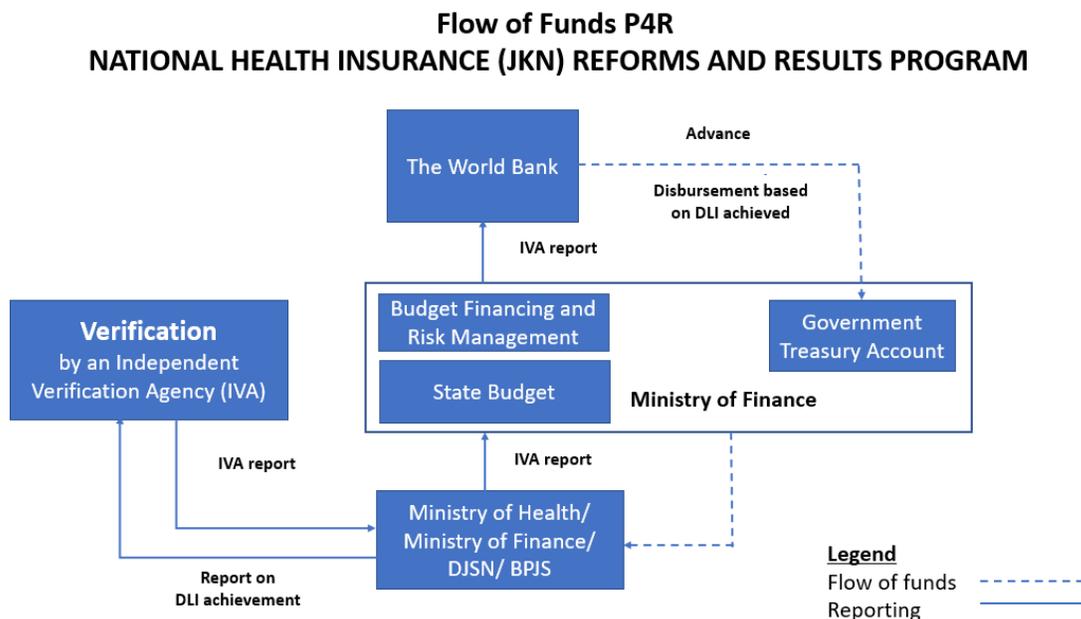
17. All procurement processes under three IAs are required to follow the national procurement regulations, *Perpres* No. 16/2018 and amendment *Perpres* no 12/2021, under which use of competitive methods is mandated for procurement of works, goods and non-consulting services exceeding IDR 200 million (approx. US\$13,333) and for consulting services exceeding IDR 100 million and required to be done through government SPSE e-procurement system. Contracts for Works, Goods and other services with an estimated cost more than IDR 5 billion (approx. equivalent to USD 333,333, 1US\$ = 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 USD 13,333) and IDR 5 billion (equivalent to USD 333,333), other simplified competitive methods may be used, e.g. *Lelang cepat* (fast e-tendering) is one of simplified competitive methods available for procurement of goods/services through SPSE system version 4.3. The results of contract awards for procurement following competitive method are also required to be 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 have been issued by National Public Procurement Agency (*Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah* or *LKPP*) are available for use by the procuring agencies, except that 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. For national competitive procurement of civil works, the standard bidding document issued by Ministry of Public Works and Housing in early 2019 is used by procuring agencies.

18. LKPP issue regulation as technical guidelines to Perpres 12/2021, namely: (i) LKPP Regulation (Perlem) no. 3/2021 on self-management guidelines; (ii) Perlem no. 04/2021 on development of government goods/services procurement business actor; (iii) Perlem no. 05/ 2021 on guidelines for procurement of goods/services exempted in government procurement of goods/services; (iv) Perlem no. 06/2021 on guidelines for development and management of action plan for fulfillment of goods/services procurement management; (v) Perlem 07/2021 on human resources for procurement of goods/services; (vi) Perlem no. 08/2021 on procedures for selecting business entity panels and selection of implementing business entities in national strategic project; (vii) Perlem 09/2021 on online store and electronic catalog in government procurement of goods/services; (viii) Perlem no. 10/2021 on goods/services procurement work unit; (ix) Perlem no. 11/ 2021 on government procurement planning guidelines; and (x) Perlem no. 12/2021 on guidelines for implementation of government procurement of goods/services through providers.
19. **The use of the *Sistem Pengadaan Secara Elektronik (SPSE)* e-procurement system is mandated for competitively procured contracts exceeding IDR 200 million** (equivalent to USD 13,333) and the procurement process is required to be carried out by dedicated procurement services working units (UKPBJs) established in each implementing agency. LKPP has updated and launched new SPSE system version 4.3 in early January 2019. However, procurements below the threshold, or carried out through non-competitive methods (Direct Contracting), or those through the e-catalogue are not required to be carried out through SPSE e-procurement system and are not captured in the system.
20. **Perpres No. 16/2018 also mandates 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, the head of line ministry, head of institution, and head of Local Government (LG) 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.
21. **Procurement Organization and Capacity.** The procurement process is required to be carried out by procurement service units (*Procurement Services Working Unit/UKPBJ*) in the IAs 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. However, there is a Recipient-Executed Trust Fund (RETF) executed only by MOF which would be mostly used for hiring of individual consultants and technical experts.
22. **Procurement performance.** Based on the assessment of the procurement performance of the three IAs provides reasonable assurance that the results can be achieved. Detailed performance assessment of the three IAs is attached as Annex-3.
23. Procurement carried out by the MoF, MoH and DJSN under the Program will be governed by Government Procurement Regulation (Perpres 16/2018 and amendment Perpres no 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.

24. MoH has recent experience in managing Bank-financed PforR projects through the ongoing I-SPHERE PforR, and Covid-19 response and Additional Financing programs. Procurement Service Unit at the central level has been managing all procurement packages (goods/other services and consulting services) within the ministry, and its current staffing level and capacity is considered adequate for meeting the continuing procurement needs of the Program. MoF has previous experience of implementing the GFMRAP (IPF) and PFM-MDTF (RETF) projects and has experience in a PforR project. DJSN has no previous experience of working with the Bank projects. Based on the type of procurements and volume of procurement both the agencies have adequate procurement capacity and staffing.
25. **Treasury Management and funds flow for MoH, MoF and DJSN is acceptable.** State Treasury Law no 1 FY 2004 provides the legal basis for Ministry of Finance to maintain centralized cash management and establish TSA. TSA was fully implemented in FY 2010. In general, Program funds will be disbursed to the Government’s account at Indonesia central bank upon achievement of the DLIs. However, PforR implementation allows the Government to obtain advance from the Bank. All payments will be made through the Government’s centralized treasury system. Please find below the funds flow diagram.



26. **Internal Controls. Internal control systems of the program in MoH, MoF and DJSN are adequate.** The Government Internal Control System (GICS) in public sector in Indonesia is following the COSO framework (control environment, risks assessment, control activities, communication and information and monitoring). The GICS strictly defines (i) clear segregation of duties; (ii) formal authorization levels; (iii) effective control over commitment and payments; (iv) overall access and adjustment to the budget records, accounting and payment information are restricted. PEFA assessment in 2017 rated PI-25 internal control for non-salary expenditures as A. Based on Government Regulation no 60 FY 2008, BPKP as national internal audit institutions received mandate to assist all government institutions to implement GICS for effective, efficient, and accountable management of government funds. BPKP has developed a tool to measure the maturity of GICS implementation with level 3 as the good practice

implementation of internal control. Good practice internal control includes requirement for head of the institutions/ minister to create and maintain an environment that promotes positive and conducive behavior which includes (i) upholding integrity and ethical behavior; (ii) committing to competency; (iii) providing positive leadership; (iv) establishing appropriate organization structure; (v) providing appropriate delegation of authority and responsibility; (vi) formulating and implementing dynamic human resource development program; (vii) facilitating an effective role of internal auditor and (viii) creating a positive working relationship with other government institutions². Based on updated information received from BPKP, all participating ministries confirmed has achieved level 3 of GICS implementation. Review on MoF and Menko PMK FY 2018 and 2019 audited financial statement indicated no findings in DG Budget, DG Risk Management and Fiscal Policy Agency (in MoF and DJSN (in Menko PMK). Similarly, review of FY 2019 and 2020 of MoH annual audits indicated no findings related to health insurance subsidy.

27. **Record Keeping and Document Management. Record Keeping and Document Management Systems in MoH, MoF and DJSN are adequate.** Article 39 of PP 60 FY 2008 indicates that the head of government institution or minister is required to restrict access to ensure accountability for resources and records. In restricting access to resource and records, the head of government institution/ minister is required to (i) provide access to authorized officers; (ii) designate certain staff to be responsible for the safe keeping of resources and records; and (iii) conduct periodic review of such restrictions with a view to verifying their effectiveness. Based on FY 2017 PEFA review MoH, MoF have implemented restricted access to their resources and records. PI-27 on Financial Data Integrity was rated A in PEFA 2017. Use of SPAN has significantly improved financial data integrity. Review of MoH FY 2019 and 2020 annual financial audit report did not reveal any issues related to record keeping and document management system. The Program records will be maintained as part of each respected participating ministries records and will follow government document management system.
28. **Internal Audit. The program internal audit system in MoH, MoF and DJSN is adequate.** PI-26 Internal Audit rated C+ in PEFA 2017. Internal audit units are established in all agencies, including MoH, MoF and DJSN in Menko PMK. There are national internal audit standards and peer review standards. The C rating was due to that in general internal audit activities are primarily focused on financial compliance. To improve it, Indonesia started adopting Internal Audit Capability Model (IA-CM) in late 2015. IA-CM is a framework that identifies the fundamentals needed for effective internal auditing in the public sector. IA-CM intends to ensure internal audit become an integral component of effective governance in the public sector and helps organizations achieve their objectives and account for their results. IA-CM consists of five levels, tied to leading practices and level 3 (integrated) is where internal audit management and professional practices are uniformly applied. In June 2021, 399 (63.3%) out of total 630 government internal audit units are already in Level 3 of IA-CM. The government is continuing its effort to achieve 85% of internal audit units to be at level 3 of IA-CM as targeted by the President. The Bank through financing from PFM MDTF has provided and will continuously support this effort, including the effort to improve the PEFA rating. Internal audit unit of MoH, MoF and DJSN have achieved level 3 of IA-CM as conformed by BPKP in 2018. This means internal auditor in MoH, MoF and DJSN are already conducting evaluation on adequacy and effectiveness of internal control. PAP proposed request on semi-annual basis internal audit report of health insurance subsidy as main expenditures of the Program conducted by IG MoH.
29. **External Audit. The external audit arrangements are adequate.** BPK, the Supreme Audit Institution (SAI) is responsible for conducting external audit of the Government of Indonesia. PI-30 External Audit rated C+ in PEFA 2017. The national financial audit standards (*Standard Pemeriksaan Keuangan Negara/SPKN*) used by BPK are consistent with ISSAIs. FY 2019 peer review on BPK conducted by

² 4.2 Effectiveness of the internal control framework, PEFA 2017

Supreme Audit of Poland indicated that BPK overall performs high quality financial audits, BPK has sophisticated guidelines and educated, professional and motivated staff³. MoH, MoF and DJSN have received unqualified opinions from BPK for FY 2019 audit reports. Specifically, for the Program, the Program Secretariat in MoF will be responsible for ensuring submission of audited financial statements of MoF, MoH and Menko PMK and BPJS-K with sufficient disclosure of the Program. This proposed audit arrangement has been discussed with MoF as the coordinator of the Program. The audit report should be submitted to the Bank at the latest within nine months after the end of the fiscal year.

