

Project Administration Manual

Project Number: 38354-015
Loan Number:
November 2019

Republic of Indonesia: State Accountability
Revitalization Project – Additional Financing

ABBREVIATIONS

ADB	- Asian Development Bank
APIP	- Aparat Pengawas Internal Pemerintah (Government Internal Supervisory Official)
BAPPENAS	- Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)
BPKP	- Badan Pengawasan Keuangan dan Pembangunan (formerly the Financial and Development Audit Board – it is now the Central Government Internal Auditors)
CoCP	- code of construction practices
CACM	- continuous audit and continuous monitoring
DIPA	- <i>daftar isian pelaksanaan anggaran</i> (budget allocation appropriation)
EA	- executing agency
FMIS	- financial management information system
GICS	- government internal control system
ICS	- individual consultant selection
JFA	- jabatan fungsional auditor (auditor functional position)
MOF	- Ministry of Finance
MOHA	- Ministry of Home Affairs
NCB	- national competitive bidding
PAM	- Project Administration Manual
PAI	- Project Administration Instructions
PFM	- public financial management
PMU	- Project Management Unit
QCBS	- quality-and cost based selection
STAR	- State Accountability Revitalization Project
STAR-AF	- State Accountability Revitalization Project (Additional Financing)
SOE	- statement of expenditure
TOR	- terms of reference

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the government and Asian Development Bank (ADB). The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

BPKP is wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by BPKP of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the loan agreement. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan agreement, the provisions of the loan agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.

I. PROJECT DESCRIPTION

1. The additional financing will extend and help sustain the benefits of the current project to further improve the government's accountability for public expenditure.¹ The additional financing will (i) train and certify an additional 19,400 government auditors and finance officers at the central and local levels; (ii) support the sustainability of a competency- and needs-based e-learning training approach (within the framework of a national training institute) by further upgrading training systems and providing modern facilities adapted to e-learning (including training centers in four regional locations); and (iii) develop new systems for financial management reporting and supervision through adoption of continuous audit and continuous monitoring (CA/CM), implementation risk management for internal audit in line with the national e-government strategy, and provision of training to 12,500 system users.²

2. The impact and outcome of the overall project remain unchanged. The project is aligned with the following impact: strengthened accountability of central and local government institutions able to deliver high-quality public services. The project will have the following outcome: strengthened capacity of the government's internal auditors and public finance officers to plan budgets, report, carry out internal audits, and manage assets.

3. The overall project will have the following outputs:

4. **Output 1 – Capacity of government's internal auditors and public finance officers developed.** Under this output, the proposed additional financing will provide training and certification (where certification is an option) to an incremental 19,400 internal auditors and public finance officers at the central and local government levels.³ Specialized training and certification will be given to achieve either a minimum professional standard or higher levels of competency, which may include (i) mandatory certification (footnote 6); (ii) substantive technical training in risk management, strategic audit, audit reporting, audit management, procurement audit, PFM transactions in planning, budgeting, accounting, procurement, asset management, and financial reporting; and (iii) nonmandatory certification in internal auditing, fraud prevention, and accounting. Training in financial reporting and auditing will also be provided to public finance officers involved in development partner-funded projects.

5. **Output 2 – Competency and needs-based e-learning approach institutionalized.** Under this output, the additional financing will help BPKP reorient and reequip its existing training

¹ Asian Development Bank (ADB). 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Indonesia for the State Accountability Revitalization Project*. Manila.

² In seeking to improve the quality of internal audit, the current project focused its capacity building efforts on two groups: internal auditors and public finance officers. The need to improve the skills and competency of internal auditors is self-evident, but one particular strength of the current project is that it simultaneously seeks to improve the ability of public finance officers to prepare financial statements of public expenditures that meet audit standards. This twin-track approach will continue under the proposed additional financing. Another important element of the current project approach, given Indonesia's decentralized form of government, is strengthening capacity at the local government level. This will also be continued and expanded under the additional financing.

³ Training and certification mainly will be conducted by the BPKP's Training and Education Center through the e-learning system or blended with conventional class. This will include JFA training and certification and substantive technical training. BPKP will consider options for the training modules to be peer-reviewed by the Internal Auditor Association (IAI) or other similar organization with BPKP in other country or twinning partner. Other relevant professional certifications such as EnCase Certified Examiner (EnCE), Certified Risk Management Professional (CRMP), Certified Risk Management Officer (CRMO), Certified Forensic Auditor (CFrA), or Certified Hacking Forensic Investigation (CHFI) will be provided by IAI or other relevant providers.

institute,⁴ providing it with new fully equipped facilities at four regional hubs (Bali, Bogor, Makassar, and Medan) for the production and delivery of e-learning courses. As part of the reorientation, the training institute will adopt a competency- and needs-based approach. Under this new approach, job models (using the integrated talent management system developed under the current project) will be established for the various levels of internal auditors and public finance officers and learning road maps will be produced for each position in line with the needs of the trainee's organization.

6. **Output 3 – Institutional strengthening through system improvement.** Under this output, the additional financing will upgrade the existing BPKP-developed local government FMIS, the Regional Financial Management Information System (SIMDA), to meet regulatory and technology requirements for e-government and to be fully integrated across planning, budgeting, reporting, auditing, and monitoring.⁵ Also, as part of this output, a CA/CM information system will be embedded in the BPKP-developed FMIS. The CA/CM information system will enhance the capabilities of internal auditors by allowing them to determine their audit approaches on a continuous basis, and it will help promote compliance with policies, procedures, and regulations.⁶ BPKP will also develop risk assessment tools as part of this output to ensure that audits are carried out in the areas of greatest risk. In addition to the training provided under output 1, training associated with the rollout of various systems developed under this output will also be carried out.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Table 1: Project Readiness Activities 2019-2020

Indicative Activities	2019 Months						2020 Months			Responsible Individual/Unit/Agency/ Government	
	6	7	8	9	10	11	12	1	2		3
Advance contracting actions				x							
Reestablish project implementation arrangements				x							BPKP
ADB Board approval							x				ADB
Loan signing							x				ADB and MOF
Government legal opinion provided									x		EA and the Ministry of Law and Human Rights
Government budget inclusion										x	MOF and EA
Loan effectiveness										x	ADB and EA

Source: Asian Development Bank

⁴ BPKP's training institute is often referred to as the government internal auditor corporate university.

⁵ For the 80% of local governments that use the SIMDA, the nature of the proposed change will require an upgrade.

⁶ This will include compliance with the regulatory framework to monitor the status of, and follow up on, audit findings from the external auditor.

NO	Activity	2020				2021				2022				2023				2024			
		quarter				quarter				quarter				quarter				quarter			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2.6	Develop and implement the information system of learning value chain																				
2.7	Construct smart building																				
2.8	Develop IT equipment to support smart class-room																				
2.9	Develop and implement integrated talent management system and knowledge management information system																				
2.3	Develop the enabler of GIA CORPU - linked with activity 3.1:																				
Output 3: Institutional strengthening through system improvement																					
3.1	New generation of local government FMIS upgraded																				
3.1.1	Recruit IT consultant for enterprise architecture development																				
3.1.2	Develop an architecture enterprise based on the President Regulation No. 95/2018																				
3.1.3	Develop the system																				
3.1.4	Install, test, pilot, and roll out/deploy the system and data migration to local governments																				
3.1.5	Consolidate data at provincial level																				
3.2	Development of a continuous audit and continuous monitoring (CACM):																				
3.2.1	Develop a dashboard needs analysis																				
3.2.2	Develop dashboard of local government FMIS new generation with CACM system																				
3.2.3	Piloting and implementation																				
3.2.4	Implement CACM supporting management																				

NO	Activity	2020				2021				2022				2023				2024			
		quarter				quarter				quarter				quarter				quarter			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
B.1	Procurement plan key activities to procure contract packages																				
B.2	Consultant selection procedures																				
B.3	Project management plan key activities																				
B.4	Communication strategy key activities																				
B.5	Semi-annual review and/or midterm review mission																				
B.6	Annual workshop																				
B.7	Project completion report																				

ADB = Asian Development Bank, APIP = Aparat Pengawas Internal Pemerintah (government internal auditor), BPK = Badan Pemeriksa Keuangan (Supreme Audit Board), BPKP = Badan Pengawasan Keuangan dan Pembangunan Keuangan (Central Government Internal Auditor), CA/CM = Continuous Audit/Continuous Monitoring, CHFI = Certified Hacker Forensic Investigator, DMF = design and monitoring framework, EnCE = EnCode Certified Examiner, CRMO = Certified Risk Management Officer, CRMP = Certified Risk Management Professional, FMIS = Financial Management Information, GICS = Government Internal Control System, JFA = Jabatan Fungsional Auditor (Auditor Functional Position), IT = information technology, MOF = Ministry of Finance, MOHA = Ministry of Home Affairs, Pemda = Pemerintah Daerah (local government), PBJ = Pengadaan Barang dan Jasa (procurement of goods and services), PFM = Public Financial Management, SAAP = Sertifikasi Ahli Akuntansi Pemerintah (Government Accounting Expert Certification), SIBIJAK = Sistem Bina Jabatan Auditor Berkualitas (Qualified Internal Auditor Management System), SIMA = Sistem Informasi manajemen Akuntabilitas (Management Information System on Accountability), SIMDA = Sistem Informasi Manajemen Keuangan Daerah (Regional Financial Management Information System), Q = quarter

Sources: Asian Development Bank, BPKP

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations: Roles and Responsibilities

