Indonesia
Emergency Response to COVID-19 (P173843)

Fiduciary Systems Assessment

May 13, 2020
Table of Contents

I. Executive Summary .................................................................................................................. 3

II. Program Fiduciary Arrangements
   Planning and budgeting ............................................................................................................ 5

   General Procurement procedures applicable to MOH ............................................................ 7

   Streamlined procurement procedures available to MOH for procurement in emergency situations ......................................................................................................................... 7

   Budget execution, accounting and reporting ......................................................................... 8

   MOH's Procurement Performance .......................................................................................... 10

   Scope and Implementation of Procurement under PforR ....................................................... 15

   Internal Control ..................................................................................................................... 16

   Record Keeping and Document Management ......................................................................... 16

   Internal Audit ......................................................................................................................... 17

   External Audit ......................................................................................................................... 17

   Fraud and Corruption ............................................................................................................. 19

III. Fiduciary Risk Assessment, Mitigation Measurement and Implementation Support .......... 22
I. Executive Summary

1. The Program’s fiduciary system for Procurement, Financial Management and Governance has been assessed by the Bank and found to be adequate and provide reasonable assurance on the use of the Program’s resources, whereas some areas for further strengthening are proposed to mitigate the fiduciary risks under the Program. The fiduciary risk is rated substantial.

2. The Ministry of Health’s (MoH’s) proposed program in response to COVID-19 is valued around IDR 59.8 trillion (approximately US$ 4 billion). Out of this, the Bank PforR Program is about IDR 14.5 trillion (approximately about US$ 974 million). The Program is mainly allocated to DG Health Service (US$ 8 trillion or about 55%) to finance health service claims, increase infrastructure at vertical hospitals as COVID-19 referral hospitals, and provide operational (management and financial) support for 38 UPT vertical hospitals under the responsibility of DG of Health Services. IDR 3 trillion (about 20%) is allocated for the Center for Health Crisis Management to finance procurement of PPE and surgical masks and the logistic delivery. About IDR 1.7 trillion (about 12%) is allocated for Health and Human Resource unit mainly to provide incentives for the health workers for 4 months and compensation for health workers who have died. The remaining IDR 1.8 trillion is allocated to the DG of Disease Prevention and Control to finance screening tests and health quarantine and its operational quarantine under the DG of Pharmacy and Medical Devices program for PPE. However, at the close of negotiations, MOH’s proposed budget was not yet confirmed by publication of the requisite decree which is imminent, so there remains some risk that the entire US$ 4 billion COVID-19 response budget will not be allocated under the MOH. The MOF has already earmarked a health sector allocation of IDR 75 trillion (US$ 4.7 billion), which includes the allocations to be distributed among the MOH, the subnational level and the BNPB. Given that the IBRD financing is only 26 percent of the Program size, and the Program boundary itself is much smaller than the expected budget allocation for MOH, even a significant deviation in the MOH budget is unlikely to impact the operation.

3. The objective of the Bank-financed COVID-19 emergency response Program for Results (the Program) is to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness in Indonesia. Total financing of the Program is USD 750 million, consist of USD 250 million each from the Bank and AIIB (Asian Infrastructure Investment Bank) and an expected US$ 200 million in parallel financing from IsDB (Islamic Development Bank). The Program will be implemented using Multiphase Programmatic Approach (MPA) with focus on strengthening key aspects of Indonesia’s emergency response by i) addressing the immediate needs of designated COVID-19 referral facilities, ii) strengthening the laboratory network and surveillance system, and iii) ensuring communications and coordination across sectors and levels of government. While longer-term support will be needed to respond to the socio-economic impact of COVID-19 on households, businesses, and the economy, this project focuses on the immediate health sector needs. As the Program is intended to support the GOI’s COVID-19 emergency response, the duration of the Program is projected to be 18 months (April 2020 to October 2021). The scope of the Program is on the health sector subset of the country’s emergency response to the COVID-19 outbreak. The Program will mainly focus on the immediate Ministry of Health (MoH) needs covering 132 referrals hospitals for COVID-19 Outbreak located all over the countries of which 34 under Director General of Health Services, MoH responsibilities. In addition, the Program will also focus on incentives for health workers for 4 months and compensation for health workers who died which under responsibility of Secretary General, MoH. The primary beneficiaries will include suspected patients visiting hospitals, the community at large, especially vulnerable and high-risk populations such as the elderly and those with chronic conditions, and health care providers who will be providing care to COVID-19 infected and other patients.
4. **Information collection and methodology for the Fiduciary System Assessment (FSA).** The FSA has been conducted based on information available in (i) FY 2020 DIPA of Ministry of Health (MoH); (ii) FY 2016-2018 annual audit report of MoH; (iii) procurement data publicly available on MOH’s website and LKPP’s M&E system (iv) virtual meetings with eight (out of the total 12) directorates of MOH who will be involved in implementation of the program, namely Directorate of Health Facility, Directorate of Environmental Health, Directorate of Occupational Health, Head of Health Technology and Disease Control, Directorate of Center for Health Crisis Management, Directorate of Planning and Budgeting and Directorate of Finance and State own goods), Development of Human Resource for Health Board. Despite repeated requests, the fiduciary team was unable to arrange a meeting or receive any inputs from DG Health Services who is to be largely responsible for the Program’s implementation, as they were unavailable to meet with the Bank’s team. However, the Bank team discussed with Procurement Service Unit under Directorate of Finance and State Own Goods about the procurement process of MoH as well as the role and responsibility for carrying out the procurement activities under the program, procurement method to be used under emergency response, and list of procurement items already procured and to be procured. Out of 12 directorates who will be involved in implementation of the program, the Bank team only received detailed list of procurable expenditure from one directorate (Directorate of Health Facilities). The Bank team also requested (i) Directorate of Planning and Budgeting who is responsible to coordinate and compile all proposed activities including required goods under the program from the 12 directorates and (ii) Inspectorate General of IG MoH information related to major findings, recommended follow up actions the status of follow up action on latest internal audit conducted for DG Health Services, including referral hospitals and BPPSDM has been sent as part of this assessment but such data was not received during the appraisal. With regard to procurement performance, the Bank was able to collect publicly procurement available data from MoH’s e-procurement system as well as LKPP’s website.