30. **The procurement process at MOF, DJSN, MOH is also audited by BPK as part of the annual audit of all the government agencies.**
31. **Staff capacity.** In general, related to fiduciary aspect, the Program will emphasize hands on capacity building for procurement and financial management staff in MOF, DJSN and MoH staff in strengthening limited capacity of staff.
32. **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.
 - a. **Ministry of Health (MOH)** has established a Public Information Officer (PPID) mechanism in accordance with Law 14/2008, which manages public requests for information (<http://ppid.kemkes.go.id/>). Information such as the MOH annual performance accountability report are routinely disclosed to the public on its website, while certain information has been restricted through a Ministerial Regulation regarding Excluded Information (*Permenkes* No.1/2015), such as documents related to finances, state assets, personnel and personal identification. MOH budget and expenditures is public information, though the documents published on the MOH website are currently not up to date. Audit reports for MOH are accessible to the public from BPK, upon request.
 - b. **National Social Security Council (DJSN)** has also established a PPID mechanism in accordance with Law 14/2008, with its own regulation on public information services (DJSN Regulation No. 1/2015) and appointing the Head of Subsection on Public Participation as the Public Information Officer (PPID) (DJSN Secretary Decree No.60/DJSN/SES/VII/2018).
33. **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 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 4.3, procurement through direct procurement and direct contracting can be recorded in the SPSE system.
34. **Complaints Handling. All public services in Indonesia are required to establish a complaint handling system per Presidential Regulation 76/2013 regarding Public Services Complaints**

³Peer review report on the Audit Board of the Republic of Indonesia Badan Pemeriksa Keuangan (BPK) dated August 2019
https://www.bpk.go.id/assets/files/attachments/attach_page_1581990588.pdf

Management, including the three IAs. To implement this regulation, the Executive Office of the President (KSP), Ombudsman, and Ministry for Administrative and Bureaucracy Reforms (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, available on a mobile application (both android and iOS) or via text message (SMS), and on social media platforms such as Twitter and Facebook. The application is connected to 130 Line Ministries/Institutions, and 493 LGs in Indonesia. 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 agencies are publicly accessible.

- a. **MOH.** Information on public complaints and inquiries about MOH 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/kementerian-kesehatan>). Some hospitals are also connected to the LAPOR system under the MOH component. The Bureau of Communications and Public Services under the Secretariat General manages the LAPOR! system, as well as other MOH public communication channels such as SIAP (*Saluran Informasi, Aspirasi dan Pengaduan*) and Halo *Kemenkes* hotline.
- b. **DJSN.** As the external supervisory body for the National Social Security programs, DJSN also receives public complaints and inquiries about the National Health Insurance program, through multiple channels, including the LAPOR! system (<https://www.lapor.go.id/instansi/dewan-jaminan-sosial-nasional>), email, telephone and mail. The complaints received are managed by the Secretariat of the Council, and handled internally or forwarded to the relevant institutions, such as BPJS-K. Summaries of complaints are prepared every 6-months, and provide inputs for DJSN's supervisory function. In addition, DJSN has established a mechanism for mediation of public complaints on social security programs (DJSN Regulation No.2/2018).

35. **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, and in the case of MoH, through MoH Inspectorate General's complaint handling or whistleblower system described below.

36. **Fraud and Corruption. The issue of unreliable data for the fully subsidized beneficiaries (PBI) is addressed under the National Strategy for Corruption Prevention (Stranas-PK).** PBI is JKN's largest segment with up to 92.2 million participants or around 45% of total JKN participants. This number goes up to more than 100 million if combined with PBIs whose contributions are paid by local governments. The Government updated its Stranas-PK in 2018 (Presidential Regulation No. 54/2018), focusing on three key areas of (i) licensing and commerce systems; (ii) state finance; and (iii) law enforcement and bureaucratic reform. A further joint decree (SKB) of KPK, Bappenas, MOHA, KemenPAN-RB and KSP specified a detailed Action Plan for 2019-2020, which has been renewed for 2021-2022, and a dedicated Secretariat has been established in the KPK to provide monitoring and

support to the responsible line ministries and agencies to implement the Corruption Prevention Action Plan. Actions relevant to BPJS-K include the utilization of the Single Identity Number (NIK) for the improvement of governance for the provision of social assistance and subsidies, through the establishment of a reliable database for recipients of social assistance and the integration of social assistance programs based on a reliable and accurate database.

37. **The Anti-Corruption Commission (KPK) has conducted a series of studies on JKN implementation and BPJS-K management since 2013, and identified potential fraud areas, such as fragmentation / unbundling, phantom billing and unnecessary treatment⁴.** Most recently in May 2020, KPK put forward recommendations to the government related to the management of Health Social Security Funds.⁵ KPK provided these as prevention efforts to address the deficit in BPJS-K, which has increased the risk of corrupt practices at the operational level. The KPK recommendations are as follows: (i) Ministry of Health to complete the National Medical Practice Guidelines (PNPK) for all the types of diseases required, in order to reduce the unnecessary treatment in BPJS-K Kesehatan claims; (ii) conduct a control regarding hospital classes, to address the findings in mismatch in classes of hospitals which led to claim overpayment. MOH review found that 898 hospitals did not match their classes. This reorganization of hospital classes is projected to result in a reduction in the overpayment to hospitals of about Rp 6 trillion per year; (iii) KPK recommended MOH to implement a co-payment or joint-payment system for independent members. This co-payment scheme is already regulated in the Ministry of Health Regulation No.51 of 2018, and this scheme acts as an effort to ask the capable participants to cover 10 percent of the health cost. For example, in 2018 the total claims of independent members reached Rp22 trillion. As per KPK, the co-payment scheme will help save the income of BPJS-K Kesehatan by Rp2.2 trillion; (iv) KPK also recommended the government to apply benefit limitations for catastrophic diseases, caused by lifestyle, such as smoking, diet, and lack of physical exercises. Until the end of 2018 a third or 30 percent, as much as Rp28 trillion, of the total claims received by BPSJ Kesehatan was from catastrophic diseases; (v) apply the Coordination of Benefit (CoB) with private insurance companies, which means that all the members also using private insurance other than BPJS-K can combine both benefits when sick. In this case, the Ministry of Health must lead and accelerate the joint-benefit scheme so that the health cost can be shared between the government and the private sectors; and (vi) integrate between the obligation to pay BPJS-K premiums and other public services, such as making the payment of BPJS-K premiums as one of the requirements when citizens want to extend Driving Licenses or Vehicle Registration Numbers.
38. **In response, MOH has also updated the Guideline on Fraud Prevention and Handling for the Implementation of JKN Program (MOH Regulation No. 16/2019) and established a multi-agency Central Team for Fraud Prevention and Handling, comprising MOH, BPJS-K, KPK and related agencies (MOHA, MOSA, BPKP) (MOH Decree No. HK.01.07/MENKES/718/2019).** Three working groups (*Pokja*) have been established, i.e., prevention, detection, and response. More generally, for reporting complaints and allegations of fraud and/or corruption, the MoH's Inspectorate General (IG) maintains a public complaint handling mechanism and a whistleblowing system through its website⁶ (Reports can also be submitted offline). The complaint handling mechanism is established through the MOH Regulation No. 49/2012 regarding Guidelines on Integrated Public Complaints Handling in MOH environment, while the whistleblowing system (WBS) is managed in accordance

⁴ Annisa, R, Winda, S, Dwisaputro, E., & Isnaini, K.N. (2020) "Mengatasi Defisit Dana Jaminan Sosial Kesehatan Melalui Perbaikan Tata Kelola", INTEGRITAS: Jurnal Antikorupsi, 6 (2), 209-224. Retrieved from <https://jurnal.kpk.go.id/index.php/integritas/article/view/664>

⁵ KPK (May 20, 2020) <https://www.kpk.go.id/en/news/highlights/1680-kpk-s-six-recommendations-to-restore-the-health-of-BPJS-Kesehatan>

⁶ MOH-IG Public Complaints and Whistleblower Systems <https://itjen.kemkes.go.id/pengaduan>

with the MOH Regulation No. 29/2014. The IG reviews the reports that have potential state loss implications and follows up on credible and material allegations, while it forwards complaints pertaining to public services to the relevant units within MOH.

39. **The national procurement regulation, Perpres 16/2018 and amendment Perpres 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.
40. **Ineligibility of firms sanctioned by the Bank to participate in the Program.** The assessment revealed that three IAs generally comply with the requirement of ineligibility of firms blacklisted by the Government and published on LKPP's website. The requirement for developing and putting in place a mechanism within MOH/MOF/DJSN 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 establishment of such a mechanism has been specified in the Program Action Plan and monitored by the Bank for compliance.
41. **Applicability of the World Bank Anticorruption Guidelines (ACG) for the PforR.** Through the PforR's legal documents, the recipient of the loan is formally committed to the obligations under the ACG for PforR operations, and the primary responsibility for preventing and combating fraud and corruption rests with the Government of Indonesia. In the context of this PforR, all Implementing Agencies (MOF, MOH, DJSN and BPJS-K) under the Program will be bound by the ACG, and will be required to 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. It is proposed MOF in its capacity as the lead Implementing Agency/Borrower will consolidate and provide periodic reports for all the IAs to the Bank. The World Bank will inform the recipient about any allegation that it receives. These requirements need to be discussed and agreed with the IAs and included in the PAP.
42. **In addition, IAs will 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. The auditor's TOR will also include checking whether the implementing agency before award of the contract checked and confirmed on the files that recommended firm for award was on the World Bank's suspension and debarment list throughout the period of PforR.
43. **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 in accordance with the standard arrangements for this purpose between the Government of Indonesia and the Integrity Vice Presidency (INT) of the World Bank.

B. Review of the Fiduciary system of BPJS-K

44. **Planning and budgeting. Planning and budgeting process within BPJS-K is acceptable.** Based on Presidential Regulation no 25 FY 2020, regarding BPJS-K Governance and the subsequent BPJS-K

Director Regulation no 65 FY 2020, BPJS-K Director should propose its 5-year strategic plan and annual plan for approval by BPJS-K Board. The initial budget for the following year is prepared by BPJS-K management in April with input from all units within BPJS-K. The initial draft is expected to be ready for submission to the BPJS-K Board for approval in May every year. The proposed budget is then forwarded to MoF by the end of September at the latest. MoF issues MOF regulation regarding the approved BPJS-K operational cost amount for the following December every year. Based on MoF regulation (PMK) no 240/PMK.02/2020 regarding BPJS-K operational funds for FY 2021, the approved amount was IDR 4 trillion or 2.96% from the monthly premium received. Currently, BPJS-K is preparing an in-house budgeting and monitoring application which allows BPJS-K to receive budget proposals from all its regional offices and monitoring its implementation. The application will be linked with the accounting and finance system operated by the accounting unit. Access to current BPJS-K strategic plan and annual plan could not be obtained as it is limited based on BPJS-K Directors Decree no 309 FY 2018 regarding list of information not qualified for public access. Further elaboration on the planning and budgeting mechanism was conducted during the Program appraisal.