Table 3: Project Implementation Organizations & Roles and Responsibilities

Project Implementation Organizations	Management Roles and Responsibilities
BPKP Principal Secretary (<i>Sekretaris Utama</i>)	Executing Agency The EA is responsible for overall project management and implementation, including: (i) setting policy directions for the project; (ii) preparing annual program and budget including ensuring the timely and sufficient provision of Daftar Isian Pelaksanaan Anggaran (DIPA); (iii) providing implementation guidance and supervision; and (iv) establishing the Project Management Unit (PMU), and reporting on the project implementation to the project SC and ADB.
Project Management Unit Bureau of Performance Management, Organization and Governance	PMU is responsible for the day-to-day project management and implementation, including project supervision, monitoring, accounting, and consolidated reporting. Its tasks are: <ul style="list-style-type: none"> • developing and updating project implementation guidelines; • leading the planning, programming (including ensuring the provision of DIPA), coordination, oversight, implementation, monitoring and evaluation of the project; • building partnerships with project stakeholders, in particular local governments (provincial, district or city); • coordinating activities in accordance with project guidelines; • providing guidance and managing the PIUs • leading and coordinating activities related to financial management and financial audit; • selecting, contracting, giving direction and supervising the project management/implementation consultants; • preparing withdrawal applications (WA) including retention of supporting documents and submitting the WAs (through MOF) to ADB; and • supporting/facilitating BPKP in the preparation and submission of the audited project accounts and financial statements.
Project Implementing Unit Training and Education Center, BPKP (<i>Pusdiklatwas</i> BPKP)	In coordination with PMU, Pusdiklatwas BPKP is responsible for the day-to-day implementation of activities under outputs 1 (training and certification) and 2 (training institute development), including: <ul style="list-style-type: none"> • budget planning and programming, implementation, monitoring, and reporting of the activities for outputs 1 and 2; • preparing procurement documents and conducting procurement.
STAR Steering Committee (chaired by the EA)	<ul style="list-style-type: none"> • Provide overall policy directions and oversight, particularly on harmonization of local government's financial management information system (FMIS); and • Assesses the results, benefits, and impact of project implementation
BPKP Representative Offices	<ul style="list-style-type: none"> • Implementation of activities in the respective representative offices; • Ensuring that the project runs smoothly in their respective areas and act as manager cum intermediary between each implementing region and BPKP; and • Monitoring and reporting to EA and PMU
ADB	<ul style="list-style-type: none"> • Main project financier • Monitoring project implementation and covenant compliance • Conduct semi-annual and midterm review missions

ADB = Asian Development Bank.
 Source: Asian Development Bank.

7. **Project management and administration support.** This component will support the smooth and effective implementation of the project. The current project management unit (PMU)

in BPKP will continue to manage project implementation, supported by the project management consultant. The Project will also develop an effective monitoring and evaluation system. Consultants will be recruited for project accounting and reporting, procurement, project monitoring, and financial management.

B. Key Persons Involved in Implementation

Executing Agency

BPKP
Principal Secretary

Ernadhi Sudarmanto
Principal Secretary
62-21-858-4744
ernadhi.sudarmanto@bpkp.go.id
Jalan Pramuka 35, Jakarta, Indonesia

Asian Development Bank

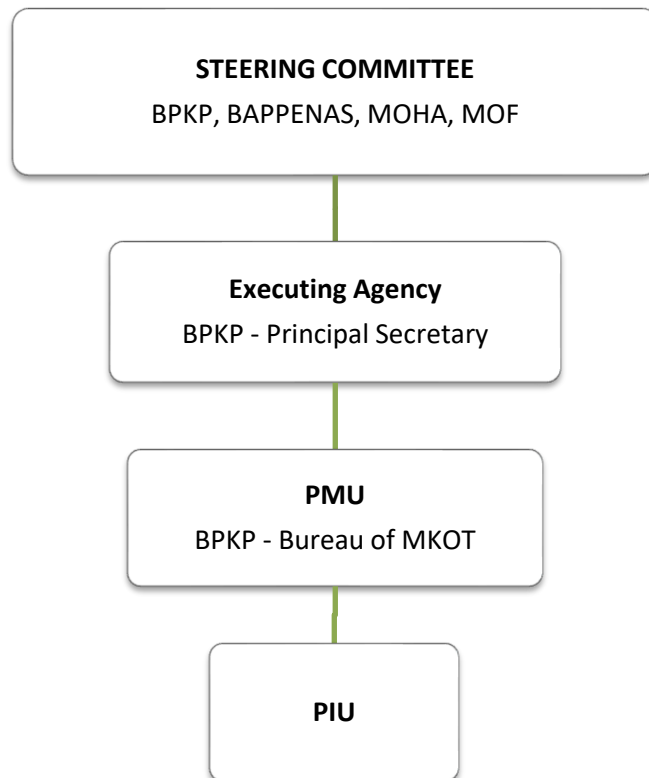
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Mission Leader

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C. Project Organization Structure



MKOT = Performance Management, Organization and Governance
 PMU = Project Monitoring Unit
 PIU = Project Implementing Unit
 PMC = Project Management Consultant

8. The project will continue to be guided by the project steering committee (SC) chaired by the Principal Secretary of the EA and consists of Director General of Regional Finance of the Ministry of Home Affairs, Director General of Finance and Risk Management of the Ministry of Finance, Deputy Minister for Monitoring, Evaluation, and Control of Developments of BAPPENAS. The SC is tasked to oversee project implementation and facilitate interagency coordination. The SC shall be established under a decree letter to be issued by BPKP head. The SC will meet every quarter in the first two years of the project implementation and semi-annually thereafter, to monitor, guide and oversee implementation of the project, when deemed necessary to decide strategic issues. The PMU director shall act as secretary to the SC.

9. The PMU will (i) be responsible for the day-to-day implementation, coordination, supervision, monitoring, and reports consolidation from all PIUs, (ii) act as secretariat to the SC, and (iii) serve as the point of contact between the EA, the SC and the ADB.

10. The Head of BPKP has issued a decree to establish the project structure including the PMU and technical teams consisting of related bureaus, centers and directorates within BPKP that are responsible for implementing each activity.

IV. COSTS AND FINANCING

11. The project is estimated to cost \$104.92 million, of which \$90 million is proposed to be financed by a regular loan from ADB's ordinary capital resources. The additional loan proceeds of \$90 million will be made available to MOF, which will channel the funds to the EA. The PMU will utilize the loan proceeds to finance works, goods and services of the proposed activities, as well as cost components related to project management support, monitoring and evaluation. The loan will finance 85.78% of the total project cost. The loan will have a 17.5-year term, including a grace period of 8 years, an interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per annum on any undisbursed amount of the loan, and such other terms and conditions as set forth in the draft project loan agreement. The government has provided ADB with (i) the reasons for its decision to borrow under ADB's LIBOR-based lending facility based on these terms and conditions, and (ii) an undertaking that these choices were its own independent decision and not made in reliance on any communication or advice from ADB.

12. The remainder of the project costs (14.22% or \$14.92 million equivalent) will be financed from the budgetary resources of the EA. The EA will cover financing charges from its own financial resources. All applicable taxes and duties will be financed from government contributions through an exemption. The EA shall ensure that during each year of the project implementation, adequate budgetary allocation or Daftar Isian Pelaksanaan Anggaran (DIPA) shall be provided in a timely manner. To such end, the EA shall ensure that timely submissions of annual budgetary appropriation requests are made. The request including funding in connection with the establishment of the various audit activities, including staff salaries and related payments, maintenance of equipment and project facilities, communications, transportation, supplies and materials, and other operating expenses during project implementation and for annual operations and maintenance expenditure required after project completion. The EA, working with MOF, shall (i) take all necessary or appropriate measures for prompt disbursement of appropriated ADB funds on a timely and regular basis to the EA during each year of project implementation; and (ii) ensure that, throughout the duration of the project, all personnel contributing to project implementation receive remuneration commensurate with their responsibilities and workload. The EA, working with MOF, shall ensure that the provision of funds from the loan proceeds, and the corresponding contributions, necessary for financing project activities shall continue throughout the period of project implementation by earmarking the funds notwithstanding, any reallocation of authority or responsibility for channeling of external assistance, and for the provision of corresponding contributions between the borrower, and the EA.

A. Cost Estimates Preparation and Revisions

13. The project's cost was estimated in September 2019 based on the assessment jointly prepared by the government, the EA and ADB. Costs estimates are presented in the table below.

B. Key Assumptions

14. The following key assumptions underpin the cost estimates and financing plan:

- (i) Exchange rate: Rp 14,240 = \$1.00 (as of 10 September 2019).
- (ii) Price contingencies based on expected cumulative inflation over the implementation period are as follows:

Table 4: Escalation Rates for Price Contingency Calculation

Item	2020	2021	2022	2023	2024	Average
Foreign rate of price inflation	1.50%	4.47%	7.04%	9.40%	11.56%	6.79%
Domestic rate of price inflation	2.00%	4.00%	5.50%	7.00%	8.50%	5.40%

Source: Asian Development Bank

Table 5: Financing Plan
(\$ million)

Source	Current		Additional Financing		Total	
	Amount	Share of Total (%)	Amount	Share of Total (%)	Amount	Share of Total (%)
ADB						
OCR (regular loan)	57.75	95.00	90.00	85.78	147.75	89.30
Government	2.78	5.00	14.92	14.22	17.7	10.70
Total	60.53	100.00	104.92	100.00	165.45	100.00

ADB = Asian Development Bank, OCR = ordinary capital resources

Source: Asian Development Bank.

C. Cost Estimates by Expenditure Category and by Output

**Table 6: Cost Estimates by Expenditure Category and by Output
(in \$)**

Item	Total Cost	Output/Component 1		Output/Component 2		Output/Component 3	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs^b							
1 Work and Equipment	26,180,000	110,000	0.42%	20,170,000	77%	5,900,000	23%
2 Consulting Services, training and workshop	63,820,000	26,080,000	40.86%	9,400,000	14.73%	28,340,000	44.41%
Subtotal (A)	90,000,000	26,190,000	29.10%	29,570,000	32.86%	34,240,000	38.04%
B. Recurrent Costs							
1. Salaries (Government Staff Involved in Project)	500,000	150,000		160,000		190,000	
2. Accommodation and Duty travel for Project Management & Monitoring	1,000,000	290,000		330,000		380,000	
3. Equipment operation and maintenance	344,000	100,000		114,000		130,000	
Subtotal (B)	1,844,000	540,000	29%	604,000	33%	700,000	38%
C Taxes & Duties	500,000	150,000		160,000		190,000	
Total Base Cost (A+B+C)	92,344,000	26,880,000		30,334,000		35,130,000	
C. Contingencies							
1. Physical ^c	3,600,000	1,045,000	29%	1,184,000	33%	1,371,000	38%
2. Price ^d	5,395,000	1,607,000	30%	1,709,000	32%	2,079,000	39%
Subtotal C	8,995,000	2,652,000		2,893,000		3,450,000	
D. Financial Charges During Implementation^e							
1. Interest during construction	3,210,000	193,000	6%	1,701,000	50%	1,316,000	40%
2. Commitment charges	370,000	22,000	6%	196,000	50%	152,000	40%
Subtotal (D)	3,580,000	215,000		1,897,000		1,468,000	0.00%
Total Project Cost (A+B+C+D)	104,919,000	29,747,000	28.35%	35,124,000	33.48%	40,048,000	38.17%

^a Refers to the original amount. Includes taxes and duties of \$0.50 million financed from government resources through exemption.