5. **Procurement spending under the PforR Program is expected to be mainly procurement of goods that are urgently required for Covid-19 response,** such as personal protective equipment, medical supplies, consumables, ventilators, testing kits, etc., while consulting services for monitoring and evaluation and non-consulting services for socialization and coordination may also be procured under the Program. Procurement spending under the PforR Program is not expected to exceed 30% of the total Program expenditure. No contract is expected to fall under OPRC’s review threshold. More specifics about the procurement profile under the Program are provided in the Fiduciary System Assessment (FSA). Procurement under the Program is to be carried out at central level under responsibility of Ministry of Health. MoH has recent experience in managing Bank-financed PforR projects through the ongoing I-SPHERE PforR. Procurement under the Program will be governed by Government Procurement Regulations, technical guidelines and circulars, which include provisions for streamlined procedures (including Direct Contracting and Force Account) for procurement under emergency situations. According to Circular Letter issued by LKPP regarding procurement process under the Covid-19 emergency response, the procurement will be carried out directly by Commitment Making Officers (PPK) through direct contracting. In addition to direct contracting method, e-catalogue may also be used for procurement of goods.

6. **Key Fiduciary Risks.** The key fiduciary risks under the Program include (i) MoH proposed budget for COVID-19 response is still being reviewed and has not been finalized up to the end of the negotiation; (ii) readiness of MoH in coordinating internally and leading all hospitals in the country in a very short time in collecting the needs of all units and reallocate and prepare the budget for the program; (iii) lack of availability in the local and international markets of the urgently needed medical equipment and supplies due to high demand across the world and disruptions in supply chains; (iv) Possible hesitation (due to the generally risk-averse, compliance-oriented environment in the country) of MOH procurement officials to systematically use the streamlined procedures and flexibilities for emergency procurement that are available under the Government’s procurement regulations and circulars; (v)
Inadequate verification by MOH of the Bank’s list of debarred/temporary suspended firms before awarding contracts; (vi) Potential delays in finalizing contracts with international supplier due to unavailability of standard form of contract agreement for use by procuring agencies in the country for international procurement of goods; (vii) limited capacity of (a) DG Health Services in implementing the additional budget which significantly; and (b) fiduciary staff at hospital level; and (viii) the major funds allocation under the program not utilized for intended purpose. On the positive side, the FSA noted the (i) speedy response of Government, especially Ministry of Finance in coordinating with other all other ministries in identifying saving in FY 2020 budget (DIPA); (ii) MoH experience in managing Bank-financed PforR projects as a result of the ongoing I-SPHERE PforR; (iii) the IFMIS implementation in the country which allowed the government processing budget revision, payment remotely during this pandemic crisis without relaxing the internal control; and (iii) similarly, accounting and reporting is operated by the IFMIS remotely too; (iv) no change in funds flow as the banking system still working during this difficult period; (vi) internal audit up to certain level, like review on budget reallocation proposal can still be conducted online, while the field visit is postpone until the situation safe; and (vii) similarly, external audit activity is currently pending until the condition is safe for the auditor to go to the field.