45. **Budget execution, accounting, and reporting. The program budget execution, accounting, and reporting procedures in BPJS-K are acceptable.** Based on operational procedures on bookkeeping shared, the basis of the procedures are as follows: (i) Director Regulation no 31 FY 2014 regarding accounting for Social Security Fund (*Dana Jaminan Sosial/ DJS*); (ii) Director Regulation no 27 FY 2015 regarding accounting for BPJS-K; (iii) Director Regulation no 68 FY 2015 regarding technical instruction for BPJS-K accounting. It is noted that BPJS-K is using an in-house accounting and finance application system. Transactions still need to be recorded in the system, except for tax, payroll, depreciation and amortization transactions which automatically feed into the system. Twice a week, BPJS-K regional offices send request for funds for their operation, including payment of claims to hospitals and transfer of capitation funds to primary health care under their responsibility. The transactions recorded at the regional offices through the system and monthly financial statement is sent to the head office in Jakarta for consolidation. The Accounting unit of BPJS-K maintains two accounting books, one for DJS and one for BPJS-K. DJS book records premium received from BPJS-K members and payment for claims. BPJS-K book documents initial capital from the government, investment on surplus and BPJS-K operational cost, improvement of service capacity and procurement. Reconciliation of the premium collected with the update of membership database is conducted on a daily and monthly basis. The reconciliation process is planned to be automated in the near future. The accounting unit prepares DJS and BPJS-K financial statement on monthly basis, which consist of balance sheet, cash flow, activity reports and notes to financial statements. Based on government regulation (*Peraturan Pemerintah/PP*) no 53 FY 2018 (which replaced PP no 84 FY 2015 and PP no 87 FY 2013, both audited financial statements should be submitted to the President by June 30 of the following fiscal year with copy to MoH, MoF, Financial Services Authority (OJK), BPK and DJSN. In addition, BPJS-K should also prepare program management report, actuarial report, and projection on the sufficiency of the DJS fund for the next 6 months. On June 30, 2021, DJSN issued letter regarding target performance of BPJS-K for FY 2021 and 2022 which include certain financial ratios to be achieved, unqualified opinion from audit of BPJS-K and DJS financial statements and other technical rating to be attained.
46. **Treasury Management and flow of funds in BPJS-K operational cost are acceptable.** BPJS-K is using 4 government-owned banks for its operation, namely BNI, Bank Mandiri, BRI and BTN. These bank accounts are used to collect premium paid by members and for operational purposes, and mostly BPJS-K uses BNI and Bank Mandiri. Each BPJS-K branch has one account for operational expenditure of BPJS-K. All bank accounts are opened in Jakarta. Twice a week, each branch makes a request for funds allocation for operational costs. For control and monitoring purposes, at the end of each day, all accounts at the branch are maintained at minimum (IDR 5 million) and the rest of the balance is transferred back to the BPJS-K main account. The amount is transferred back in the morning for

operational expenses at the branch. BPJS-K is using a cash management system, all payments made through transfers, each payment of expenditures requires 2 token approvals in accordance with approved threshold. The Program boundaries cover operational cost to process capitation funds and claim payment to hospitals. As indicated above in the budgeting section, MoF issues MOF regulation (PMK) regarding the approved BPJS-K operational cost amount for the following December every year. Sources of BPJS-K operational cost is from the premium received its members. Based on MoF regulation (PMK) no 240/PMK.02/2020 regarding BPJS-K operational funds for FY 2021, the approved amount was IDR 4 trillion or 2.96% from the monthly premium received. No separate funds flow from the Government for BPJS-K operational cost. Funds flow from the Government for health insurance contribution funds for contribution assistance recipient (*Penerima Bantuan Iuran*) through Satker in Center for Health Financing and Assurance, in Secretary General, MoH.

47. **General procurement procedures applicable to BPJS-K:** BPJS-K has developed its own procurement regulations namely BPJS-K Director Regulation no. 09/2020 on Procurement Guidelines: Goods/Services and BPJS-K Director Regulation no. 46/2020 on the amendment to Procurement Guidelines: Goods/Services. However, the procurement documents are categorized as confidential documents and are listed in the BPJS-K Director's Decree no. 309/2018, and hence not available except to the organization and the Bank team was provided special access to the limited documents during the visit to their offices on September 28 and 29, 2021 and subsequently had a series of virtual meetings. As indicated above under procurement profile, the agency will not be conducting any procurement and its expenditure is only limited to operating cost by nature.
48. Based on the annual budget and plan, the BPJS-K procurement users are required to identify the needs, and develop a procurement plan for the required goods, works and services. The procurement plan is published in BPJS-K website, and the published information is limited to description of activity, procurement type (goods/works/services/non-consulting services) and expected start date, the estimated contract price/owner estimates and procurement method are not indicated. The team was able to understand that there is a clear link between procurement planning and budget planning. The Planning, Evaluation and Organization Department consolidates and reviews the proposed budget and activities from each working unit within BPJS Kesehatan before the submission to MoF. There is a provision that revision of budget and planning can be done only if there is a change on target achievement, force majeure and/or change in government policy However, documents on Procurement planning (including documents and information on how procurement planning is linked to budget planning) could not be fully accessed. Under the procurement guidelines of Open public bidding methods is mandated for procurement of works, goods, consulting services and non-consulting services exceeding IDR 2 billion (approx. US\$140,000), which requires advertising of the bidding notice in BPJS-K website/notice board/ newspaper for at least 3 working days. For smaller value contracts of non-complex nature with an estimated cost between IDR 2 billion (equivalent to US\$ 140,000) and IDR 500 million (equivalent to USD 35,000), Direct Selection (*Pemilihan Langsung*) methods may be used. For procurements below IDR 500 million (US\$ 35,000) Direct Procurement or Direct Procurement with selection (*Pengadaan Langsung atau Pengadaan Langsung dengan Seleksi*). BPJS-K guidelines also provide for use of e-reverse auction and detailed procedures are stated in the guidelines. The guidelines also provide clear delegation of powers while taking procurement decisions with regards to determination of supplier to be invited under Direct Procurement, negotiations, contract award, signing and contract amendments. BPJS-K has a supplier registration system, which could not be assessed due to lack of documents/information on the supplier's registration system
49. The procurement guidelines also provide for options of both the merit point system as well as pass /fail mechanism or Passing grade which can be applied for procurement of goods/services with technical evaluation and selection. In both the options the vendor should pass the minimum technical score. The guidelines provide guidance on under what conditions these should be used and how to apply the merit

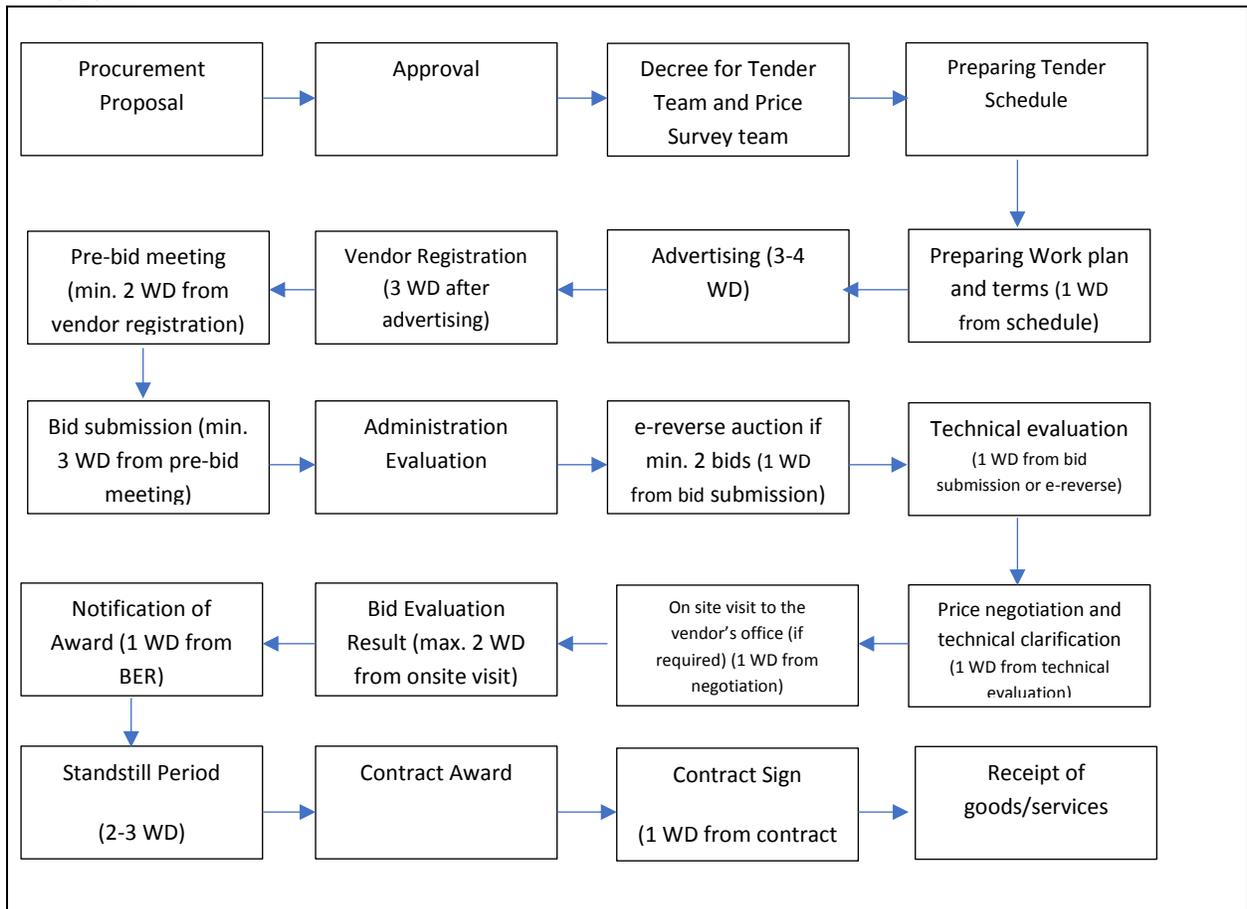
point system. The merit point system is applied for procurement of goods/services if the nature is considered are complex such as IT systems or if specific competence of consulting services is required. The evaluation criteria for services are usually noted to be similar experience, approach and methodology and evaluation of key experts.

Procurement method and threshold

Budget	Procurement Method
Up to IDR 500 million (equivalent to USD 35,000)	Direct Procurement or Direct Procurement with selection (<i>Pengadaan Langsung atau Pengadaan Langsung dengan Seleksi</i>)
Min > IDR 500 million up to IDR 2 billion (equivalent to USD 140,000)	Direct Selection (<i>Pemilihan Langsung</i>)
> IDR 2 billion	Bidding (Tender)

1 USD=14300 IDR.

- 50. The Direct procurement requires minimum receive 1 quotation, whereas the Direct selection requires a minimum of 2 quotations.
- 51. A set of Standard Bidding Documents for procurements are available for use by the agency, and standard forms of contract agreement are available and form part of the procurement guidelines. However, the operating manuals were not made available for review.
- 52. A flow chart to better explain the complete Tender with Technical Evaluation is shown in the table below:

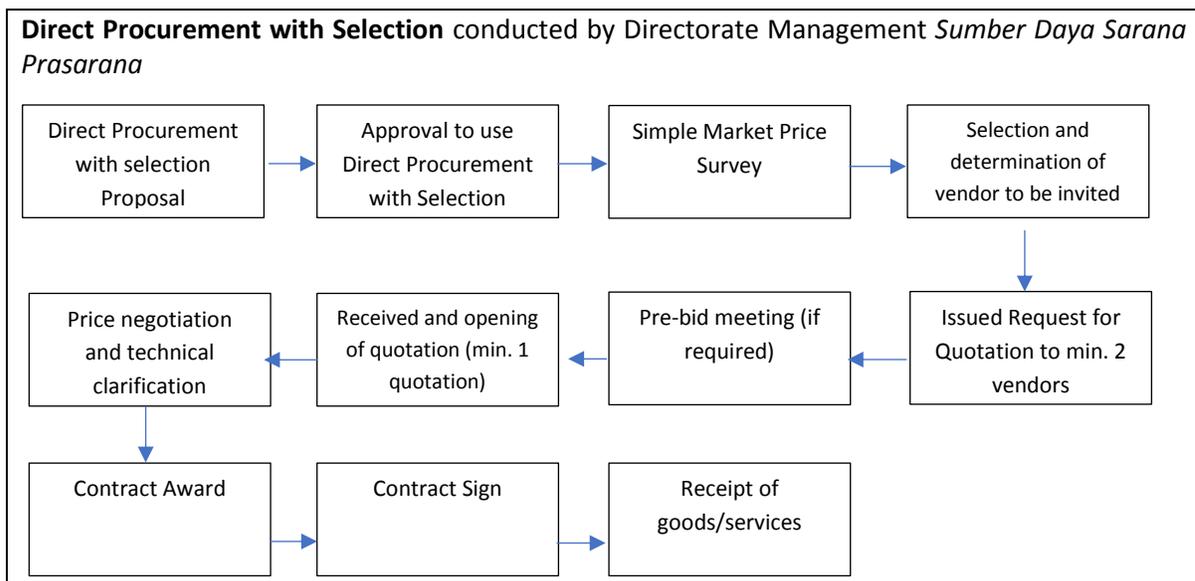


Note to the diagram:

1. WD = Working day, indicating the processing time for particular step.
2. Advertisement: bulletin board/BPJS-KK's website/other website and newspaper.
3. Price negotiation and technical clarification conducted to the lowest bidder, if negotiation failed then go to the second lowest bidder.
4. On site visit to the vendor office/location only for the first rank, on exceptional basis, the procurement team may visit all vendors at one time.
5. Standstill period: 2 – 3 WD and the procurement team should response to the complainant at least one WD from complaint received.
6. Contract award: if the annual budget is not approved yet, the contract is to be signed once the budget is approved.
7. If the first-ranking bidder withdraws from the tender process after signed the minutes of negotiation or after receiving the contract award or signing of the contract, then the firm is blacklisted for a period of two years.
8. The procurement process should be completed in a maximum of 40 WD.