^b Includes taxes and duties of \$0.50 million to be financed from government resources through exemption.

^c In mid-2019 prices as of 10 September 2019.

^d Physical contingencies computed at 4% for civil works; and 4% for field research and development, training, surveys, and studies. Price contingencies computed at 1.5% on foreign exchange costs and 2% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^e Includes interest and commitment charges. Interest during construction for the regular OCR loan has been computed at the 5-year forward London interbank offered rate plus a spread of 0.60%. Commitment charges for the regular OCR loan is 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank.

D. Allocation and Withdrawal of Loan Proceeds

Table 7: Allocation and Withdrawal of Loan Proceeds

Category		ADB FINANCING BASIS	
		Total Amount Allocated for ADB Financing (in \$)	Percentage of ADB Financing from the Loan Account
01	Work and Equipment	26,180,000	100 percent of total expenditure claimed*
02	Consulting Services, training and workshop	63,820,000	100 percent of total expenditure claimed*
Total		90,000,000	

* Exclusive of local taxes and duties imposed within the territory of the Borrower.

E. Detailed Cost Estimates by Financier

Table 8: Cost Estimates by Financier

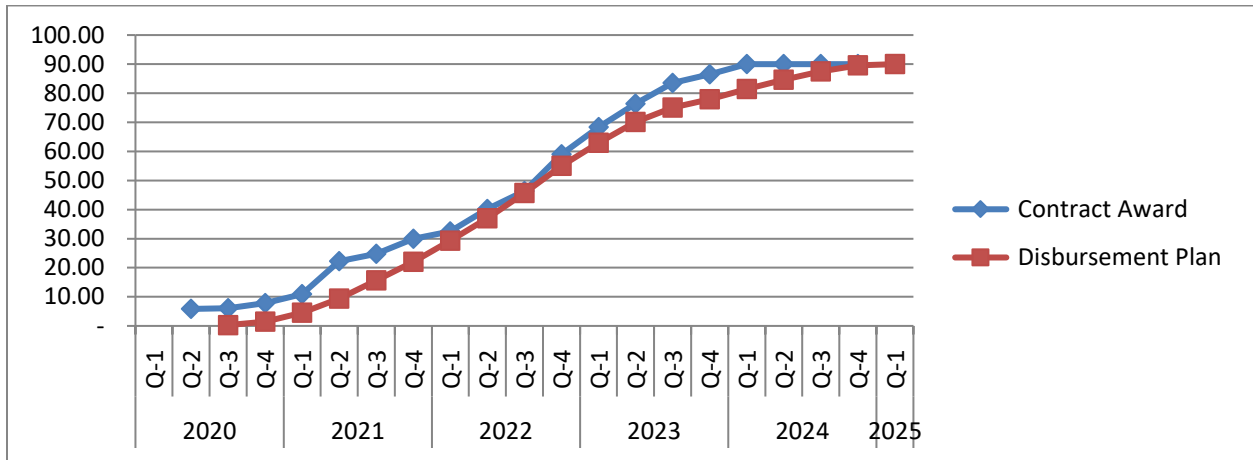
ITEM	ADB Total Cost		Government Total Cost		Total Cost
	Amount {A}	% of Cost Category {A/D}	Amount {B}	% of Cost Category {B/D}	Amount {D}
A. Investment Costs					
1 Work and Equipment	26.18	100%			26.14
2 Consulting Services, training and workshop	63.82	100%			61.36
Subtotal (A)	<u>90,00</u>				<u>90,00</u>
B. Recurrent Costs					
1. Salaries (Government Staff Involved in Project)			0,50	100%	0,50
2. Accommodation & Duty travel for Project Management & Monitoring			1,00	100%	1,00
3. Equipment operation and maintenance			0,34	100%	0,34
Subtotal (B)			<u>1.844</u>		<u>1.844</u>
C. Taxes & Duties			0,50		0,50
C. Contingencies			9.00		9.00
D. Financial Charges During Implementation			3.58		3.58
Total Project Cost (A+B+C+D)	90,00		14.92		104.92
% Total Project Cost	86%		14%		100%

F. Detailed Cost Estimates by Year

Table 9: Cost Estimates by Year
(\$ million)

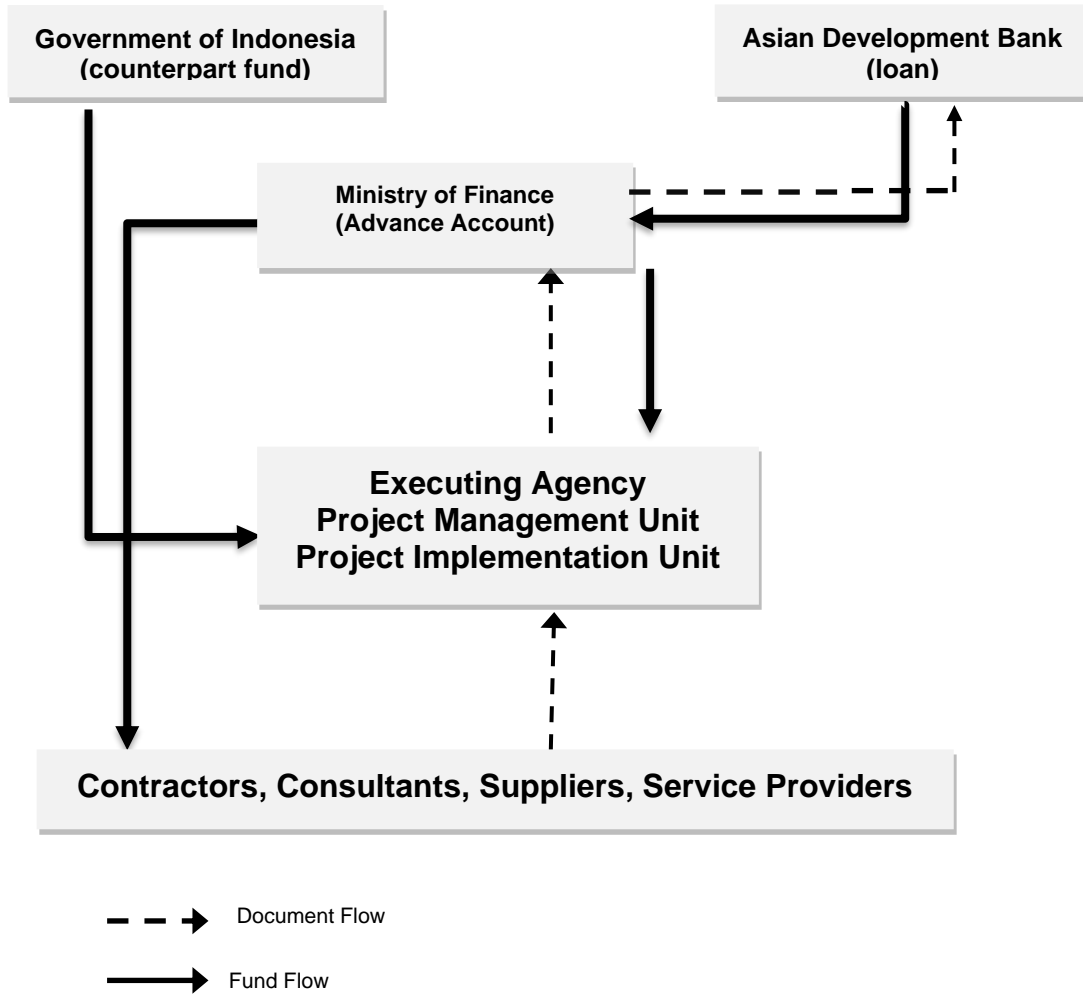
Items	TOTAL Cost	2020	2021	2022	2023	2024	2025
A. Investment Cost		1.6%	23%	37%	26%	13%	0.5%
01 Work and Equipment	26.18	0.41	6.00	9.59	6.68	3.38	0.12
02 Consulting Services, training and workshop	63.82	1.01	14.62	23.38	16.28	8.23	0.30
Sub Total A	90.00	1.42	20.62	32.96	22.96	11.61	0.42
B. Recurrent Costs	1.84	0.03	0.42	0.68	0.47	0.24	0.01
C. Taxes & Duties	0.50	0.01	0.11	0.18	0.13	0.06	0.00
D. Contingencies	9.00	0.14	2.06	3.29	2.29	1.16	0.04
E. Financing Charge During Implementation	3.58	0.06	0.82	1.31	0.91	0.46	0.02
Total Project Cost (A+B+C+D)	104.92	1.66	24.04	38.43	26.77	13.54	0.49
% Total Project Cost	100%	1.58%	22.91%	36.63%	25.51%	12.90%	0.47%

G. Contract and Disbursement S-Curve



Items	TOTAL Cost	2020	2021	2022	2023	2024	2025
		<i>Contract Award</i>	90.00	7.82	22.18	29.04	27.51
<i>Disbursement</i>	90.00	1.42	20.62	32.96	22.96	11.62	0.42

H. Fund Flow Diagram



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

15. The financial management assessment (FMA) of the EA was updated in August 2019 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and the Financial Due Diligence: A Methodology Note. The FMA covered the EA's financial management arrangements, including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. The assessment considered that the EA's capacity on financial management is adequate. BPKP's financial government is government by the government's prevailing financial, accounting, auditing rules and systems, which are assessed as meeting generally accepted international accounting and auditing standards. The overall financial systems and policies of the EA is acceptable. Based on the assessment, the pre-mitigated financial management risk level of the EA is medium. The key financial management risks identified are considered manageable. It is concluded that the overall post-mitigation financial management risk of BPKP is low. BPKP has been using the Statement of Expenditures (SOE) procedures under the current project, and as such, BPKP's capacity to administer such procedures is adequate. The financial management action plan is provided in Table 10.