7. Mitigation measures. To mitigate the above-mentioned risks, the Program’s design proposes measures for MoH to (i) to provide the final MoH FY 2020 revised budget to the Bank as soon as it become available; (ii) strengthen planning and coordination in the preparation of the budget for the Program, by having planning and budgeting committee who knows the condition in the field and initiate regular online meeting to ensure all directors update on the current situation; (iii) continuously carry out market analysis to identify potential sources of supply in the local and international markets and use the streamlined methods for emergency procurement allowed under the national procurement regulations, (iv) seek support of the national public procurement agency, LKPP, for expediting procurement processes by considering issuance of circulars to further clarify the application of the emergency procurement procedures, such as specifying the full range of goods that could potentially be required for Covid-19 response, permitting procurement of imported goods and participation of foreign bidders and United Nations agencies, adapting contractual terms and conditions to the prevailing market conditions including allowing payments in foreign currency, advance payment against letter of credit/bank guarantee, allowing leasing/rental of property (e.g. quarantine sites), etc.; (v) seek LKPP’s support for expediting procurement processes by considering issuance of a joint circular by LKPP and oversight agencies such as BPKP and BPK (signed by the heads of the agencies) to demonstrate to the procuring officials that the oversight agencies are also on-board and agree with the streamlined procurement procedures allowed by LKPP for the emergency procurement in response to Covid-19; (vi) 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 debarment and/or temporary suspension by the World Bank; (ii) 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 MOH proposes 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; (vii) seek LKPP’s support in rapidly developing a standard form of contract for international procurement of goods using available examples based on international best practice, including of the World Bank and other development partners, and suitable modifying the terms and conditions to suit the prevailing circumstances of the Covid-19 emergency response; (viii) providing additional certified fiduciary staff from other unit within MoH or ministries or government units to provide supplementary support for strengthening fiduciary capacity of MoH staff, especially at hospital levels; and (ix) IG MOH together with BPKP to conduct internal audit on (a) payment of health service claims; (b) operational financial
supports for vertical hospitals; and (c) payment on incentives and death compensation for health workers; and (d) procurement; and (ix) The overall fiduciary risk before mitigation is High and the residual risk after mitigation is Substantial.

8. **Exclusions.** There are no contracts with a value expected to exceed the Operations Procurement Review Committee (OPRC) review thresholds.

**PROGRAM FIDUCIARY ARRANGEMENTS**

**Overview of the country Public Financial Management (PFM) cycle**

8. **The Public Financial Management system in Indonesia has shown significant improvements over time.** The 2017 (latest) Public Expenditure and Financial Accountability (PEFA) report concludes that Indonesia has established a strong legal and regulatory framework that aligns with most international standards on PFM. While, 9 out of 31 PEFA performance indicators received “A” score, the highest performance according to PEFA standards, overall, the average PEFA performance score is slightly below “B”. However, this score is above the basic level of performance generally consistent with good international practices. Indonesia has instruments that have allowed prudent fiscal management and control of budget execution. The roll-out of the SPAN as the financial management information system (FMIS), together with the implementation of strict cash consolidation management rules, a well-defined treasury management system at the central government level, consistency between the accounting and budgetary classifications, and the convergence of national accounting with international accounting standards for the public sector, have created a solid platform for automation and integration of PFM processes for the improved quality of financial reporting. On oversight, Indonesia Government has implemented COSO framework for its internal control and 360 out of 628 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 on going 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, the effectiveness of the PFM systems in place and the monitoring of performance can still be strengthened.

**Review of PFM Cycle of the entities involved in the Program**

9. **Planning and budgeting.** Although the planning and budgeting process within MoH is acceptable, due to the crisis situation and limited budget availability, the planning of the program is found to be weak. PI-17 Budget Preparation Process in PEFA 2017 rated A on Government Indonesia budgeting process. A comprehensive annual budget preparation calendar is issued to allow sufficient time for preparation. PI-18 on Legislative Scrutiny of Budget in PEFA 2017 was rated A as the parliament strictly scrutinize the budget submitted. The budget is approved before the start of the fiscal year and is defined by law (DIPA). Significant budget revision processed through a fairly transparent process. MoH budgeting process follows the Government budgeting process. Review of MoH FY 2016-2018 audit reports implied in general no significant weakness in planning and budgeting process. The Government through Presidential Instruction no 4 FY 2020, instructed all ministries and local governments to reallocate its FY 2020 budget to accelerate the remedy of COVID-19 outbreak. The President has also submitted to the Parliament the related Government Substitution Act no 1 FY 2020. Ministry of Finance (MoF) and DG Budget, MoF have followed up with detailed guidelines in accelerating the budget revision.

10. The budget reallocation or revision acceleration process based on DG Budget regulation no 2/AG/2020 dated March 20, 2020 is basically using the current information system. The current system includes One Budget (Satu Anggaran) and DJA Single Window (DSW) which were developed for budget
11. The Program is IDR 14.1 trillion or about US$ 974 million out of IDR 59.8 trillion or about USD 3.9 billion of the MoH Covid-19 response program. The Program was defined based on MoH proposed program in response to COVID-19. However, until the end of the negotiation, MoH proposed program is still being reviewed, there is a risk that some of the proposed budget will not be allocated under MoH, but to BNPB or other Ministries due to emergency nature of the situation.