53. In the case of rejection of all bids, the procurement committee may propose re-tender. If the re-tender also fails, then the procurement guidelines provide for proceeding with the procurement through direct contracting.

54. Under the Direct procurement, the procurement team invites vendor from the list of qualified vendors (*Daftar Penyedia Terkualifikasi/DPT*) and negotiates with the lowest price vendor after confirming that it meets the minimum requirements of technical specifications / terms of reference (TOR). The guidelines also provide for clear provisions of when the Direct contract can be used such as Goods/services which in the national/sectoral e-catalogue, is proprietary availability form only one source etc. The procurement process under direct procurement should be completed in maximum 21 working days.



55. The guidelines also indicate that ideally the contract variation order be up to a maximum 10% from the original contract price, except in exception cases which would need to be approved at the Director level. Some of the specific reasons are an increase due to changes in official tariffs and wages which are issued by the government, e.g., minimum regional wages for firms who provide services, or the scope is unpredictable.

56. **e-procurement system:** BPSJ-K developed its own e-procurement system called Integrated Management Asset and Procurement System (IMAPS) (<http://eproc.BPJS-Kesehatan.go.id>). All bidders are to register in IMAPS and verified to be a DPT (*Daftar Penyedia Terkualifikasi*=List of qualified bidders). Bidders who are included in DPT may access information in IMAPS including

access information on specific package as well as can participate in the procurement process. BPSJ-K limits access to IMAPS. The System is private and can only accessed by bidders who included in DPT and BPJS-K's official staff and hence cannot be accessed by Public. IMAPS system covers the procurement method using tender, service provider with selection and direct selection. BPJS-K still utilizes LKPP's e-catalogue system in case of standard off the shelf goods which are on the e-catalogue. However, the guidelines do not provide when the e-procurement system is to be mandatorily used. In addition to procurement information, IMAPS also includes information on contract management related to contract amount, period and contract signing date. IMAPS also includes information on performance evaluation of supplier/contractor/consultant. BPJS-K can generate a report related to information on procurement process or contract management taken from IMPAS for their management consumption. However, access to contract management information is only limited to BPJS-K's official staff.

57. **Procurement Organization and Capacity:** The procurement unit in BPJS-K is under *Direktorat Sumber Daya Sarana dan Prasarana*. The procurement process is required to be carried out by the procurement unit. During the virtual meetings details of the Organization structure, description of evaluation committee, formation and members, procurement unit and staffing, contract management function in BPJS-K were provided. However, documents and information on internal procedures for inspection and quality control) were not provided. In addition, documents/information on procurement training and Capacity Building Program, including Business Opportunities sharing session for Suppliers were not provided,
58. **Procurement Complaint handling:** There are provisions for submitting complaints or objection can only be sent by the bidder who participates in the bidding process through IMAPS. A period of 2-3 working days is available for the bidder to submit their complaint or objection to the result of bidding process after the issuance of notification of award. The Procurement Committee shall review and respond to the complaint within one working day after receiving the complaint. Other than complaints sent by the bidders, the procurement committee will review the complaint case by case and may respond to the complaint (but no standard timeline / day's procedures on this). Complaint /objections can be sent formally through system, email, or fax to the procurement committee of BPJS-K. The bidder is requested to submit complaint security 3% of the bid price and it will be returned to the bidder/complainant if the substance of complaint is true and proven. BPJS K has their own system on blacklist. IMAPS does not provide a blacklist, so checking into the blacklist shall be done manually.
59. **Procurement performance:** Documents and information on procurement performance data and how procurement was carried out during few years based on the e-procurement system data/records, and related indications on Leadtime, competition, approach to market, estimated cost vs contract price in % above or below the estimate, etc. number of complaints received if any and time taken for resolving the same is considered confidential and was not accessible, Also, documents showing Contract management data: how the procurements led to contracts and time taken for implementation, were there any delays in supplies, where there are any delays in payments, contractual disputes, and details, etc. with regards to the BPJS-K the performance data is again considered confidential and was not provided and is not accessible through other ways like the internet, e-procurement system etc. BPJS-K also has no previous experience of working with the Bank projects. Based on the Program Expenditures Framework and technical assessment, the Program activities to be implemented by BPJS-K towards achieving DLI 4 would not involve procurement and the associated expenditure would be limited to minor procurable expenditures under operating costs and related human resources costs.
60. **Internal Controls. Internal controls of the program in BPJS-K are acceptable.** Based on Director Regulation no 36 FY 2018 regarding Internal Audit Guideline, it was indicated that the objective of internal audit practice in BPJS-K is not only to focus on the evaluation of the adequacy and

effectiveness of internal controls in BPJS-K. Evaluation of internal control in BPJS-K is one of the systematic approaches conducted by internal audit unit to improve value and organizational operations. Further discussion is requested to learn more the basis and the internal control practice in BPJS-K. Review on FY 2019 management letter of BPJS-K indicated a problem with security of BPJS-K Information systems (BOA⁷, Accounting, Vidi⁸, In-Monica⁹, Membership, and Premium Collection) which are at risk for possible breach by third party. Multiple concurrent login tests also showed weak control of the IT systems in BPJS-K. Furthermore, passwords to access BPJS-K applications can be stored in the browser, which allows the user not to login in the subsequent access. In May 2021, public news reported a BPJS-K membership data leak, due to the security issues indicated above and the use of a number of applications. All the above findings indicated weaknesses exist in the internal control systems in BPJS-K. While the recommendations for improvements were not shared, BPJS-K noted that all the recommendations in the management letter have been followed up by the auditor who conducted the annual audit of FY 2020 BPJS-K financial statements. In addition, based on the interview session, and the media, the fiduciary team learned that membership data leakage issues has been followed up through investigation by police and State Cyber and Code Agency (BSSN).

61. **Record Keeping and Document Management. Record Keeping and Document Management in BPJS-K need to be improved.** Online meeting with the Secretary of BPJS-K indicated that there is no director regulation related to document management and record keeping. IT department is responsible for archive documents and classification of documents. Type of documents that can be assessed by the public, confidential, are regulated through Director's Regulation No.78/2018 In addition, there is concern due to recent incident where the news reported BPJS-K membership data leakage and internal control weakness explained in internal control section. The FSA proposes a PAP action for BPJS-K to improve its records management practice and regulation to ensure secure access to records and retain, preserve and dispose of records appropriately.
62. **Internal Audit. The program internal audit system in BPJS-K is acceptable.** Internal audit in BPJS-K is conducted based on Director Regulation no 36 FY 2018 regarding Internal Audit Guideline. The guideline defined internal audit as activities to provide assurance and independent and objective consultation with the purpose to improve the value and operational organization, through systematic approach by evaluating and improving effectiveness of risk management, internal control, and governance. Internal audit in BPJS-K is planned on an annual basis using risk-based audit. The risk was identified based on the updated organization risk profile. The audit plan is approved in December for implementation in the following year. In the past years, audits have been conducted in all 13 deputies of BPJS-K in the country. In general, 70% of the unit within BPJS-K were audited in yearly basis. There are 40 auditors in the internal audit unit of BPJS-K with mostly medical doctor background by training (50%) and 25% with accounting degree and the rest either with IT or Law degree. The audit team usually consists of at least 3 auditors (team leader, staff, and quality assurance). Director Regulation no 08 FY 2015 regulate instruction for BPJS-K Internal Auditor to conduct internal audit. Since 2014¹⁰, BPJS-K located its auditor in its 5 regional offices (Batam, Jakarta, Surabaya and Makassar). Recently, due to the pandemic, all internal audit staff are stationed in BPJS-K main office in Jakarta and audit is conducted online. The internal auditors in BPJS-K received training and internal audit certification from a private training center specifically for internal auditors and accounting and finance in the country. Based on the review of BPJS-K internal control, risk was observed in BPJS-K

⁷ BOA stands for BPJS Office Application, a web based internal application used to record claim from FKTP, FKRTL and Providers (Optics and Laboratory)

⁸ Vidi is an application used by BPJS-K verifiers to digitally verify hospital claims with certain logical filtration methods according to the provisions.

⁹ In-Monica is application used to record claim payment to FKTP and FKRTL

¹⁰ Based on Director decision no 289 FY 2014

IT implementation. Currently, the internal audit unit of BPJS-K only has one auditor with Certified Information System Auditor (CISA) certification. This FSA proposed the following PAP to improve the capacity of internal audit unit for better internal control in BPJS-K: (i) BPJS-K human resources to conduct assessment on capacity needed for CISA certified internal auditor in BPJS-K and fulfill the need; (ii) improve the capacity of internal audit unit to allow continuous audit on BPJS-K information system. Internal Auditor (*Satuan Pengawas Internal/SPI*) carries out audit of the procurement process and other related aspects.

63. BPJS-K Director Regulation no 38 FY 2018 is used as the guideline for monitoring follow up actions on audit findings (both internal and external). Based on the guidelines, findings are classified into four categories (completely followed up, under monitoring, not yet followed up and can't be followed up). The guidelines indicated internal audit findings expected to be completed in 30 days and external audit findings expected to be completed in 60 days, while OJK audit findings expected to be completed in a month after the audit by OJK. Request made to obtain status of internal audit findings for the year ended December 31, 2020, and June 30, 2021, could not be provided. Sample of internal audit report for the first semester of FY 2020 was received for the purpose of the FSA indicated findings related to not updated number of medical staff in HFIS application by Primary Health Center (*Puskesmas*). Another finding is related to non-compliance related to claim payment. As a follow up, BPJS-K integrate HFIS¹¹, P-CARE¹² and BOA for capitation calculation. Medical staff in *Puskesmas* require to update their data in P-Care application. VID and Vclaim applications require to be routinely updated to reflect the current condition in each *Puskesmas*.
64. Director Regulation no 44 FY 2018 regarding guidelines on internal audit quality assurance. The regulation referred to International Professional Practices Framework (IPPF) and IA-CM. It was informed that BPJS-K hires a consultant to conduct Quality Assurance Improvement Program (QAIP) for its internal audit practice every 3 years. Report on the latest QAIP for BPJS-K internal audit is being requested to understand the result, recommendation and follow up action, but could not be provided. It was informed that the latest QAIP was conducted in FY 2019 and the next QAIP plan to be conducted in FY 2022. IA-CM assessment was conducted in BPJS-K by BPKP. It was informed that BPJS-K is working to achieve level 3 of IA-CM.
65. **External Audit. The external audit arrangements for BPJS-K are acceptable.** DJS and BPJS-K annual financial statements are audited by private auditor. Based on government regulation (*Peraturan Pemerintah/PP*) no 53 FY 2018 (which replaced PP no 84 FY 2015 and PP no 87 FY 2013, both audited financial statements should be submitted to the President by June 30 of the following fiscal year with copy to MoH, MoF, OJK, BPK and DJSN. BPJS-K published the summary financial statements on its website. Based on BPJS-K Directors Decree no 309 FY 2018, BPJS-K exempted 52 types of information/ documents from public disclosure, which includes annual audited financial statement. Based on article 14 of Public Information Disclosure Law (Law no 14 FY 2008), audited financial statements of public institutions must be accessible to the public. In-line with the Law, PAP recommends actions be taken by BPJS-K to remove any obstacles that would interfere with the compliance to the existing law on public information disclosure. FY 2019 and 2020 annual audit reports and their related management letter were requested for the purposes of conducting the fiduciary assessment. Only FY 2019 management letter was provided in the BPJS-K premises during the site visit on September 30, 2019. FY 2019 and FY 2020 audit reports were not provided due to access to information restrictions in BPJS-K. Documents /information on the Procurement audits, if it is part of

¹¹ HFIS stands for Health Facilities Information System, an application in the form of a website that is useful for monitoring health facilities available for BPJS-K users.