Table 10. Financial Management and Risk Mitigating Action Plan

Key Risks	Mitigation Activities	Timeline	Responsibility
Lack of capacity at subnational level.	a. The additional financing project will help improve PFM capacity at subnational. b. Development partners' continuous support to strengthen the public financial management systems in Indonesia through policy-based, projects, and technical assistance activities.	During project implementation	EA
Project specific risks			
The timing of the standardization of charts of accounts may not be in line with the time plan for upgrading the BPKP FMIS which may delay the upgrading.	Consultation, communication and participation of BPKP in the central government's task force on standardization of chart of accounts.	Q1-4, 2020	EA
Delays in decision-making on the harmonization of local government financial information systems and, in an extreme circumstance, a decision to opt for a single system other than BPKP's SIMDA.	Consultation, communication and participation of BPKP in the central government's task force on harmonization of systems. Currently, BPKP's SIMDA is used by around 80% of local governments so if a single system is mandated it should logically be the one most commonly used, particularly given the enhancements proposed under the additional financing. However,	Q1-4, 2021	EA

Key Risks	Mitigation Activities	Timeline	Responsibility
	decisions are sometimes based on political rather than technical considerations so careful monitoring of the situation will be required.		
Trained/certified officers assigned in nonrelevant positions or not appointed to a functional position.	BPKP will apply a strategic focus to train and certify officers who have been provided official commitment from their respective head of human resource unit to retain in the current position for at least 2 years unless the officer receives promotion, and to appoint those not already holding an auditor functional position to such a position within 3 months of attaining certification.	During project implementation	EA
Weak coordination among stakeholders implementing integrated learning value chain.	BPKP will conduct consultation and communication with wider stakeholders to explain the rationale and importance of an integrated learning value chain with a view to generating commitment for coordination.	During project implementation	EA Training Center, PMU
Full utilization of the management information systems developed by the project due to unavailability of O&M expenses post project completion.	BPKP will request to allocate O&M budget expenditures in its annual budget appropriation (DIPA) and ensure that the use of information systems will be integrated to BPKP business process.	Prior to systems implementation during the project implementation	EA
Inadequate allocation of O&M budget to properly operate and maintain new facilities.	Construction management consultant will prepare O&M plans for each facility built under the additional financing project and implementing unit (BPKP Training Centers) will be trained to implement the O&M plans.	Prior to building construction	EA Training Center, ADB
The EA has no previous experience in ADB civil works' procurement procedures and implementation	ADB will provide procurement training (and clinics as needed) on ADB's Procurement Guidelines on civil works	During the implementation	EA Training Center
New staff (due to regular staff transfers/ promotion) without previous experience in implementing ADB's funded project.	Ensure smooth hand-over and skills transfer prior to staff transfers.	During implementation	PMU

Key Risks	Mitigation Activities	Timeline	Responsibility
Generic FM risks			
Reliance on excel spreadsheets (and the associate risks) for preparation of financial statements	Put in place the system to ensure data reliability.	After PMU and PMC selection	PMU and PMC's financial management consultant

16. **Financial management and procurement capacity assessment.** The EA has the capacity to implement the project, since it has the experience in implementing an ADB-funded project as the EA under the current project and as a PIU under the Loan 2127-INO: STAR-SDP. The EA also has sufficient capacity, staffing and system of the financial, accounting and procurement working units within the EA. As the internal auditor of the government, the EA has extensive capacity of financial management, and is responsible for setting benchmark of good financial management to other government bodies. All EA's staff involved in the project hold at the minimum diploma in accounting from the State Accounting Institute (STAN). The EA is expected to have capacity in managing project implementation, financial management and procurement in accordance with ADB guidelines and requirements. Thus, management control of the project can be relied upon. However, some new entry staff may not be familiar with managing ADB-funded assistance. Therefore, refreshment training on ADB project management, administration, procurement, and disbursement will be conducted.

17. The Principal Secretary of BPKP is the EA of the project. The Bureau of Performance Management, Organization and Governance, formerly Bureau of Audit Planning of BPKP is the PMU of the project. BPKP has been the EA under the current project and acted as one of the PIUs under the Loan 2127-INO: STAR-SDP since 2003 and implemented activities in BPKP head quarter and representative offices. The project manager of the PMU has acted as the Secretary of the BPKP EA for the current project. Staff engaged in the current project will continue to be engaged in the PMU. Risks from involvement of new staff in PMU with no experience in managing ADB fund will be mitigated by: (a) providing financial management training to project financial management staff; (b) continuing the engagement of the project financial management consultant recruited under the current project; and (c) putting in place additional financial control procedures as needed.

B. Disbursement

1. Disbursement Arrangements for ADB

18. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time)⁷, and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.⁸ Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

19. **Advance fund procedure.** The government will continue to use the current project's financial management arrangement, including the use of the current project's advance account at the central bank (Bank Indonesia) to facilitate the timely release of loan funds. The currency of the advance account is the US Dollar. The advance account will be administered by the MOF. The advance account will be established, managed, replenished, and liquidated in accordance with ADB's Loan Disbursement

⁷ The handbook is available electronically from the ADB website (<http://www.adb.org/documents/loan-disbursement-handbook>).

⁸ Disbursement eLearning. http://wpqr4.adb.org/disbursement_elearning

Handbook (2017, as amended from time to time). The advance account is to be used exclusively for ADB's share of eligible expenditures.

20. The EA may request for initial and additional advances to the advance account based on an Estimate of Expenditure Sheet⁹ setting out the estimated expenditures to be financed through the account for the forthcoming 6 months. The maximum amount to be deposited into the advance account will not exceed 10% of the loan amount. Supporting documents should be submitted to ADB or retained by the EA in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) when liquidating or replenishing the advance account.

21. **Statement of expenditure procedure.**¹⁰ The SOE procedure will continue to be used for reimbursement of eligible expenditures or liquidation of advances to the advance account. The current project's SOE ceiling, which is the equivalent of \$100,000 per individual payment, will continue to be applied in the additional financing project. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

22. Before the submission of the first withdrawal application (WA), the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per WA is stipulated in the *Loan Disbursement Handbook* (2017, as amended from time to time). Individual payments below such amount should be paid (i) by the EA and subsequently claimed to ADB through reimbursement, or (ii) through the advance fund procedure, unless otherwise accepted by ADB. The borrower should ensure sufficient category and contract balances before requesting disbursements. The EA will continue to use of ADB's Client Portal for Disbursements (CPD)¹¹ system for submission of withdrawal applications to ADB.

2. Disbursement Arrangements for Counterpart Fund

23. The EA is responsible for (i) preparing disbursement projections, and (ii) requesting budgetary allocations for counterpart funds to be included in the DIPA. Disbursement procedures for the counterpart funds will follow the government regulation. Local taxes duties under the project will be financed by the government through tax exemption.

C. Accounting

24. The EA will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following accrual-based accounting following the equivalent national accounting standards. The EA will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

D. Auditing and Public Disclosure

25. The EA will cause the detailed consolidated project financial statements to be audited in

⁹ Estimate of Expenditure sheet is available in Appendix 8A of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

¹⁰ SOE forms are available in Appendix 7B and 7D of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

¹¹ The CPD facilitates online submission of WA to ADB, resulting in faster disbursement. The forms to be completed by the Borrower are available online at <https://www.adb.org/documents/client-portal-disbursements-guide>.

accordance with the government's audit regulations by an independent auditor acceptable to ADB. The audited project financial statements together with the auditor's opinion will be presented in the English language to ADB within 6 months from the end of the fiscal year by the EA.

26. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the {loan} {grant} were used only for the purpose(s) of the project; and (iii) whether the borrower or executing agency was in compliance with the financial covenants contained in the legal agreements (where applicable).

27. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

28. The government and the EA have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.¹² ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

29. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.¹³ After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.¹⁴

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

30. All advance contracting will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time) and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The issuance of invitations to bid under advance contracting will be subject to ADB approval. The borrower, and BPKP have been advised that approval of advance contracting

¹² ADB's approach and procedures regarding delayed submission of audited project financial statements:

- (i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

¹³ Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.

¹⁴ This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).

does not commit ADB to finance the project.

31. **Advance contracting.** Advance contracting under the additional financing will be applicable for selection of the project management consultant and engineering management consultant including advertisement, receiving bids, and evaluation of bids, prior to loan effectiveness

32. **Retroactive financing.** Not applicable.

B. Procurement of Goods, Works, and Consulting Services

33. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time) and all consultants will be recruited following ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

34. Before the start of any procurement, ADB and the government will review the public procurement laws of the central and state governments to ensure consistency with ADB's Procurement Guidelines (2015, as amended from time to time).

35. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section D. The terms of reference for all consulting services are detailed in Section E.

36. The project will require an estimated of 4,590 person-months of consulting services. Management consultant team will be fielded in the PMU to provide support in project management, coordination, reporting, monitoring, evaluation and financial management. Consulting firm will be engaged using the quality- and cost-based selection (QCBS) method with a quality–cost ratio of 80:20.

C. Procurement Plan

37. **Indicative List of Packages Required Under the Project.** The following table provides an indicative list of all procurement (goods, works, and consulting services) over the life of the project and will be updated if and as necessary during the project implementation.