12. General procurement procedures applicable to MOH - All procurement processes under MOH are required to follow the national procurement regulations, Perpres No. 16/2018, 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.

13. Streamlined procurement procedures available to MOH for procurement in emergency situations - The national procurement regulations, Perpres 16/2018, under Article 59 provides streamlined procedures, such as Direct Contracting and Force Account (“Swakelola”), for procurement under emergency situations, which are further elaborated through LKPP’s Chairman Decree (Perlem) No.13/2018. Furthermore, in March 2020 LKPP issued circular letter No.3/2020 to all ministries/institutions/Local Governments to emphasize the need for expediting urgently required procurement in response to COVID19, highlighting the streamlined emergency procurement procedures available under the existing Perpres/Perlem. The Circular also allows the Commitment-Making Officer (PPK) to directly appoint providers (in normal conditions the procurement process has
to be carried out by the procurement service unit (UKPBJ) who have been providing similar assignments/goods in the ministry(s) or the providers in the e-catalogue. Contract awards are now allowed to be made even if the Owner’s cost estimate has not yet been prepared, and for procurement of goods, works and services the use of unit price contracts has been recommended. The circular also stipulates that to verify the reasonableness of prices paid, PPK to request internal auditor or BPKP (Financial and Development Supervisory Agency) to carry out audit, and MoH can also consult and seek LKPP’s support and guidance in implementing procurement processes.

14. 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 13,33) 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.

15. 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 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. For procurement in emergency situation as specified in Perlem 13/2018, procurement through e-catalogue may also be used for items available in the e-catalogue.

16. Procurement Organization and Capacity - The procurement process is required to be carried out by procurement service units (Procurement Services Working Unit/UKPBJ) which are established in each DG in MOH 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.

17. 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 on a daily basis. MoH received unqualified opinion from BPK in the past 3 years. In the past 3 years, budget realization in MoH was around 92-93% from the allocated budget. Based on FY 2016-2018 review of MoH audit report, in general the budget execution seems improved. Findings in FY 2016 and FY 2017 were not repeated in FY 2018. The budget execution, accounting and reporting process of the program in MoH follow the central government procedures. Majority of the program budget is allocated to DG Health Services to finance (i) Health service claims, increase infrastructure at vertical hospital as referral hospital ; (ii) Operational financial support for 38 UPT Vertical Hospital under the responsibility of DG of Health Services and to provide incentives for the health workers for 4 months and compensation for health workers who died. Budget execution will be
challenging for MoH as in the past 3 years, regardless the available budget (DIPA) allocated for MoH, the MoH realization capacity is around IDR 57 trillion or about USD 3.6 billion. With the current additional budget of the program, MoH budget will increase from the original allocation. The risk on budget execution is mainly due to limited capacity of DG Health Services in implementing the additional budget which increase significantly. To mitigate this risk, the Program recommended for MoH to provide additional certified fiduciary staff from other unit within MoH or ministries or government units to provide supplementary support for strengthening fiduciary capacity of MoH staff, especially at hospital levels.

18. 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 Treasury Single Account (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 State Audit Institution (Badan Pemeriksa Keuangan/ BPK) for audit. Specifically, for the Program, the finance bureau in MoH will assist in the preparation of the Program annual financial statements (part of MoH’s annual financial statements). The same practice as for I-SPHERE P4R financial statements preparation will be adopted.

19. 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.
20. 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 6a: Budget Spending on procurable expenditure from Oct 2019 to March 2020

Figure 6b: Number of Packages procured from Oct 2019 to March 2020
Source of Data: [http://lpse.kemkes.go.id/amel](http://lpse.kemkes.go.id/amel)

(ii) **In terms of the procurement methods used**, MoH carried out the procurement activities using the different methods shown below in Figure 7. In FY2020 (as of March 2020) majority of procurement processes were carried out through open tender while other simplified methods such as fast tender, limited tender, and e-purchasing were 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.
Figure 7a: Number of packages carried out based on procurement method in FY2020

Figure 7b: Number of packages carried out based on procurement method in FY2019
(iii) **In terms of timeliness of the procurement process and level of participation of bidders**, in FY2020 the procurement of medical equipment such as Personal Protection Equipment (PPE), mask, consumables 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 actually submitted bids. In 2018-2019, the procurement of medical equipment took about 38 calendar days between invitation to bid and contract signing, with an average of 73 bidders registered for bidding and 9 actually 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 8 below.