¹² PCARE stands for Aplikasi Primary Care, an application that is used for recording and billing non-capitation BPJS-K services on FKTP.

the External Audit also could not be ascertained. The Secretariat for the Program in MoF will be responsible for ensuring submission of audited financial statement for the whole Program with sufficient disclosure of the Program implementation. This proposed audit arrangement has been discussed with MoF as the coordinator of the Program.

66. **Transparency:** BPJS-K Kesehatan is also a public entity subject to Law No. 14 year 2008 on Transparency of Public Information, and has in place a Guideline for Public Information Disclosure (BPJS-K Directors Regulation No.74/2020) and a Public Information and Documentation Management Officer (PPID) mechanism (<https://e-ppid.BPJS-Kesehatan.go.id/eppid>) to manage public information requests. Certain information has been restricted for public access through a BPJS-K Directors Decree on Restricted Information (BPJS-K Directors Decree No.309/2018), such as documents related to its regulations, budget and finances, personal data of program members, IT plans, and audit reports. Some of the BPJS-K Regulations and high-level summary information of its annual program and financial reports are available on the BPJS-K website.
67. **Complaints Handling.** BPJS-K has established various public information and complaints channels (*Saluran Informasi dan Pengaduan Pelayanan/SIPP*), such as the BPJS-K Care Center (24-hour hotline), website, JKN mobile application, and social media platforms, and handled in accordance with the service level agreement standards established in the Public Services Law (Law No.25/2009). Public complaints and inquiries about BPJS-K programs can also be submitted through the LAPOR system and the information is publicly accessible through its website, including their progress and resolution status (<https://www.lapor.go.id/instansi/badan-penyelenggara-jaminan-sosial-kesehatan-993>). BPJS-K offices in the regions are also connected to the LAPOR system under the BPJS-K component. The complaints handling systems are managed by the Member Services (*Pelayanan Peserta*) unit, and are monitored and evaluated regularly. In addition, the unit collects customer feedback in health facilities, and conducts customer satisfaction surveys.
68. **Fraud and Corruption.** In the implementation of the JKN program, BPJS-K is subject to the MOH Guideline on Fraud Prevention and Handling (MOH Regulation No. 16/2019) referenced above, and a member of the multi-agency Central Team for Fraud Prevention and Handling, comprising MOH, BPJS-K, KPK and related agencies (MOHA, MOSA, BPKP) (MOH Decree No. HK.01.07/MENKES/718/2019). To implement the MOH Guideline, BPJS-K has updated its regulation on Fraud Prevention System in Health Insurance Program Implementation (BPJS-K Regulation No. 6/2020), which outlines the definitions, scope and mechanisms for prevention, detection and handling of fraud, as well as various Guidelines for Whistleblowing System (WBS) Management (BPJS-K Directors Regulation No.9/2019) and Gratification Control (BPJS-K Directors Regulation No.74/2018). In addition, BPJS-K also has guidelines on good governance and code of ethics for its Board and personnel (BPJS-K Directors Regulation No.84/2018).
69. BPJS-K maintains a whistleblowing system (WBS) through its website for the public to submit allegations of fraud¹³. Other channels for reporting infractions include email, mobile/Whatsapp/SMS/Telegram, telephone and directly to the WBS management team. The Internal Auditors unit manages the WBS and conducts investigative audits, while the Health Services Assurance (*Penjaminan Pelayanan Kesehatan*) unit manages the fraud prevention and detection as part of the claims management process (ex-post verification and audits of claims administration). The WBS management team compiles a summary report every six months and reports the findings, results and

¹³ BPJS-K's Whistleblowing System <https://bpjs-kesehatan.go.id/bpjs/post/read/2019/1039/Whistleblowing-System>; <https://wbs.bpjs-kesehatan.go.id/wbs/web/>

recommendations to the Secretary of BPJS-K. During the first semester of 2021, only one (1) of the cases received through the various channels of WBS was determined to contain indication of fraud and followed up by the Investigative Team. The majority of the cases were complaints or information requests related to BPJS-K services and were forwarded to the relevant work units (technical or regional units responsible, or branch offices) to be followed up, or responded directly to the complainant. The common types of complaints received were on: (i) cost of hospital services; (ii) issues with online registrations for business entities; (iii) issues with log-in to JKN mobile application; and (iv) other services issues related to benefits at health facilities.

70. By design, the PforR seeks to strengthen the BPJS-K fraud prevention and detection systems.

DLI 4 aims to streamline and strengthen existing processes in claims management and fraud prevention and DLI 5 to integrate various data systems across agencies to improve the use of data for decision making. While only basic administrative verification is currently automated in Indonesia, further digitization of claims processing steps will be supported and indicators embedded into the claims verification software to monitor compliance with protocol-based care, together with the use of more advanced analytics. This is expected to help strengthen the pre-payment verification and optimize the existing manpower (926 verifiers and 323 fraud detection specialists) to process 9 million hospital claims a month. The integration of key data systems, especially between BPJS-K and MOH, will enable capability for enhanced health analytics, including improved claims verification and fraud detection.

II. Fiduciary Risk Assessment, Mitigation Measures and Implementation Support

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

Risk	Mitigation Measure	Type of Action
<p>1. Risk on main expenditure of the Program 91.7% of the Program financing is concentrated in the single item on health insurance subsidy for the poor (<i>Penerima Bantuan Iuran/PBI</i>) which is allocated to the Centre for Health Financing and Assurance under the Secretary General of MoH and requires greater attention during Program implementation.</p>	<p>MOH to report on a semi-annual basis on the results of the internal audit conducted by its Inspectorate General on health insurance subsidy as the main expenditures of the Program.</p>	<p>PAP</p>
<p>2. Risk to public information disclosure BPJS-K has not made its audited financial statements available to the public as stipulated by article 14 of Law 14 of FY 2008.</p>	<p>BPJS-K will take action to remove any regulatory obstacles that would interfere with the requirements of the existing Indonesian law on public information disclosure</p>	<p>PAP</p>
<p>3. Risk on internal controls Based on the review of BPJS-K internal controls, risks observed in BPJS-K IT implementation. Currently, the internal audit unit of BPJS-K only has one auditor with Certified Information System Auditor (CISA) certification.</p>	<p>BPJS-K to improve the capacity of the internal audit unit for better internal control: (i) BPJS-K human resources unit to conduct assessment on capacity needed for CISA certified internal auditors in BPJS-K and fulfill the need. (ii) to improve BPJS-K internal capacity to have competency in conducting continuous audits on BPJS-K information systems.</p>	<p>PAP</p>
<p>4. Risk in records management There is concern due to recent incident where the news reported BPJS-K membership data leakage and internal control weakness explained in internal controls section.</p>	<p>BPJS-K to improve its records management practice and regulation to ensure secure access to records and retain, preserve and dispose of records appropriately.</p>	<p>PAP</p>
<p>5. Inadequate verification by the Program Implementing Agencies of the Bank's list of debarred/temporary suspended firms and individuals before awarding contracts.</p>	<p>All the Program IAs to require its Procurement Service Working Units (UKPBJs)/Procurement Officers and Commitment making officers (PPK) to 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</p>	<p>PAP</p>

	debarment and/or temporary suspension by the World Bank. A regular reporting bi-annually on the verification checks and the results shall be submitted to the Bank along with DLI reimbursement claim submission.	
6. 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.	The Bank will monitor the effective application of grievances mechanism on fraud and corruption under the Program. All the Program Implementing Agencies 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. MOF in its capacity as the lead Implementing Agency/Borrower will consolidate and provide periodic reports for all the IAs to the Bank.	PAP

Procurement Performance Indicators: During appraisal, the team will select and recommend a set of indicators to monitor the procurement performance under the Program for the three implementing agencies namely MOH, MOF and DJSN. For the BPJS-K, the indicators have not been defined because there will be no procurement involved.

B. 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.
- 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 “National Health Insurance (JKN) Reforms and Results 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 any criminal and administrative investigations of all materials and credible allegations of fraud and corruption under the Program, keeping the Bank abreast of their progress and findings, and make public their conclusions/results.
2. The Borrower shall provide the Bank, on a semi-annual basis, or more frequently as warranted and reasonably required by the Bank, with a report on allegations of fraud and corruption under the Program received and registered during such period, as well as any related investigations and actions taken. Reciprocally, if the Bank finds evidence of corrupt practices, the Bank shall, to the extent consistent with Bank policy, refer the case to the Borrower for investigation under the relevant criminal and civil laws.
3. In the event that the Bank decides to conduct an administrative review 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 meet with such 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. Notwithstanding the foregoing, the Bank may, however, and reserve the right to, debar private individuals and firms from participating in Bank financed projects and programs, including the National Health Insurance (JKN) Reforms and Results Program.
4. The Bank’s right to investigate or conduct reviews shall not extend to criminal investigations which shall remain the exclusive jurisdiction of the Borrower.
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 the Program during such period of debarment or suspension by the Bank.

Template for Reporting on Handling of Allegations of Fraud and Corruption

Location	Date Allegation Received	Complainant (Full name & Address, if not anonymous)	Alleged Perpetrator	Means of Submission of Complaint (e.g. telephone, e-mail, writing, verbal)	Description of Allegation	Grievance Handling <ul style="list-style-type: none"> • Stage of Handling of Allegation [<i>Initial Review, Investigation, Referral, Prosecution, etc.</i>] • Description of Progress in Investigation • Outcome of Investigation

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Annex 2. Government's JKN Program in relation to the PforR Program Boundaries

Government JKN program			Program boundary supported by JKN PforR
Key health priorities from RPJMN <ul style="list-style-type: none"> Maternal and child health, including nutrition Communicable diseases (TB, HIV) Proliferating conditions (diabetes mellitus, hypertension, cardiovascular disease, asthma, chronic obstructive pulmonary disease, stroke, lupus erythematosus syndrome, epilepsy, chronic mental health problems) 			Program Development Objective: To strengthen the quality and efficiency of the government program – JKN.
JKN priorities based on RPJMN 2020-2024			Results Area 1: Strengthen the quality of care
Improving the quality of primary care, including referral pathways	RA1, RA2	✓	DLI 1+2: Improve the quality of care and referral pathways <ul style="list-style-type: none"> Develop clinical pathways/processes of care for FKTPs (DLI1) and hospitals (DLI 2) for most common conditions Train front line providers in use of clinical decision support tool Assess provider competence Identify tracer indicators to monitor compliance with clinical guidelines
Improving disease prevention	RA1, RA2	✓	Results Area 2: Improve the efficiency of JKN spending
JKN roadmap 2020-2024			DLI 3: Incorporate findings from health technology assessments into the benefits package
Expanding membership		X	DLI 4: Improve claims management and fraud detection processes
Improving member satisfaction	RA1	✓	DLI 6: Improve capitation design to reflect need and service availability at FKTPs
Enhancing system's monitoring and evaluation and reducing inefficiencies	RA2, RA3	✓	DLI 7: Improve INACBG implementation
Cross-cutting			Results Area 3: Support JKN policy formulation and implementation
Improving system governance and accountability	RA3	✓	DLI 5 Improve use of data in decision making to support: <ul style="list-style-type: none"> quality of care improvements claims management and fraud detection revisions to the base capitation formula revisions to hospital tariffs
Redefining the benefit package	RA2	✓	DLI 8 Improved policy formulation and oversight of JKN
Accelerating the integration of information systems	RA3	✓	DLI 9 Improved management and coordination of JKN across
Strengthening purchasing arrangements (capitation, KBK, INACBGs)	RA2	✓	
Total GOI program: US\$ 41 billion (5 years)			Program supported by PforR: US\$18.7 billion (5 years); IBRD: US\$ 400 million; RETF grant: 2.33 million

Annex 3. Procurement Performance of Implementing Agencies

Performance assessment of MOH

MOH's Procurement Spending in recent years (FY2018-2020) - based on data publicly available on MOH's website and LKPP's M&E system (no data was made available by MOH during the assessment) - including civil works, goods, consulting services and non-consulting services, varied in the amount and number of packages. In FY2018, the annual procurement spend was about IDR 11.4 trillion (equivalent to US\$ 753 million) with about total 26,000 packages. In FY2019, the total procurement spends was about IDR 6.7 trillion (equivalent to US\$ 447 million) with about total 16,000 packages, while in FY 2020, as of March 2020, the annual procurement spends was IDR 1.7 trillion (equivalent to US\$ 113 million) with about total 723 packages. The number of packages based on procurement category are shown in figure 5 below for the last three years.