Project Name: State Accountability Revitalization Project (Additional Financing)	
Project Number: 38354-015	Approval Number:
Country: INDONESIA	Executing Agency: Badan Pengawasan Keuangan dan Pembangunan (BPKP)
Project Procurement Classification: B	
Procurement Risk: Moderate	
Project Financing Amount: \$90,000,000 ADB Financing: \$90,000,000 Cofinancing (ADB Administered): - Non-ADB Financing: -	Project Closing Date: 30 September 2025
Date of First Procurement Plan loan approval date:	Date of this Procurement Plan: 23 October 2019

A. Methods, Thresholds, Review and 18-Month Procurement Plan

1. Procurement and Consulting Methods and Thresholds

38. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding for Goods	US\$1,000,000 and above	
National Competitive Bidding (NCB) for Works	Between US\$100,000 and \$24,999,999	ADB prior review.
National Competitive Bidding for Goods	Between USD\$100,000 and US \$999,999	ADB prior review.
Shopping for Goods	Up to US\$99,999	ADB prior review of the first package

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	All selections will be subject to prior review
Quality Based Selection	
Fixed Budget Selection	
Individual Consultant Selection for Individual Consultant	

2. Goods and Works Contracts Estimated to Cost \$1 Million or More

39. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Procurement Method	Review [Prior / Post/Post (Sampling)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
Civilwork	Construction of smart building for BPKP training facility at <i>Ciawi, Denpasar, Medan & Makasar</i>	11,340,000	NCB	Prior	1S – 1E	Q2-2020	Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N
ITE-1	IT Equipment to support Implementation of CACM using SIMDA-NG	5,250,000	NCB	Prior	1S – 1E	Q1-2021	Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N
OE-1	Training and Office Equipment (non-IT) for BPKP training facility at <i>Ciawi, Denpasar, Medan & Makasar</i>	4,000,000	NCB	Prior	1S – 1E	Q4-2021	Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N
ITE-2	IT Equipment (hardware, software) to support digital learning at <i>Ciawi, Denpasar, Medan & Makasar</i>	4,000,000	NCB	Post	1S – 1E	Q1-2022	Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N

3. Consulting Services Contracts Estimated to Cost \$100,000 or More

40. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
STAR (AF) ¹ - pmc	Project Management Consultant	5,200,000	QCBS	Prior	Q4-2019	FTP	National Quality Cost Ratio 80:20
STAR (AF) ² - ConstM	Construction Management	640,000	QCBS	Prior	Q4-2019	STP	National Quality Cost Ratio 80:20
STAR (AF) ³ - BA	IT Business Architech for BPKP Enterprise Architecture	850,000	QCBS	Prior	Q2-2020	STP	National Quality Cost Ratio 80:20
STAR (AF) ⁴ - LTech	Learning Technology Team to strengthen BPKP's training institute	850,000	QCBS	Prior	Q2-2020	FTP	National Quality Cost Ratio 80:20
STAR (AF) ⁵ - ICT01	ICT Consultant to develop integrated system for SIMDA NG and Dashboard CACM	2,000,000	QCBS	Prior	Q2-2020	FTP	National Quality Cost Ratio 80:20
STAR (AF) ⁶ - ICT02	ICT Consultant to develop integrated system for Risk Management including RBIA	2,000,000	QCBS	Prior	Q4-2020	FTP	National Quality Cost Ratio 80:20
STAR (AF) ⁷ - ICT03	ICT Consultant to develop integrated measurement tool for maturity assessment on Risk Management	450,000	QCBS	Prior	Q2-2021	STP	National Quality Cost Ratio 80:20
STAR (AF) ⁸ - ICT04	ICT Consultant to develop integrated system on talent management (ITMS)	1,200,000	QCBS	Prior	Q2-2021	FTP	National Quality Cost Ratio 80:20

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
STAR (AF) ⁹ - ICT05	ICT Consultant to develop integrated system for Learning Value Chain (LVCs)	840,000	QCBS	Prior	Q3-2021	FTP	National Quality Cost Ratio 80:20

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

41. The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review [Prior / Post/Post (Sampling)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
ITE-3	IT Equipment to support Implementation of Talent Management Program	350,000	1	NCB	Post	1S-1E	Q1-2022	Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N
ITE-4	IT Equipment to support Implementation of Knowledge Management System	300,000	1	NCB	Post	1S-1E	Q1-2022	Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N
PMU	Upgrade and regeneration of IT Equipment for PMU	400,000	Up to 2	NCB/ Shopping	Post	-	Q3-2020/ Q2 2021	Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N

B. Indicative List of Packages Required Under the Project

42. The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections.

Goods and Works							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review [Prior / Post/Post (Sampling)]	Bidding Procedure	Comments
ITE-2	IT Equipment to support Implementation of MR & PIBR	500,000	1	NCB	Post	1S-1E	Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N
ITE-5	IT Equipment (hardware, software) to support digital learning at <i>Ciawi, Denpasar, Medan & Makasar</i>	4,000,000	Up to 4	NCB	Post	1S-1E	Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N
OE-1	Training and Office Equipment (non-IT) for BPKP training facility at <i>Ciawi, Denpasar, Medan & Makasar</i>	4,000,000	Up to 4	NCB	Post	1S-1E	Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N
PMU	PMU Office & IT Equipment	400.000	Up to 2	NCB/ Shopping	Post		Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N
Construct ion for BPKP Training Facilities	Construction of Smart Building for Training Facilities on BPKP Training Institution at <i>Ciawi, Denpasar, Medan & Makasar</i>	11,340,000	1	NCB	Prior	1S-1E	Prequalification of Bidder: N Domestic Preference Applicable: N Advance Contracting: N Bidding Documents: N

Consulting Services							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Review (Prior / Post)	Type of Proposal	Comments
STAR (AF) ¹⁰ - ICT06	ICT Consultant to develop integrated system on Knowledge Management System (KMIS)	450,000	1	QCBS	Prior	STP	National Quality Cost Ratio 80:20
STAR (AF) ¹¹ – ChMng	Change Management Consultant for strategic planning on transformation of Government Finance Management and Internal Supervision	1,000,000	1	QCBS	Prior	FTP	National Quality Cost Ratio 80:20

D. National Competitive Bidding

A. Regulation and Reference Documents

1. General

43. The procedures to be followed for national competitive bidding shall be those as set forth in Presidential Regulation No. 54/2010 of the Republic of Indonesia, dated 6 August 2010, as amended from time to time, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

B. Procurement Procedures

2. Eligibility

44. The eligibility of bidders shall be as defined under section I of the ADB Procurement Guidelines; accordingly, no bidder or potential bidder should be declared ineligible for reasons other than those provided in section I of the Guidelines, as amended from time to time.

3. Participation of Foreign Bidders and Joint Ventures

45. Foreign bidders shall be eligible to participate under the same conditions as national bidders regardless of the estimated value of the contract.

46. Foreign bidders shall not be asked or required to form joint ventures with, or be subcontractors to, national bidders in order to submit a bid and obtain a contract award.

4. Preferences

47. No preference of any kind shall be given to domestic bidders or for domestically manufactured goods.

5. Prequalification and Bidding Period

48. The time allowed for the preparation and submission of prequalification documents and/or bids for large and/or complex contracts shall not be less than twenty-eight (28) days from the date of the last day of publication of the invitation to bid or the last day of availability of the bidding documents, whichever is later.

C. Bidding Documents

6. Bid Evaluation

49. No bid shall be rejected on the basis of a comparison with the owner's estimate or budget ceiling without ADB's prior concurrence.

7. Rejection of All Bids and Rebidding

50. Bids shall not be rejected, and new bids solicited in a rebidding without the ADB's prior concurrence.

8. ADB Policy Clauses

51. A provision shall be included in all NCB works and goods contracts financed by ADB requiring suppliers and contractors to permit ADB to inspect their accounts and records and other documents relating to the bid submission and the performance of the contract, and to have them audited by auditors appointed by ADB.

52. A provision shall be included in all bidding documents for NCB works and goods contracts financed by ADB stating that the Borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for the contract in question.

53. A provision shall be included in all bidding documents for NCB works and goods contracts financed by ADB stating that ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices or any integrity violation in competing for, or in executing, ADB-financed contract.

E. Consultant's Terms of Reference

A. Description of Consulting Requirements

54. **Project Management Consultant in the PMU** (national, firm, 1.300 person-months). The firm will assist the PMU in managing and implementing the additional financing project activities. The consultants will work closely with the PMU to provide support in overall project planning, management, implementation, monitoring and reporting. Their services will include (i) assisting in project planning and programming; (ii) assisting in project management and quality assurance; (iii) developing media and communication materials to support training and certification program; (iv) developing guidelines and selection criteria of the program; and (v) providing student services. At minimum the firm will consist of a team leader, monitoring and evaluation specialist, training specialist, IT management system specialist, knowledge management specialist, procurement specialist, data analyst, statistic assistant, project accountant and administrative assistants.

55. **Construction Management Consultant** (national, firm, 160 person-months). The firm will: (i) advise PMU and BPKP's Training Center to ensure all necessary documents and procedures for construction are met; (ii) at preparation stage, the consultant will examine and ensure that all documents are complete and acceptable for an open tender and to start the bidding process, (iii) in coordination with the procurement specialist of the PMC, the consultant will accompany the EA's procurement committee on the bidding process; (iv) support BPKP to oversee the civil works and construction for the Training Centers at four locations. At the minimum, the firm will consist of a construction manager as a team leader, a senior civil engineer, a senior architect, senior mechanical engineer, a landscape architect specialist, senior quantity surveyors, a junior engineer, and administrative assistants.

56. **ICT System/Program Development Consulting Firms** for the following:

- (a) IT Business Architect for BPKP Enterprise Architecture (national, firm) will refine the BPKP's application architecture and technology architecture to suit the needs and enable them to support the achievement of organizational goals. The consultant will also recommend a plan to implement the architectures that designed so it will be compatible with the various applications that have been developed by the technical working units. The consultant's recommendations will include, a list of priorities on necessary updates for each application, an estimation of necessary activity plan requirements then subsequently update the enterprise architecture blueprint. At the minimum, the firm will consist of a Project manager, Business consultant for re-engineering and business analyst, Enterprise application architect, System analyst, data architect, quality assurance specialist, and administrative assistants, security expert.
- (b) Learning Value Chain (LVCs) integrated system development (national, firm, 260 person-months, 19 month) which will help BPKP's Training institution to develop an integrated system for learning value chain. The system will enable BPKP to manage training process from need analysis, develop relevant training modules and its materials, schedule and deliver the modules and its materials and evaluate the learner and its outcomes. The system shall be able to record all relevant training process in order to show the progress of learner. At the minimum the firm will consist of a Project manager, System analyst, UX/UI Designer, Mobile app developers, Quality assurance specialist, Database administrator, security expert, technical writer, and administrative assistants;
- (c) Integrated System on Talent Management (ITMS) development, (national, firm, 380 person-months, 19 month) which will help BPKP unit particularly for Pusbin JFA and HR bureau to develop integrated system on talent management enables BPKP to address urgent problems in the context of a roadmap where all aspects of talent management fit for long term. The consultant shall provide all the modules in the framework, which integrate seamlessly and natively into the framework, are as follows: planning, recruiting, performance, learning, career development, succession planning, compensation, and measuring and reporting. The system shall connect skills and competencies, learning objectives, performance and succession planning data, employee development plans, training metrics, and financial tracking information—all without the loss of data. At the minimum the firm will consist of Project manager, System analyst, UX/UI Designer, Mobile app developers, Quality assurance specialist, Database administrator, security expert, technical writer, and administrative assistants.
- (d) Knowledge Management Information System (KMIS) development (national, firm, 145 person-month, 19 month) which will system enables BPKP particularly Puslitbangwas to process of identifying, gathering, storing, evaluating and sharing all the valuable information in government internal supervisory. The system shall enable to capture answers for frequently (and not so frequently) asked questions and document them in an easy to understand format, like step by step written articles, videos or images. At the minimum the system shall have feature for offer

answers to frequently asked questions, keep information up to date and easy to find, allows administrators to easily capture user feedback, automatically push notifications, report dashboards enable you to get a high-level overview. At the minimum the firm will consist of Project manager, System analyst, UX/UI Designer, Front-end developer, back-end developers, Mobile app developers, Quality assurance specialist, Database administrator, security expert, technical writer, and administrative assistants.