![Figure 7c: Number of packages carried out based on procurement method in FY2018](image)

![Figure 8a: Procurement of medical equipment through open tender in FY2020](image)
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 9 below.
21. Scope and implementation of Procurement under the PforR Program. Procurement spending under the PforR Program is not expected to exceed 30% of the total Program expenditure. No contract is expected to fall under OPRC’s review threshold. However, this is based on an estimate provided by the Bank’s technical team as the Bank only received the detailed procurable expenditure from only one directorate (Directorate of Health Facilities) out of the total 12 directorates of MOH that will be involved in the implementation of the program. Based on the information available, the procurement is expected to be mainly procurement of goods that are urgently required for Covid-19 response, such as Personal Protective Equipment (PPE), medical supplies, surgical marks, ventilators, testing kits, hand sanitizers and disinfectants, etc., while consulting services for monitoring and evaluation and non-consulting services for socialization and coordination may also be procured under the Program. MOH confirmed that there will be no duplication of procurement items to be procured by each of the 12 directorates. Directorate of center of health crisis management informed that they had already procured PPE through direct contracting as allowed under circular letter issued by LKPP.

Procurement under the Program will be governed by Government Procurement Regulation (Perpres 16/2018) 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. Article 59 of Perpres 16/2018 allows use of flexible procurement methods and procedures in emergency situations of urgent need and these are further elaborated in technical guidelines issued through LKPP Chairman’s Decree (Perlem No.13/2018). These include procurement though Direct Contracting of the contractor/supplier by the Commitment making officer (PPK) instead of by the Procurement Service Unit (UKPBJ), or through Swakelola (self-management/Force-Account). LKPP also recently issued two circular letters to all ministries/institutions/Local Governments: i) No.3/2020 on March 23, 2020 emphasizing the need for expediting the procurement of urgently required goods/services in response to COVID-19 and confirming application of the emergency procurement procedures provided under the Pepres 16/2018 and Perlem 13/2018, and ii) No.4/2020 on March 27, 2020 providing alternate ways of communicating with bidders for verification of qualification information, clarifications and negotiations in the procurement process during COVID-19 outbreak.
The Implementing Agency for the P4R is MOH with 12 implementing units including Directorate of Health Services, Directorate of Public Health, Directorate of Occupational Health and Sport, Directorate of Environmental Health, Directorate of Referral Health Services, Planning and Budgeting Bureau, Directorate of center for health crisis management, Directorate of referral health services, Directorate of health promotion and community empowerment, secretariat of health services, directorate of public drugs and supplies, and Secretariat of health HR board at the central level who are responsible for different DLIs and will be carrying out the procurement under their respective scope of responsibility. MoH has recent experience in managing Bank-financed PforR projects through the ongoing I-SPHERE PforR. Under this emergency response to Covid-19, Commitment Making Officer (PPK) in each directorate will be responsible for carrying out the procurement, awarding and supervising implementation of the contracts in accordance with LKPP Circular Letter issued in March 2020, with support to be provided by Procurement Service Unit (UKPBJ) at central level of MoH. The PPK may also seek technical assistance from LKPP as well as post audit conducted by IG MOH and BPKP. Procurement Service Unit at central level has been managing all procurement packages (works/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. It is proposed that the overall coordination remains under responsibility of Planning and Budgeting Bureau.

22. Treasury Management and funds flow. 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 Central Bank upon achievement of the DLIs. However, P4R implementation in the Bank allowed for the Government to obtain advance. As the Program intended to support emergency effort due to COVID-19 outbreak, the Bank is planning to provide advance to the Government. In addition, the Bank also intends to transfer fund for prior results related to certain DLIs. The Bank has agreed to provide 25% for advance and 30% for prior results related to certain DLIs. All payments will be made through the Government’s centralized treasury system. Please find below the funds flow diagram.

23. Internal Control. Internal control system of the program in MoH is 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 institutions\footnote{4.2 Effectiveness of the internal control framework, PEFA 2017}. In January 2019, BPKP confirmed that MoH achieved level 3 of GICS implementation. Based on review of FY 2016-2018 MoH annual audits, FMS did not find any significant issues related to MoH internal control.

24. **Record Keeping and Document Management. Record Keeping and Document Management Systems in MoH is 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 has implemented restricted access its resources and records. PI-27 on Financial Data Integrity rated A in PEFA 2017. Use of SPAN has significantly improved financial data integrity. Review of MoH FY 2016-2018 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 MoH records and will follow document management system.