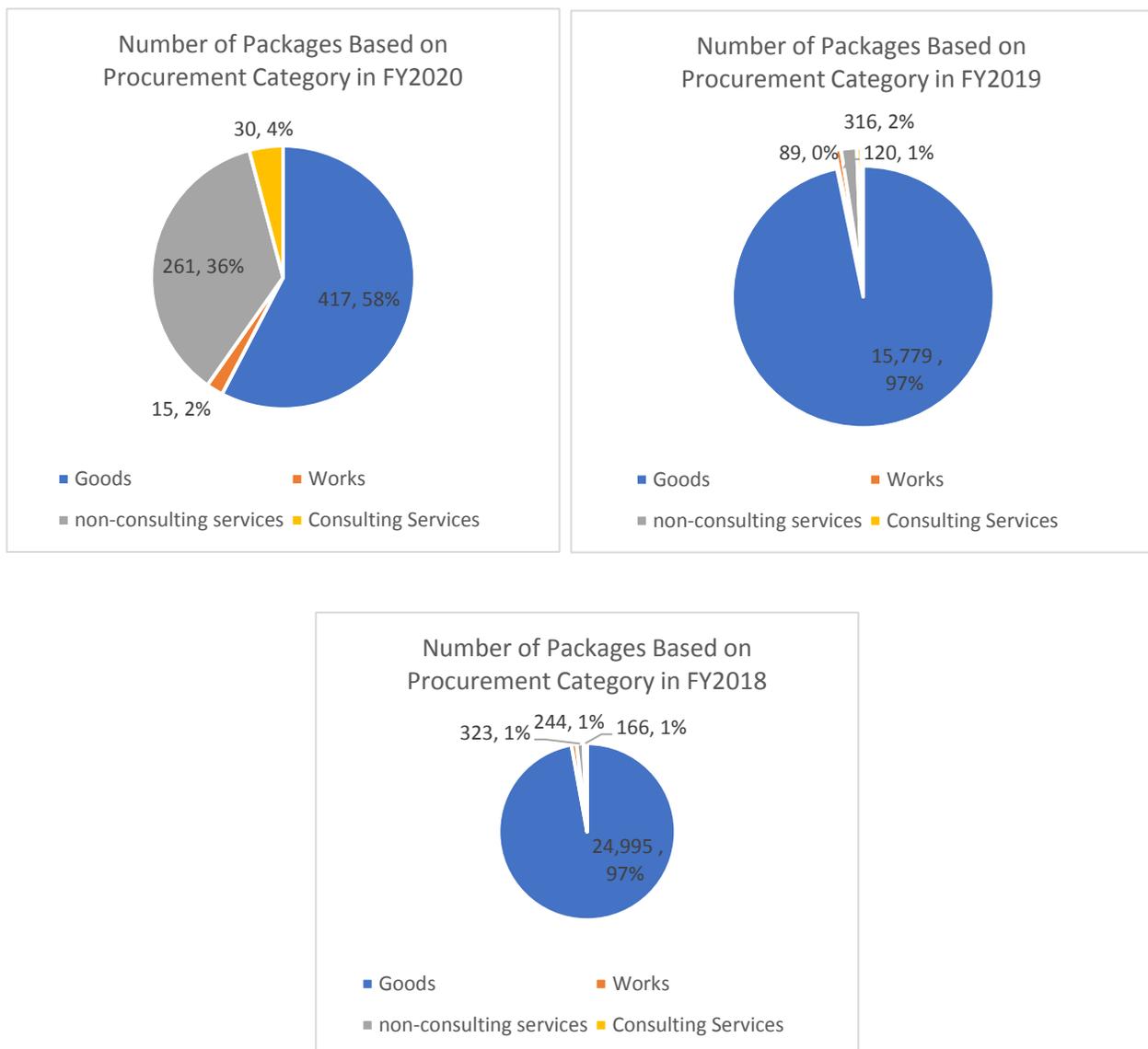


Figure 1: Number of packages based on Procurement Category in FY 2018-2020

MOH’s Procurement Performance during FY2018-2020 – Based on data publicly available on MOH’s website and LKPP’s M&E system (no data was made available by MOH during the assessment).

- (i) In terms of budget spending for procurable expenditures and also number of packages procured by MOH from October 2019 up to March 2020, it appears that the actual spending and actual number of packages procured are significantly lower than planned, which may have contributed to lag in disbursement progress as shown in figure 6 below.

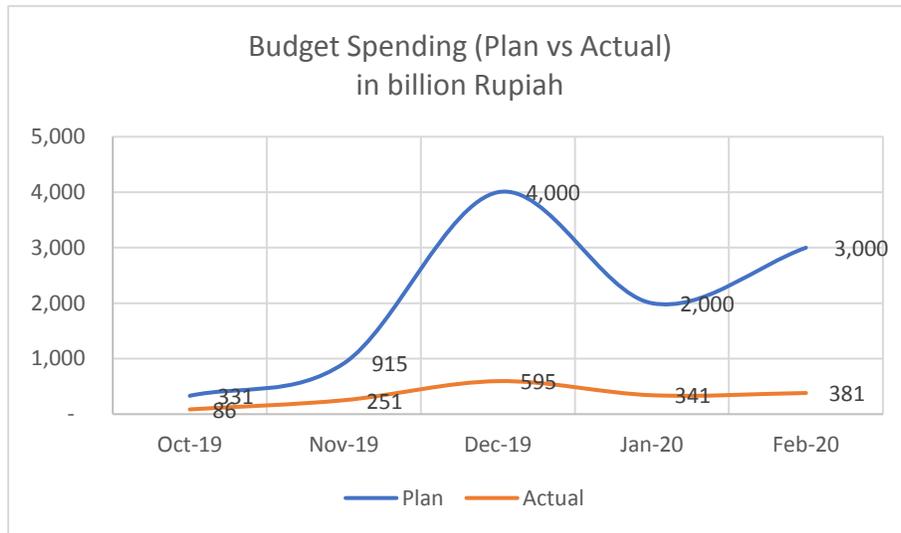


Figure 2: Budget Spending on procurable expenditure from Oct 2019 to March 2020

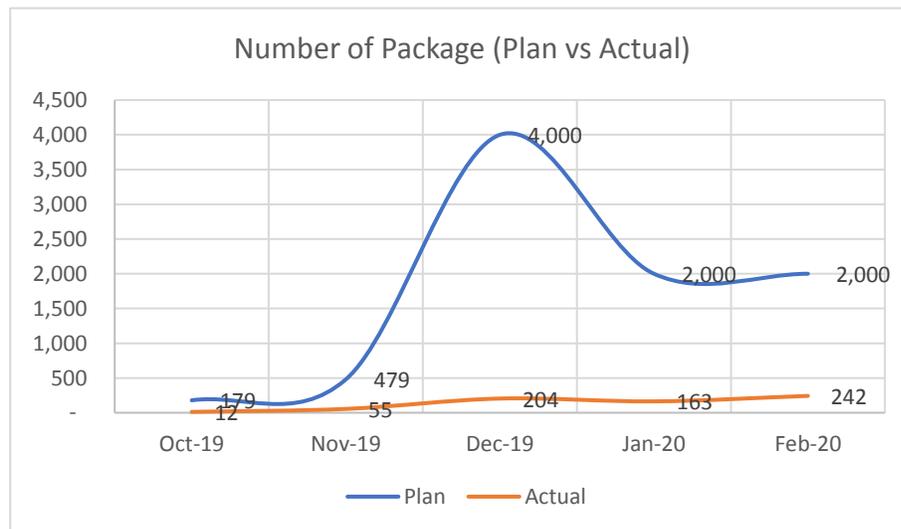
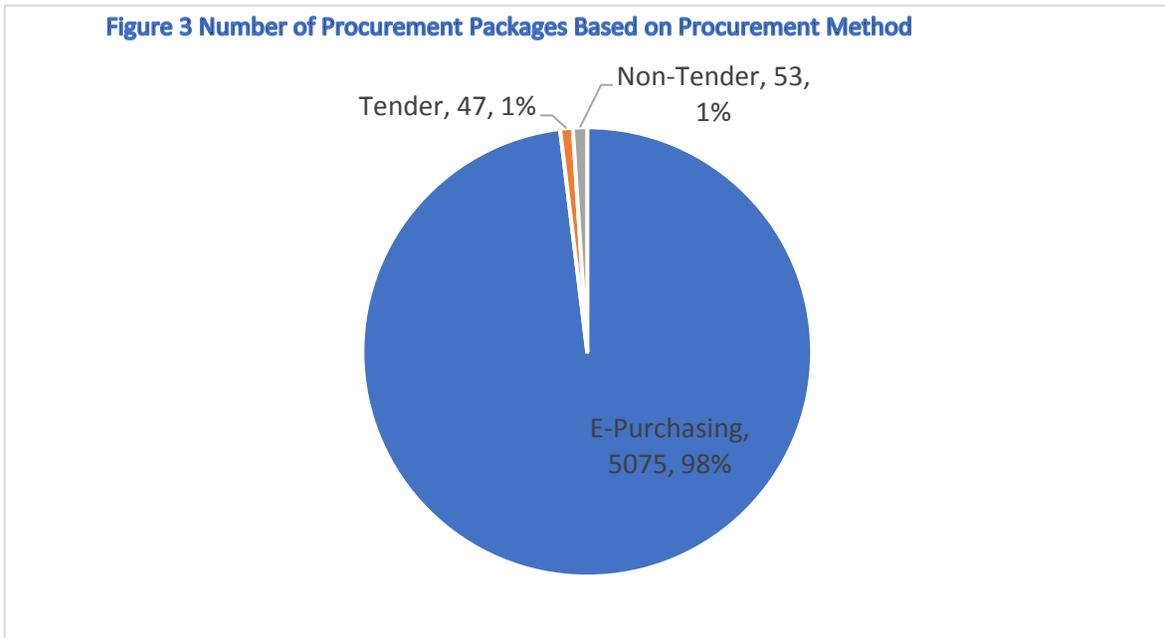