- (e) Integrated system for risk management including RBIA (firm, 650 person-month, 19 month) which will help BPKP to develop Integrated system for risk management as a part of an internal control system, the system will approach on the basis of determining the risk profiles in the government activities and businesses, shaping the audit program according to the risk profile of the business and allocating the audit resources according to this profile to improve the efficiency of the audit. At the minimum the firm will consist of Project manager, System analyst, UX/UI Designer, Front-end developer, back-end developers, Mobile app developers, Quality assurance specialist, Database administrator, security expert, network engineer, technical writer, and administrative assistants
- (f) Integrated system for upgrading of the SIMDA new generation and Dashboard CA/CM (national, firm, 680 person-month, 19 month) which will help BPKP to develop develop a Continuous Audit Continuous Monitoring (CACM) surveillance system to support accountability, monitoring and evaluation as part of the implementation of the Presidential Regulation No. 95/2018 on e-government. System development will include update and re-engineering SIMDA application to use Web and Mobile technology and align with the regulation. At the minimum the firm will consist of Project manager, System analyst, UX/UI Designer, Front-end developer, back-end developers, Mobile app developers, Quality assurance specialist, Database administrator, security expert, network engineer technical writer, and administrative assistants;
- (g) Integrated measurement tool for maturity assessment on risk management (national, firm, 145 person-month, 19 month) which will help BPKP to develop application tool for assessment of government institution risk maturity. At the minimum the system shall has feature to Identify root cause the organization risk, take advantage of the fully stocked risk library, Centrally manage information, Measure the report and display in the dashboard. At the minimum the firm will consist of Project manager, System analyst, UX/UI Designer, Front-end developer, back-end developers, Mobile app developers, Quality assurance specialist, Database administrator, security expert, and engineer technical writer, and administrative assistants.

57. Change Management Consultant for strategic planning on the transformation of Government Finance Management and Internal Supervision (national, firm, 310 person month, 33 Month) which will advise BPKP for change management framework development on transform the business process of Government Finance Management and Internal Supervision using IT technologies. At the minimum the firm will consist of Senior Consultant for Organization Development, Human resources Management Specialist, Public Sector Transformation Specialist, assisstant for statistic & data analyst and administrative assistants.

VII. SAFEGUARDS

58. The project is classified as having no involuntary resettlement impacts (Category C), likely to have minimal or no adverse environmental impacts (category C) and not expected to have any impact on Indigenous People (Category C), and therefore development safeguard plan is not necessary.

59. Output 2 of the project will support the construction of relatively small new buildings at four unrelated sites. The buildings will be standard office buildings used for training purposes (standard

class-rooms and offices). There will be some minor environmental impacts during construction. These will be addressed through a code of construction practice (CoCP), to be adhered to by the works contractor as detailed in the Appendix 1. The CoCP sets out the standards and procedures to which the works contractor must adhere in order to manage the potential environmental impacts of construction works. The CoCP identifies mitigation measures in respect of anticipated impacts during construction. It also sets out rules, responsibilities and good practice site environmental management practices. It sets out requirements in relation to: noise and dust control; ecology and land protection; temporary traffic management; waste management; construction safety, core labor standards, consultation/communication and grievance redress. The CoCP will be referred to in the bidding document of the civil works package.

60. The environmental management of the proposed project is governed by ADB SPS 2009 and relevant laws of Indonesia. SPS 2009 mandates that for category C projects, environmental implications will be reviewed. The main Indonesian law on environmental management is **Law No 32 of 2009 on Protection and Management of Environment**. Article 22 of the Law stated that any business and activity that has significant impact¹⁵ on the environment shall have an environmental impact assessment (AMDAL), and article 34 specifies that any business and activity that does not require an AMDAL, shall undertake *Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup* (UKL-UPL), whereas for small activities that do not require an UKL-UPL, a statement of ability to undertake environmental management and monitoring of their activity, *Surat Pernyataan Pengelolaan Lingkungan* (SPPL), is required. Further, Article 36 specifies that all activities shall have an environment permit that will be given by concerned government agency after the environmental assessment document has been approved. The Government's screening procedure is presented in the **Minister of Environment Decree No. 5 of 2012** on Types of Business Plans and/or Activities Subject to Environmental Impact Analysis (Attachment 1 of the Decree provides a list of business plans and/or activities that need environmental impact assessment). The screening considers potential significant impacts as well as the magnitude or size of business plans or activities. The decree mentions that the types of business plans and/or activities that are required to have an Environmental Impact Assessment are determined based on: (a) potential significant impact, and (b) uncertainty of technological capabilities available to overcome significant negative impacts that will arise.

61. The footprint of the proposed buildings is well below the threshold cited in **Ministry of Environmental Letter No. B-5362/Dep/I-1/LH/07/2010** of 5,000 m² area, which would trigger the requirement for an UKL/UPL (equivalent to ADB's initial environmental examination). Other laws and regulations applicable to the project are listed here:

- a. Ministry of Public Works Regulation No. 10/PRTM/M/2008 on Determination of Type of Business and/or Activity in the Field of Public Works Requiring Environmental Management and Monitoring Measures (UKL/UPL)
- b. Bogor Major Regulation No. 660.1.45-66/2016 on List of Type of Business and/or Activity Requiring Environmental Management and Monitoring Measures (UKL/UPL) in Bogor City
- c. Makassar Major regulation No. 8/2016 on List of Type of Business and/or Activity Requiring Environmental Management and Monitoring Measures (UKL/UPL) and Commitment Statement on Environmental Management and Monitoring (SPPL).
- d. Denpasar Major Regulation No. 26/2013 on Procedures for the Implementation of Environmental Documents and Environmental Permits in the Denpasar City.

62. Each building will be subject to a construction permit to be issued by the respective one-stop

¹⁵ Criteria of significant impact are also provided in Article 32 of the Law.

service licensing office.

63. The contractor shall ensure that the core labor standards and the applicable laws and regulations are complied to the contractor's personnel, including laws related to their employment, health, safety, and welfare during the construction of the Training Centers. The Borrower shall include specific provisions in the bidding documents and contracts in relation to Works financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining.

64. **Prohibited investment activities.** Pursuant to ADB's Safeguard Policy Statement (2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the Safeguard Policy Statement (2009).

VIII. GENDER AND SOCIAL DIMENSIONS

65. The project has some gender elements as it targets women's participation in the training and certification programs supported by the project. The current project targeted 30% participation by women in training. Under the proposed additional financing, the target will be raised to 40% women participants in aggregate. There are fewer female internal auditors than males in the country because of prior unequal access to education and training by women. On average, female internal auditors from 2012-2019 comprise only 40% of the total number of auditors nationwide. The overall project will include sex-disaggregated data in the monitoring and evaluation system to ensure the women representation target is achieved.

66. The project is expected to reduce poverty in a sustainable way by improving the public sector audit and public procurement functions, which is economic, efficient, effective, and in accordance with good institutional practice and standards. The EA will measure the project's social and economic benefits. Initial activities shall include a benchmark survey to be undertaken during the first year of the project. The PPMS shall encompass the monitoring of social and economic benefits which can be continued beyond project implementation.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Project Design and Monitoring Framework