25. **Internal Audit. The program internal audit system in MoH is adequate.** PI-26 Internal Audit rated C+ in PEFA 2017. Internal audit units are established in all agencies, including MoH. 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 intend to ensure internal audit become an integral component of effective governance in public sector and helps organizations achieve their objectives and account for their results. IA-CM consist of five levels, tied to leading practices and level 3 (integrated) is where internal audit management and professional practices are uniformly applied. At the end of 2019, 360 (57\%) out of total 628 government internal audit units are already in Level 3 of Internal Audit Capacity Model (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 achieved level 3 of IA-CM as conform by BPKP in November 2018. This means internal auditor in MoH is already conducting evaluation on adequacy and effectiveness of internal control. Currently request to get information on major findings, recommended follow up actions the status of follow up action on latest internal audit conducted for DG Health Services, including referral hospitals and BPPSDM has been sent as part of
this assessment but up to the end of the appraisal, such data was not received. Specifically, for the Program, following the Presidential Instruction, Government Procurement Policy Institution (Lembaga Kebijakan Pengadaan Barang/ Jasa Pemerintah/LKPP) has issued circular letter no 4 FY 2020 which instructed all commitment maker to prepare statement from the supplier on the price reasonableness when the contract is signed. LKPP is also working with BPKP to conduct ex post review on procurement activities related to program. IG MoH will work closely with BPKP in conducting ex-post internal audit to the procurement process and health insurance claimed financed under the program.

26. **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) use by BPK are consistent with ISSAIs. FY 2019 peer review on BPK conducted by Supreme Audit of Poland indicated that BPK overall performs high quality financial audits, BPK has sophisticated guidelines and educated, professional and motivated staff\(^2\). MoH has received unqualified opinion from BPK since FY 2013 financial audit. In FY2018 audit report MoH also obtained unqualified opinion. In addition, specifically in DG Health Services, BPK raised weakness in cash management, assets management and utilization, payment verification procurement process at hospitals level. Specifically, for the Program, the finance bureau and planning and budgeting bureau in MoH Secretary General will assist the preparation of the Program annual financial statements (part of MoH’s annual financial statement) for audit by BPK. The program annual financial statement expected to be submitted to BPK for audit at the latest by 60 days after the end of the fiscal year. Program annual financial report should be reviewed by IG MOH before submitted to BPK. The audit report should be submitted to the Bank within nine months after the end of the fiscal year.

27. The procurement process at MOH is also audited by BPK as part of the annual audit of all the government agencies.

28. **Staff capacity.** The Program will include hands on capacity building plan to strengthen implementation of the Program at the hospital level. In general, related to fiduciary aspect, the Program will emphasize hands on capacity building for procurement and financial management staff at hospital level by providing additional certified fiduciary staff from other ministry or government unit to work with MoH staff in strengthening limited capacity of MoH staff, especially at hospital levels.

29. **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. 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 is currently not up to date. Audit reports for MOH are accessible to the public from BPK, upon request.

---

30. MOH has also established a dedicated hotline for COVID-19, and is providing daily updates on its websites\(^3\), including information for public health and safety, a dashboard on COVID-19 cases status and distribution, and updates about the government’s response. Other government agencies have also set up electronic (website, Facebook, Twitter, Instagram), and non-electronic channels for providing information on the COVID-19 outbreak and the government response, including the public website set up by the COVID-19 Task Force (led by the National Disaster Management Authority/BNPB) and the Ministry of Finance among others\(^4\). Various local governments have also established their own hotlines and websites for the public, which provide locally specific information to the public, including Jakarta and West Java provinces that have the highest numbers of cases\(^5\).

31. 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 SPSE system.

32. Complaints Handling. All public services in Indonesia are required to establish a complaint handling system per Presidential Regulation 76/2013 regarding Public Services Complaints Management, including the Ministry of Health. To implement this regulation, the Executive Office of the President (KSP), Ombudsman, and Ministry for State Apparatus and Bureaucracy Reform (KemenPAN-RB) have developed an online public complaint system called LAPOR! (Laporan Aspirasi dan Pengaduan Online Rakyat/online public aspiration and complaint). LAPOR! is web-based, 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 LMs/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 agency are publicly accessible. Information on public complaints and inquiries about MOH programs that are submitted through the government-wide complaint handling system—SP4NLAPOR!—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.

33. 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.

---

\(^3\) MOH COVID-19 updates [https://infeksiemerging.kemkes.go.id/](https://infeksiemerging.kemkes.go.id/);


\(^5\) Jakarta [https://corona.jakarta.go.id/en](https://corona.jakarta.go.id/en); West Java Province [https://pikobar.jabarprov.go.id](https://pikobar.jabarprov.go.id)
The complaints should be submitted by the bidder to the UKPBJ with a copy to APIP (Government Internal Supervisory Apparatus). For contracts above the threshold procured through SPSE e-procurement system, complaints can be submitted by bidders through SPSE and responses by the UKPBJ can also be sent through SPSE, which are recorded in the system. In addition to complaint sent by the bidders through SPSE system related to procurement process, any complaint can also be sent by stakeholders outside SPSE system to APIP. These can be submitted through the LAPOR! system for the general public as referenced above, or through the MOH Inspectorate General’s complaint handling or whistleblower system described below.