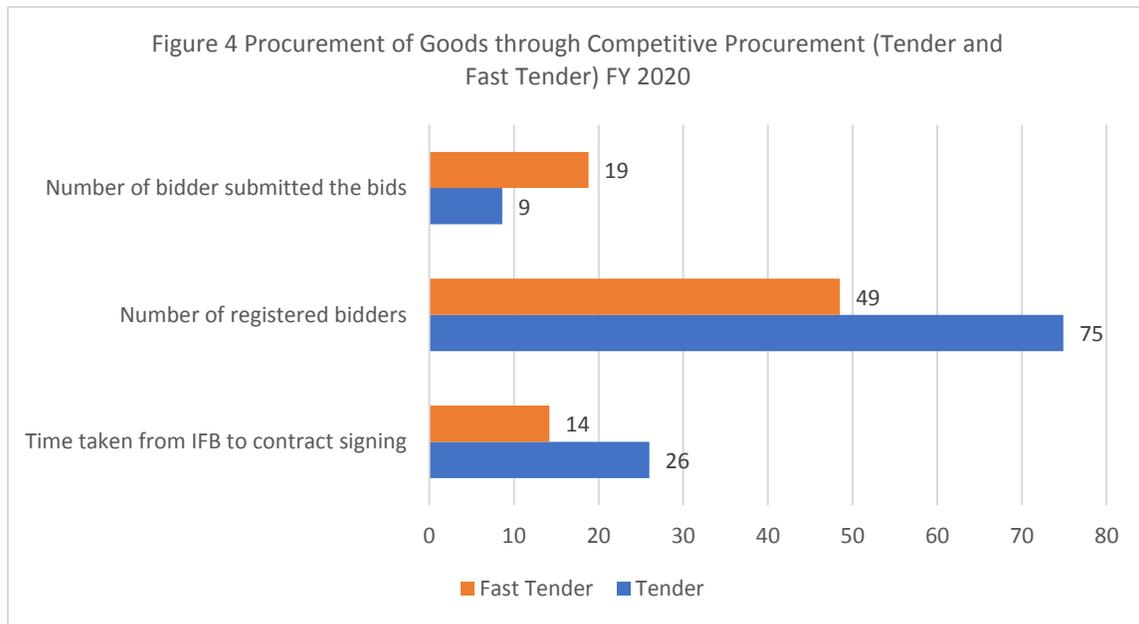
Figure 2b: Number of Packages procured from Oct 2019 to March 2020

Source of Data: <http://lpse.kemkes.go.id/amel>

The analysis of the regarding the procurement and contract profile due to COVID response shown that shows that majority of procurement under the program was for goods which followed e-purchasing (e-catalogue), about 5075 packages or 98 % of total packages while tender (including fast tender) and non-tender (direct contracting and direct procurement) are 47 and 53 packages respectively, which is about 1% of total packages as can be seen in Figure 3 below. In term of total amount of procurement, it appears that the large actual budget spending procured through e-purchasing equivalent to US\$ 105 million, tender (including fast tender) is equivalent to US\$ 19.8 million and non-tender is equivalent to US\$ 759k. There were two small non-consulting services for arranging coordination meeting (less than \$50k each) were also procured under the project.



(ii) The procurement of goods under the program in FY 2020 through competitive procurement (open tender or fast tender) indicates that the average time taken from the invitation for bids until contract award took 26 calendar days for open tender and 14 calendar days for fast tender. In term of level of competition, it is shown that the average number of registered bidders is 49 bidders for fast tender while for open tender it is 75 bidders. The average number of bidders who submitted the bids is 19 bidders for fast tender and 9 bidders for open tender as shown in figure 4 below.



(iii) For non-competitive procurement such as direct contracting and direct procurement through e-purchasing/e-catalogue, the average time taken from invitation to submit the bid until contract signing is 8 calendar days.

(iv) Overall, the performance of the implementation of the procurement activities under MOH are found to be satisfactory and especially during the last one year in response to COVID pandemic is also noted to have been handles in a satisfactory manner.

(v) **In terms of the procurement methods used**, MoH carried out the procurement activities using the different methods. In FY2020 majority of procurement processes were carried out through e-purchasing and e-catalogue, and limited tender, and open tender was used less. On the other hand, in FY2018 and FY2019 significantly larger number of packages were procured through e-purchasing (e-Catalogue), about 24,000 and 14,000 packages respectively.

(vi) **In terms of timeliness of the procurement process and level of participation of bidders**, was carried out by MOH through open competitive public bidding which took 33 calendar days from invitation to bid until contract signing, with an average of 52 bidders registered for the bidding while 6 submitted bids. In 2018-2019, the procurement took about 38 calendar days between invitation to bid and contract signing, with an average of 73 bidders registered for bidding and 9 submitted bids. In case of Direct Contracting method (non-competitive) in FY2019-2020 of packages estimated cost ranging from IDR 81 million up to IDR 353 million, it took average of 5 days from the bid received until contract signing. Please see figure 5 below.

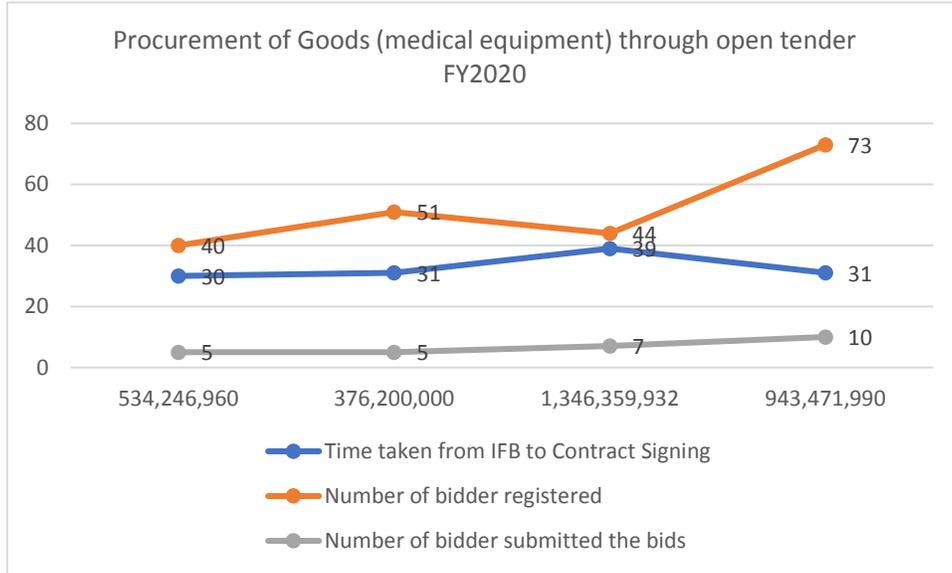


Figure 5: Procurement of medical equipment through open tender in FY2020

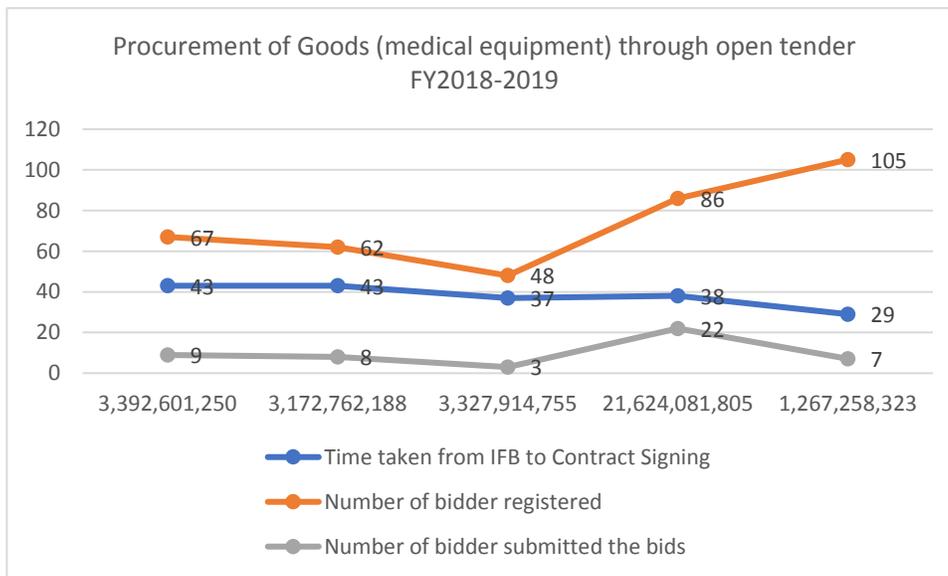


Figure 5b: Procurement of medical equipment through open tender in FY2018-2019

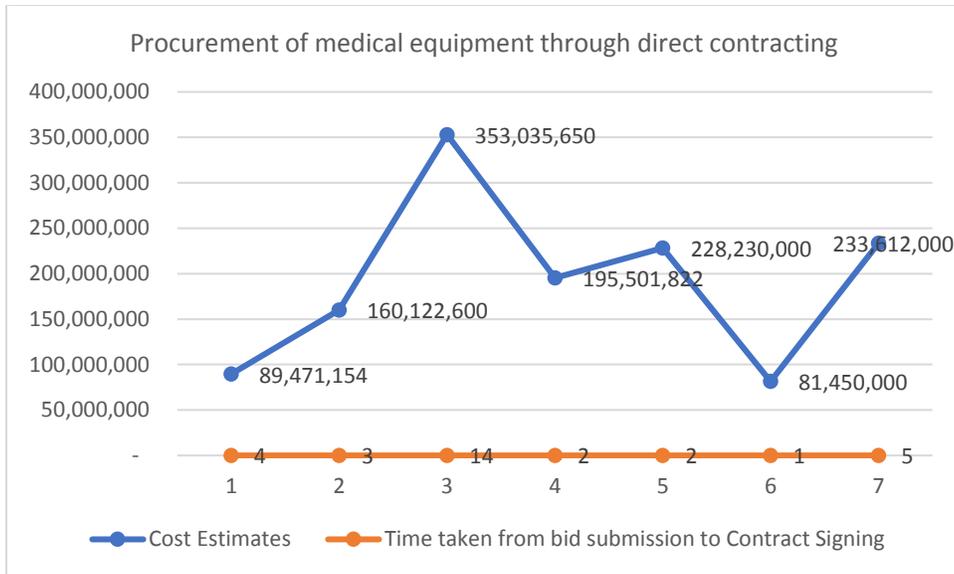


Figure 5c: Procurement of medical equipment through direct contracting in FY2019-2020

For selection of consulting firms through open tender using prequalification (shortlisting) in FY2019-2020 based on data provided, it took about 47 calendar days from invitation for prequalification/shortlisting until contract signing as shown in figure 6 below.