REVISED DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with			
Current project Accountability of public institutions able to deliver high-quality public services strengthened ^a			
Overall project Unchanged			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Current project Capacity of government internal auditors and public finance officers in	Current project By 2017 a. Percentage of BPK's unqualified audit opinion increased by 100% at the central level from 42.17% in 2009, and	a. BPK audit reports	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>budget planning, reporting, internal audit, and asset management improved</p> <p>Overall project Unchanged</p>	<p>by 60% in the regions from 2.73% in 2009</p> <p>b. 100% timely submission of financial reports to BPK</p> <p>c. Internal audits are undertaken in accordance with professional standards and using a modern risk-based audit methodology</p> <p>Overall project By 2025:</p> <p>a. Percentage of BPK's unqualified audit opinion increased to 97% at the central government level, 97% at the provincial government level, and 90% at the district government level (2018 baseline: 91% for central government; 97% provincial governments; 72% for district governments)</p> <p>b. Unchanged</p> <p>c. GICS maturity index increased to 100% at level 3 for central line ministries and local governments (2018 baselines: 27% for central line ministries, 29% for provincial governments, and 20% for district governments)</p> <p>d. Inspectorate capability level under the GICS maturity index increased to at least 85% at level 3 for central line ministries and local governments (2018 baselines: 27% for central ministries, 50% for provincial governments, and 16% for district governments)</p>	<p>b. BPK audit reports</p> <p>c. BPK audit reports</p> <p>a–b. Unchanged</p> <p>c. BPKP project progress reports</p> <p>d. BPKP project progress reports</p>	<p>Insufficient attention to audit findings by the executive and legislative branches of government</p>
<p>Outputs</p> <p>Output 1 Current project Capacity of government internal auditors and public finance officers developed</p>	<p>Current project By 2017:</p> <p>1a. 2,500 government internal auditors and finance officers graduated from the degree program in government accounting and state finance.</p> <p>1b. 9,800 government internal auditors and public finance officers received training and certification, with 80% of the central government officials certified and 70% of local government officials certified^b</p> <p>1c. 14 leading regional universities sign memorandums of understanding to establish centers of excellence (and by implication establish them)</p> <p>By 2015:</p> <p>1d. New adult learning methodology for training of trainers developed and implemented</p> <p>1e. 200 trainers able to deliver using adult learning methodology</p> <p>1f. Gender-disaggregated target: 30% women</p>	<p>1a–f. BPKP project progress report</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Overall project Unchanged</p>	<p>Overall project By 2025: 1a. Unchanged 1b. Incremental 19,400 participants receive training with certification where applicable (80% pass rate for certification targeted) for a total for the overall project of 29,200 (2019 baseline: 9,800) 1c. Unchanged. (2019 baseline: 8) 1d. Unchanged 1e. 400 trainers able to deliver training using adult learning methodology. (2019 baseline: 200) 1f. An aggregate target across all forms of training of 40% women participants. (2019 baseline:40%)</p>	<p>1a–f. BPKP project progress report</p>	
<p>Output 2 Current project E-learning system and modules developed</p> <p>Overall project Competency- and needs-based e-learning approach institutionalized</p>	<p>Current project By 2016: 2a. E-learning system encompassing training to support JFA certification and other relevant areas installed and operating in BPKP</p> <p>Overall project By 2025: 2a. Unchanged 2b. Learning value chain with a competency- and needs-based approach developed and implemented which entails: i) training needs assessment; ii) instructional system development program for internal auditors; iii) delivery of training program based on the (i) and (ii); and iv) impact assessment, monitoring, and evaluation of the training. (2019 baseline: Not applicable) 2c. Development of integrated talent management system and knowledge management information system (2019 baseline: Not applicable) 2d. Physical infrastructure to support the training institute designed, constructed, and equipped in Bali, Bogor, Medan, and Makassar (2019 baseline: Not applicable) 2f. An aggregate target of 40% women participants for the implementation of output 2b (2019 baseline: Not applicable)</p>	<p>2a.–f. BPKP project reports</p>	<p>Weak coordination among stakeholders implementing integrated learning value chain</p>
<p>Output 3 Current project Institutional strengthening through system improved</p>	<p>Current project By 2016: 3a. The SIMA entailing four perspectives of accountability developed, installed, and operating in BPKP, accessible by relevant working units</p>	<p>3a–c. BPKP project reports</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Overall project Audit and FMISs improved</p>	<p>3b. Two program-based policies in specific cross-sector or thematic programs evaluated</p> <p>3c. Recommendation made to the government to improve cross-sector program policy</p> <p>Overall project 3a–3c. Unchanged</p> <p>3d. New generation local government FMIS developed, pilot tested, rolled out, and implemented (2019 baseline: Not applicable)</p> <p>3e. CA/CM system methodology embedded in new generation FMIS (2019 baseline: Not applicable)</p> <p>3f. Guidelines and supporting information system on risk-based management, risk-based audit, and risk management maturity index (2019 baseline: Not applicable)</p> <p>3g. Development and implementation of an institutional development plan to institutionalize new systems developed under 3a–d., including necessary training and certification of 12,500 total participants (2019 baseline: Not applicable)</p> <p>3h. An aggregate target of training of 40% women participants (2019 baseline: Not applicable)</p>	<p>3a–h. BPKP project reports</p>	<p>The timing of the standardization of charts of accounts may not be in line with the plan for upgrading the BPKP FMIS, which may delay the upgrading</p> <p>Delays in decision-making on the harmonization of local government FMIS and, in an extreme circumstance, a decision to opt for a single system other than BPKP's SIMDA</p>

Key Activities with Milestones

1. Capacity of government internal auditors and public finance officers developed

- 1.1 Train and certify 19,400 government internal auditors and public finance officers (changed)
 - 1.1.1 Update the selection criteria for participants, implementation mechanisms, and reporting requirements (Q1 2020)
 - 1.1.2 Attain training and certification program enrollment milestones (2020: 5,000; 2021: 5,000; 2022: 5,000; 2023: 4,400) covering the following: JFA certification training; training for assessors of GICS and internal auditors; certification training in areas other than JFA; certification on procurement; training on procurement audit; training on GICS implementation; training on risk-based supervision; training on village financial supervision; other technical training (expected breakdown of trainees by each type of training is in the project administration manual)
- 1.2 Train trainers (changed)
 - 1.2.1 Select prospective trainers to be participants (Q1 2020)
 - 1.2.2 Conduct training of trainers: 200 trained under the original project, an incremental 200 under the additional financing
- 1.3 Establish centers of excellence through signing of memorandums of understanding with and additional six regional universities to achieve the target under the current project of 14 centers of excellence (Q2 2020–Q3 2023)

2. Competency- and needs-based e-learning approach institutionalized

- 2.1 Develop BPKP training institute (added)
 - 2.1.1. Review the standard operating procedure of training institute (Q2–Q3 2020)
 - 2.1.2. Develop and implement training needs assessment (Q2 2020–Q2 2024)
 - 2.1.3. Develop and implement instructional system design (Q3–Q4 2020–Q4 2024)
 - 2.1.4. Access post training impact (Q4 2021–Q4 2024)
 - 2.1.5. Develop and implement the information system of learning value chain of training institute (Q2 2022)
 - 2.1.6. Construct smart buildings (Q3 2020–Q2 2023)

- 2.1.7. Develop information technology tools and/or equipment to support smart classrooms, learning center, and digital learning (Q3 2023)
- 2.1.8. Develop outreach program of training institute to selected local governments (Q3 2020)
- 2.1.9. Develop and implement integrated talent management system using SIBIJAK (Q2 2022)

3. Audit and FMISs improved

- 3.1 Upgrade new generation of the local government FMIS (added)
- 3.1.1. Develop an architecture enterprise based on President Regulation No. 95/2018 on e-government (Q3 2020)
- 3.1.2. Recruit information technology consultant for enterprise architecture development (Q3 2020)
- 3.1.3. Develop the upgraded FMIS (Q1 2021)
- 3.1.4. Install, test, pilot, roll out and/or deploy the upgraded FMIS and data migration to local governments (Q3 2021)
- 3.1.5. Consolidate data at provincial level (Q4 2021)
- 3.2 Develop a CA/CM (added)
- 3.2.1. Develop a dashboard of needs analysis (Q3 2020)
- 3.2.2. Develop dashboard of local government FMIS (new generation with continuous monitoring tool) (Q1 2021)
- 3.2.3. Implement CA/CM in all BPKP representative offices (Q4 2022)
- 3.2.4. Develop and implement CA/CM supporting management (Q4 2022)
- 3.3 Strengthen and implement guidelines and supporting information system on risk-based management, risk-based audit, and risk management maturity index (added)
- 3.3.1. Review existing guidelines on risk-based management, risk-based audit, and risk management maturity index (Q4 2020)
- 3.3.2. Revise guidelines based on the inputs from the review (Q1 2021)
- 3.3.3. Select consultant to develop management information system to support risk-based management, risk-based audit, and risk management maturity index (Q2 2021)
- 3.3.4. Implement management information system to support risk-based management and risk-based audit (Q4 2021)
- 3.4. Develop and implement an institutional development plan to institutionalize new systems developed, including necessary training and certification (added)
- 3.4.1. Develop institutional development plan with new systems implementation plan, including outreach program (Q3 2020)
- 3.4.2. Implement institutional development plan, including supporting facilities and support management (Q4 2021)
- 3.4.3 Provide training and certification to 12,500 participants, including through internship programs, to support the institutionalization of the new system developed (Q3 2020–Q3 2024), with the following breakdown:
- (i) new generation of the local government FMIS: 4,000 participants (Q1 2022–Q3 2024);
 - (ii) CA/CM information system: 4,000 participants (Q2 2022–Q3 2024);
 - (iii) information system to support risk-based management and risk-based audit: 2,000 participants (Q2 2022–Q3 2024);
 - (iv) national information and communication technology certification for internal auditor at the national level for 2,300 participants (Q4 2020–Q3 2024) and at the international level for 155 participants (Q3 2021–Q3 2024); and
 - (v) international internship and twinning program with similar organization in other countries: 45 participants (Q4 2020–Q2 2024)

Project Management Activities

Project management consulting firm to support the executing agency during implementation, including, at the minimum, a team of training specialists, financial management specialists, procurement specialists, and a monitoring and evaluation specialist

Inputs

Asian Development Bank		Government	
Loan			
\$57.75 million	(current)	\$2.78 million	(current)
\$90.00 million	(additional)	\$14.92 million	(additional)
\$147.75 million	(overall)	\$17.70 million	(overall)

Assumptions for Partner Financing

Current project

None

Overall project

None

BPK = Badan Pemeriksa Keuangan (Supreme Audit Board), BPKP = Badan Pengawasan Keuangan dan Pembangunan (Central Government Internal Auditor), CA/CM = continuous audit and continuous monitoring, FMIS = financial management information system, GICS = Government Internal Control System, JFA = Jabatan Fungsional Auditor (Internal Auditor Functional Position), Q = quarter, SIBIJAK = Sistem Bina Jabatan Auditor Berkualitas (Qualified Internal Auditor Management System), SIMA = Sistem Informasi Manajemen Akuntabilitas (Management Information System on Accountability), SIMDA = Sistem Informasi Manajemen Keuangan Daerah (Regional Financial Management Information System).

^a Government of Indonesia, National Development Planning Agency. *National Medium-Term Development Plan, 2015–2019*. Jakarta; and Government of Indonesia, National Development Planning Agency. Forthcoming. *National Medium-Term Development Plan, 2020–2024*. Jakarta.

^b The design and monitoring framework of the current project did not provide for any breakdown of the total target by type of training (i.e., by type of certification, or non-certification) or by location of trainees (central or local government). Also, the target refers to the number of participants rather than the number of distinct individuals, as individuals can participate in multiple types of training. Until the development of SIBIJAK (which was not initially envisaged to be developed under the current project, but funded instead by loan savings), the executing agency could not easily track disaggregated data.

Source: Asian Development Bank.