34. **Fraud and Corruption.** The Government updated its National Strategy for Corruption Prevention (Stranas-PK) in 2018 through Presidential Regulation (Perpres) No. 54/2018, which focuses 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, 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 MOH include the implementation of sectoral e-Catalogue and the consolidation of large, complex and strategic procurement, to improve procurement effectiveness and efficiency.

35. For reporting of complaints and allegations of fraud and/or corruption, the MoH’s Inspectorate General (IG) maintains a public complaint handling mechanism and a whistleblower system through its website\(^6\) (reports can also be submitted offline). The complaint handling mechanism is established through the MOH Regulation (Permenkes) No. 49/2012 regarding Guidelines on Integrated Public Complaints Handling in MOH environment, while the whistleblowing system (WBS) is managed in accordance with the MOH Regulation (Permenkes) No. 29/2014. The IG forwards complaints pertaining to public services to the relevant units within MOH, while it reviews the reports that have potential state loss implications and follows up on credible and material allegations.

36. The Anti-Corruption Commission (KPK) had identified procurement of medical equipment (alkes) as a high-risk area in the health sector. KPK published studies on fraud and corruption risks in the health sector in 2019, focusing on (i) procurement of medical equipment; and (ii) management of JKN funds, which it found to amount to potential state loss of IDR 18.15 trillion. Between 2014-2017, corruption cases involving funds for medical equipment (dana alkes) was the highest at 58% of the total cases under investigation in the health sector. The study found key weaknesses in procurement of medical equipment were: (i) the e-catalogue was not yet an optimal solution, as only 7% of certified suppliers and 35% of products with active distribution permits were registered; and (ii) conventional procurement (i.e. not through e-Catalogue) still comprised 42% of transactions from the central and subnational government budgets (APBN and APBD).\(^7\) KPK also found that medical equipment procured were not according to needs (excess quantity) or not meeting specifications, due to lack of regulations and standardization. It also found the dual role of DG Pharmaceutical and Medical Devices (Farmalkes) as both regulator and operator weakened the checks and balances in the governance of medical equipment. KPK’s recommendations for improvement included: (i) establish base component prices as the basis for negotiating the published prices by LKPP; (ii) MOH and LKPP to develop a blueprint for fulfilling medical equipment in the e-catalogue (increase in number of products and structuring of content); (iii) remove the negotiation feature, and replace with selection feature (component prices for additional

---

\(^6\) MOH-IG Public Complaints and Whistleblower Systems [https://itjen.kemkes.go.id/pengaduan](https://itjen.kemkes.go.id/pengaduan)

purchases or purchases in large quantities); and (iv) refine the regulations for guidelines on assessment of needs and selection of medical equipment.\textsuperscript{8}

37. In April, KPK also issued two circulars to the COVID-19 taskforces at the national and subnational levels as reminders to: (i) maintain transparency and accountability, and mitigate fraud and corruption risks in the management of funds and procurement for COVID-19 response; and (ii) ensure the validity of beneficiaries data for distribution of social assistance to mitigate the impact of COVID-19.\textsuperscript{9} KPK also encouraged public participation in oversight of social assistance distribution, and called for central ministries and agencies, as well as local governments to provide public complaint management mechanisms that are easy, inexpensive and responsive. It has also established a special team to monitor budget reallocation and procurement to address the COVID-19 pandemic.\textsuperscript{10}

38. The national procurement regulation, Perpres 16/2018, 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 black listed if they violate the regulations and the provisions in the integrity pact. For procurement using the emergency procedures, streamlined procedures will be applied to meet urgent needs, while oversight and accountability mechanisms such as review by internal auditors (APIP) and BPKP are put in place to mitigate fraud and corruption risks per LKPP and BPKP circular letters. Further, the MOH IG plans to form joint teams with BPKP for conducting internal audit of (i) payments of national health insurance (JKN) claims, (ii) operational financial support for vertical hospitals, (iii) payments for incentives and death compensation for health workers, and (iv) procurement related to the COVID-19 response.

39. Ineligibility of firms sanctioned by the Bank to participate in the Program. The assessment revealed that MOH generally complies 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 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 MOH. The establishment of such mechanism is also specified in the Program Action Plan and will be monitored by the Bank for compliance.

40. Applicability of the World Bank Anticorruption Guidelines 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. In particular, in the context of this PforR, MOH will be required to agree to the application of the ACG, and promptly inform the World Bank of any credible and material allegations of fraud and/or corruption regarding the PforR as part of the overall PforR reporting requirements. The World Bank will inform the recipient about any allegation that it receives.

\textsuperscript{8} KPK, Study on management of medical equipment, \url{https://www.kpk.go.id/id/publikasi/kajian-dan-penelitian/kajian-dan-penelitian-2793-kajian-tata-kelola-alat-kesehatan}


\textsuperscript{10} Tempo.co, April 8, 2020, KPK Bentuk Tim Khusus Kawal Penggunaan Anggaran Penanganan Corona, \url{https://nasional.tempo.co/read/1329471/kpk-bentuk-tim-khusus-kawal-penggunaan-anggaran-penanganan-corona}
41. **In addition, MOH 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.