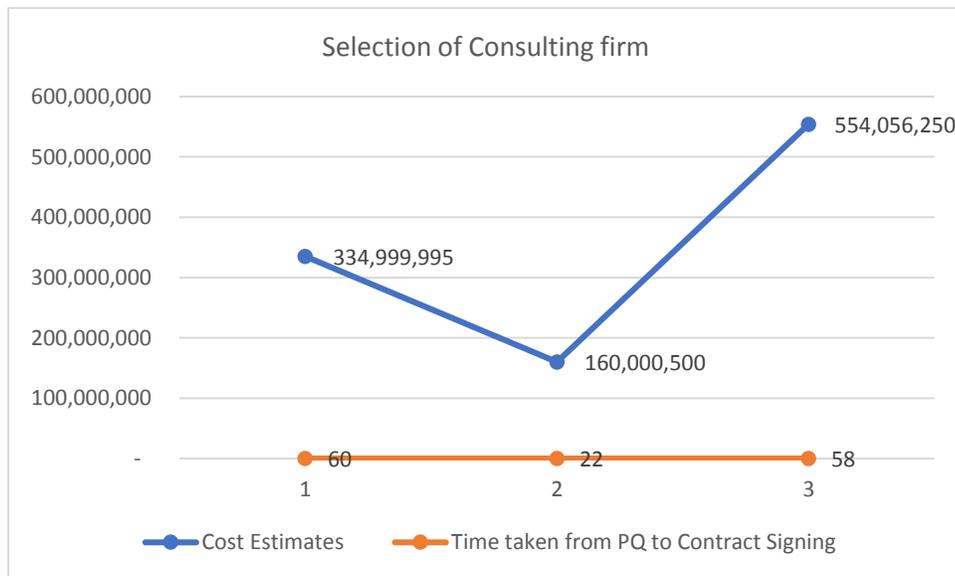
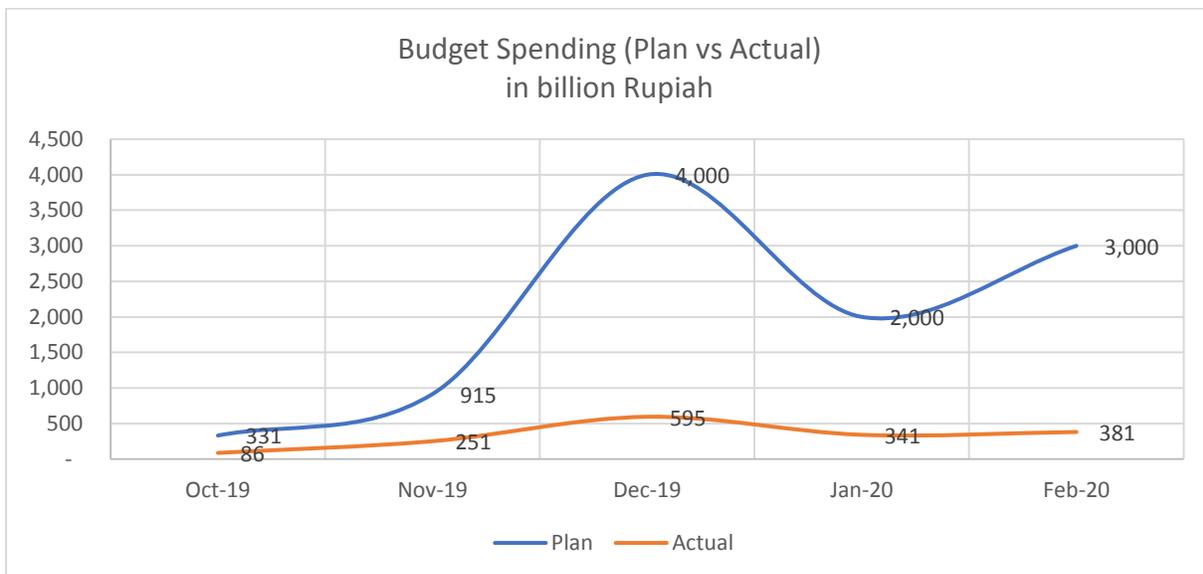
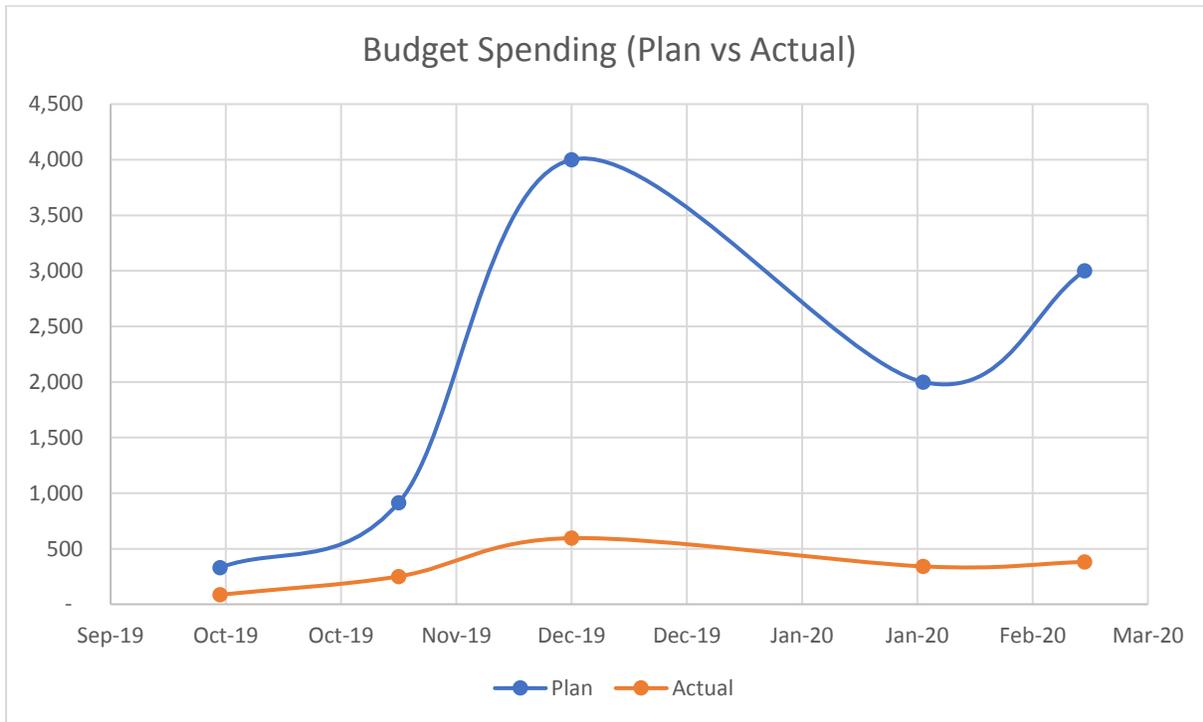
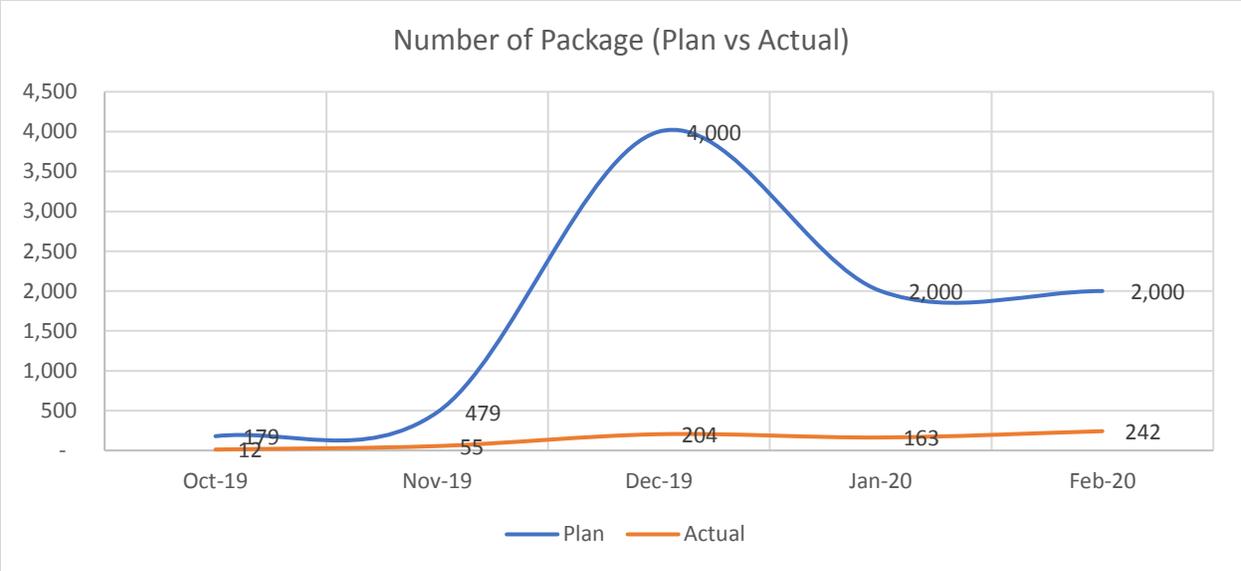


Figure 6: Selection of consultant FY 2019-2020

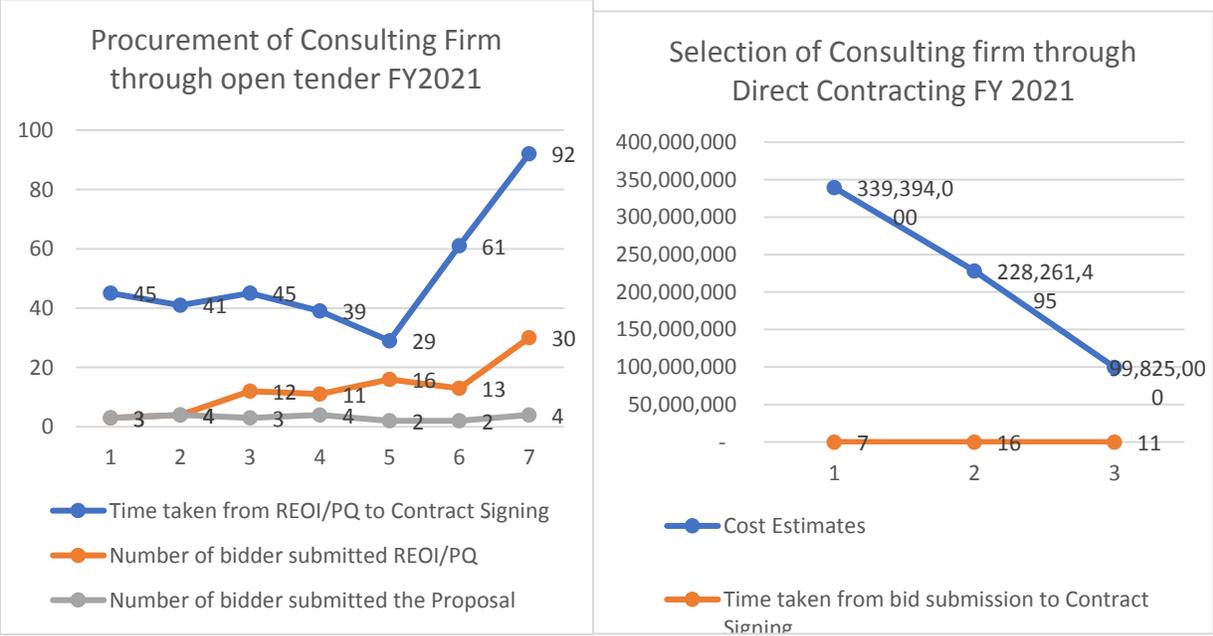
Procurement performance of MoF

MOF's Procurement Performance during FY2018-2020 – Based on data publicly available on MOF's website and LKPP's M&E system (no data was made available by MOF during the assessment). In terms of budget spending for procurable expenditures and number of packages procured by MOF, it appears that the actual spending and actual number of packages procured are significantly lower than planned, which may have contributed to lag in disbursement progress as shown in figure below.





In terms of timeliness of the procurement process and level of participation of bidders, the procurement of consulting services carried out by MOF through open competitive public bidding which took 92 calendar days from invitation till contract signing, with 4-30 bidders registered for the bidding while 2-4 submitted bids. In case of Direct Contracting method (non-competitive) in FY2021 of 3 packages estimated cost ranging from IDR 99 million up to IDR 339 million, it took less than 16 days from the bid received until contract signing. Please see figure below



Procurement Performance of DJSN:

The agency does not carry out too many packages of procurement and in the last four years the agency carried out only procurement of Cloud server rental for Monitoring & Evaluation system for JKN and *Jaminan Sosial Ketenagakerjaan* in each of the last 4 years. And the competition was limited to two firms.

The estimated cost of the package was in the region of IDR 500 million.

The agency is not envisaged to carry out small value and simple procurements such as hiring individual IT consultants and small value goods for development of Dashboard.

Procurement performance of BPJS-K: The assessment could not cover the functioning and the performance of this agency's fiduciary system due to confidentiality of the data / information. However, taking into full cognizance that there are no procurements to be carried out by BPJS K and expenditure is only Human Resources and operational cost, the FSA has concluded that the system is working reasonably, based on discussions with the BPJS K team and information communicated.