42. **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.

II. Fiduciary Risk Assessment, Mitigation Measurement and Implementation Support

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

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigation Measure</th>
<th>Type of Action</th>
</tr>
</thead>
</table>
| Lack of availability in the local and international markets of the urgently needed medical equipment and supplies due to high demand across the world and disruptions in supply chains. | - MoH to continuously carry out market analysis to identify potential suppliers in the local and international markets, use the streamlined methods for emergency procurement allowed under the national procurement regulations.  
- MOH to seek support of the national public procurement agency, LKPP, for expediting procurement processes by considering issuance of circulars to further clarify the application of the emergency procurement procedures, specifying the full range of goods that could potentially be required for Covid-19 response, permitting procurement of imported goods and participation of foreign bidders and United Nations agencies, adapting contractual terms and conditions to the prevailing market |
<table>
<thead>
<tr>
<th>Condition</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conditions including allowing payments in foreign currency, advance payment against letter of credit/bank guarantee, allowing leasing/rental of property (e.g. quarantine sites), etc.</td>
<td>MOH to systematically use the streamlined procedures and flexibilities for emergency procurement that are available under the Government’s procurement regulations and circulars.</td>
</tr>
<tr>
<td>Possible hesitation (due to the generally risk-averse, compliance-oriented environment in the country) of MOH procurement officials to use the streamlined procedures and flexibilities for emergency procurement that are available under the Government’s procurement regulations and circulars.</td>
<td>MOH to seek LKPP’s support for expediting procurement processes by considering issuance of a joint circular by LKPP and oversight agencies such as BPKP and BPK (signed by the heads of the agencies) to demonstrate to the procuring officials that the oversight agencies are also on-board and agree with the streamlined procurement procedures allowed by LKPP for the emergency procurement in response to Covid-19.</td>
</tr>
<tr>
<td>Inadequate verification by MOH of the Bank’s list of debarred/temporary suspended firms before awarding contracts.</td>
<td>MOH to (i) require its Procurement Service Working Units (UKPBJs)/Procurement Officers and Commitment making officers (PPK) to check the Bank’s debarment (<a href="http://www.worldbank.org/debarr">www.worldbank.org/debarr</a>) 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.</td>
</tr>
<tr>
<td>Potential delays in finalizing contracts with foreign suppliers as there is currently no standard form of contract agreement available for use by procuring agencies in the country in international procurement of goods.</td>
<td>MOH to seek LKPP’s support in rapidly developing a standard form of contract for international procurement of goods using available examples based on international best practice, including of the World Bank and other development partners, and suitably modifying the terms and conditions to suit the prevailing circumstances of the Covid-19 emergency response.</td>
</tr>
<tr>
<td>Based on the discussion so far with representatives from four directorates in MoH, it was noted that the planning of the program found to be weak. The budget proposed seems do not in-line with the activities plan to be conducted by directorates interviewed. The directors were not informed about the budget allocated to their units.</td>
<td>MOH to form planning and budgeting committee who knows the condition in the field and initiate regular online meeting to ensure all directors update on the current situation.</td>
</tr>
<tr>
<td>The is limited capacity of DG Health Services and Secretary General in implementing the additional budget which increase by 42% and 250% respectively.</td>
<td>MOH to arrange to provide additional certified fiduciary staff from other unit within MoH or ministry or government unit to provide supplementary support for strengthening fiduciary capacity of MoH staff especially in DG Health Services, including at hospital levels and Human Resources Bureau, Secretary General.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>There is risk that the major funds allocation under the program not utilized for intended purposes.</td>
<td>IG MoH together with BPKP to conduct internal audit on (i) payment of health service claims; (ii) operational financial supports for vertical hospitals; (iii) payment on incentives and death compensation for health workers; and (iv) procurement.</td>
</tr>
</tbody>
</table>

**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 (if any).
- Provide support to MoH to resolve implementation issues and conduct capacity building.
Annex: 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 “Indonesia Emergency Response to COVID-19 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 Indonesia Emergency Response to COVID-19 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

<table>
<thead>
<tr>
<th>Location</th>
<th>Date Allegation Received</th>
<th>Complainant (Full name &amp; Address, if not anonymous)</th>
<th>Alleged Perpetrator</th>
<th>Means of Submission of Complaint (e.g. telephone, e-mail, writing, verbal)</th>
<th>Description of Allegation</th>
<th>Grievance Handling</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Stage of Handling of Allegation [Initial Review, Investigation, Referral, Prosecution, etc.]</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Description of Progress in Investigation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Outcome of Investigation</td>
</tr>
</tbody>
</table>

-