B. Monitoring

67. **Project performance monitoring.** To assess the project impact and its effectiveness, PMU will develop a PPMS (project performance monitoring system). The PMC will include a monitoring and evaluation expert who will be responsible for developing a monitoring and evaluation mechanism, conducting baseline survey, maintaining the system and collecting and analyzing data in cooperation with the PMU and project implementing units. Key system indicators will be used in the PMU's quarterly progress reports. The monitoring and evaluation system will endeavor to include participation by training and certification programs beneficiaries. An indication of the types the outcomes for each component can be seen in the DMF. The additional financing project will also benefit from the existing quarterly monitoring meeting carried out by BAPPENAS attended by the EA, Ministry of Finance and ADB.¹⁶ The PMU, with assistance from the consultant, will monitor and evaluate the benefits of the project under the PPMS. The PMU shall: (a) examine and assess the project technical and disbursement performance; (b) evaluate the delivery of the planned capacity building, facilities, activities, and programs; (c) assess the achievement of the project objectives; and (d) measure the project's social and economic benefits. Initial activities shall include a benchmark survey to be undertaken during the first year of the project. The PPMS shall be integrated into the management information system of the qualified regional governments, so that the monitoring of social and economic benefits can continue beyond project implementation.

68. **Compliance monitoring:** The loan agreement specifies the following covenants: legal, financial, safeguards, and other covenants. These covenants are listed below:

- (i) Loan proceeds and sufficient corresponding counterpart contributions, including all government allocations for implementation, staffing and O&M of project facilities are to be allocated and readily available, with the submission of budgetary allocation requests to be made in a timely manner throughout the project implementation period by earmarking the funds.
- (ii) The government will ensure adequate budgetary allocations and timely release of the required supporting funds. The smooth flow of funds will occur in accordance with the flow of funds mechanism agreed upon by the government and ADB.
- (iii) Keep ADB informed of policy discussions with other stakeholders about measures that may impact the effective implementation of the project.

¹⁶ ADB's project performance reporting system is available at <http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>

- (iv) The borrower shall enable ADB's representatives to inspect the project, the goods financed out of the proceeds of the loan, and any relevant records and documents, to comply with the loan covenants.

69. **Safeguards monitoring.** In compliance with ADB's Safeguard Policy Statement (2009), the project is classified under category C for impacts on the environment, involuntary resettlement, and indigenous peoples. The project will involve capacity building activities. Hence, no adverse environment impacts are expected. Land acquisition and resettlement is not expected because the project will take place in existing government offices. The project is not expected to affect indigenous peoples. Building construction financed by the additional project for the training center expansion will be carried out on the government's existing premises, therefore no land acquisition will be required. Monitoring on compliance to code of construction practice during construction of buildings (output 2) is required.

70. **Gender and social dimensions monitoring.** Project is categorized as having some gender elements. Although a gender action plan is not required, the project will ensure that a target of 40% of women will be participated in the overall projects. The project will collect sex-disaggregated data and include in the monitoring and evaluation system to ensure the target is achieved at the project completion. Monitoring of gender target is assigned to the PMU with support from the PMC.

C. Evaluation

71. Following loan signing, a project inception mission will be fielded, to confirm the working relationship between ADB, the EA and PMU staff involved in the implementation of the project. Progress under the project will be subject to a formal review every 6 months by ADB, following loan effectiveness to enable adjustment of project design and implementation arrangements, where required. The review will address policy, institutional, administrative, organizational, technical, environmental, social, economic, financial, and other relevant factors that may have an impact on project performance and its continuing viability. A comprehensive midterm review is tentatively scheduled for 2022. Within 6 months of physical completion of the project, the EA will submit a project completion report to ADB.¹⁷

D. Reporting

72. BPKP as the EA will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system, which will include, among other things, a section on a compliance of the code of construction practices during the period of the construction of the BPKP's training centers (output 2), in a format to be agreed between ADB and the EA; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (e) updated implementation plan for the next 12 months; and (iii) a project completion report within 6 months of physical completion of the project. To ensure that projects will continue to be both viable and sustainable, project accounts and the executing agency audited financial statement together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

73. The project will be implemented over 5 years with BPKP as the EA and provide support for a PMU in BPKP. Stakeholders identified in the additional financing project are a) inspectorate generals; b) local inspectorates; c) central and local government's human resource agency (BKN and BKD). The PMU will undertake consultation and communication strategy with respective BPKP Representative

¹⁷ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

Offices and stakeholders to implement the activities. An annual project workshop will be convened with stakeholders participations.

74. The EA will establish an interagency SC made up of senior staff from the EA, and relevant directors within DGs in MOF and MOHA to oversee component implementation and to facilitate interagency coordination. The SC shall meet at least quarterly in the first two years of project implementation and semi-annually thereafter, to monitor, guide and oversee implementation of the project, or on an ad hoc basis where deemed necessary by BPKP or the SC Chairperson, to settle project implementation issues requiring high-level decisions. The PMU project director shall act as secretary to the SC.

X. ANTICORRUPTION POLICY

75. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.¹⁸ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.¹⁹

76. To support these efforts, relevant provisions are included in the loan agreement and the bidding documents for the project.

XI. ACCOUNTABILITY MECHANISM

77. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.²⁰

XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

78. All revisions and/or updates during the course of implementation should be retained in this section to provide a chronological history of changes to implemented arrangements recorded in the PAM, including revision to contract awards and disbursement s-curves.

¹⁸ Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

¹⁹ ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>

²⁰ Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.

CODE OF CONSTRUCTION PRACTICE

September 2019

INO: State Accountability Revitalization Project
(STAR) Additional Financing

ABBREVIATIONS

C & D	-	construction and demolition
ECC	-	environmental code of conduct
EHS	-	Environment, health and safety EIA
	-	Environmental Impact Assessment
OM	-	Operations Manual
PCU	-	Project Coordination Unit
SPS	-	Safeguards Policy Statement
STAR	-	State Accountability Revitalization Project
UKL/UPL	-	<i>Upaya pengelolaan lingkungan hidup-upaya pemantauan lingkungan hidup</i> (environmental management and monitoring measures)
WASH	-	water, sanitation and hygiene

I. INTRODUCTION

1. The additional financing will extend and help ensure the sustainability of the benefits of the current project to further improve the government's accountability for public expenditure. The additional financing will: (i) train and certify an additional 19,400 government auditors and finance officers at central and local levels; (ii) ensure the sustainability of a competency- and needs-based e-learning training approach (within the framework of a national training institute) by further upgrading training systems and providing modern facilities adapted to e-learning (including training centers in four regional locations); and (iii) develop new systems for financial management reporting and supervision through adoption of continuous audit/continuous monitoring, implementation risk management for internal audit in line with the national e-government strategy, and provision of training to 12,500 system users.

2. Output 2 of the project will support the construction of relatively small new buildings at four unrelated sites. The buildings will be standard office buildings used for training purposes (standard class-rooms and offices).

3. The project has been screened and categorized as "C" for environment per the ADB Safeguard Policy Statement (SPS 2009) as the proposed civil works are minor and will all take place within existing government compounds so are anticipated to have only minimal impacts in relation to temporary disturbances, construction safety and waste management. The footprint of the buildings will not exceed 1,100m², i.e. significantly lower than the national threshold of 5,000 m² triggering the need for UKL-UPL as per the Ministry of Environmental Letter No. B-5362/Dep/I-1/LH/07/2010 on List of Type of Business and/or Activity Requiring Environmental Management and Monitoring Measures (UKL/UPL), which could be considered equivalent to category B as per ADB's SPS, and will not require draining of the project site. The buildings will be located on government land that is construction-ready, i.e. with connections to basic municipal services. No site clearance, land acquisition or resettlement is required. Adverse impacts will be minimal, highly site-specific, limited to the construction period, and can be addressed through sound construction practices.

4. This code of construction practice (CoCP) sets out the standards and procedures to which the works contractor must adhere in order to manage the potential environmental impacts of construction works. The CoCP identifies mitigation measures in respect of anticipated impacts during construction. It also sets out rules, responsibilities and good practice site environmental management practices. It sets out requirements in relation to: noise and dust control; ecology and land protection; temporary traffic management; waste management; construction safety, core labor standards, consultation/communication and grievance redress. The CoCP will be referred to in the bidding document of the one works package.

II. LEGAL AND REGULATORY FRAMEWORK

5. The environmental management of the proposed project is governed by ADB SPS

2009 and relevant laws of Indonesia. SPS 2009 mandates that for category C projects, environmental implications will be reviewed.

6. The main Indonesian law on environmental management is **Law No 32 of 2009 on Protection and Management of Environment**. Article 22 of the Law stated that any business and activity that has significant impact²¹ on the environment shall have an environmental impact assessment (AMDAL), and article 34 specifies that any business and activity that does not require an AMDAL, shall undertake *Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup* (UKL-UPL), whereas for small activities that do not require an UKL-UPL, a statement of ability to undertake environmental management and monitoring of their activity, *Surat Pernyataan Pengelolaan Lingkungan* (SPPL), is required. Further, Article 36 specifies that all activities shall have an environment permit that will be given by concerned government agency after the environmental assessment document has been approved.

7. The Government's screening procedure is presented in the **Minister of Environment Decree No. 5 of 2012** on Types of Business Plans and/or Activities Subject to Environmental Impact Analysis (Attachment 1 of the Decree provides a list of business plans and/or activities that need environmental impact assessment). The screening considers potential significant impacts as well as the magnitude or size of business plans or activities. The decree mentions that the types of business plans and/or activities that are required to have an Environmental Impact Assessment are determined based on: (a) potential significant impact, and (b) uncertainty of technological capabilities available to overcome significant negative impacts that will arise.

8. The footprint of the proposed buildings is well below the threshold cited in **Ministry of Environmental Letter No. B-5362/Dep/I-1/LH/07/2010** of 5,000 m² area, which would trigger the requirement for an UKL/UPL (equivalent to ADB's initial environmental examination). Other laws and regulations applicable to the project are listed here:

- a. Ministry of Public Works Regulation No. 10/PRTM/M/2008 on Determination of Type of Business and/or Activity in the Field of Public Works Requiring Environmental Management and Monitoring Measures (UKL/UPL)
- b. Bogor Major Regulation No. 660.1.45-66/2016 on List of Type of Business and/or Activity Requiring Environmental Management and Monitoring Measures (UKL/UPL) in Bogor City
- c. Makassar Major regulation No. 8/2016 on List of Type of Business and/or Activity Requiring Environmental Management and Monitoring Measures (UKL/UPL) and Commitment Statement on Environmental Management and Monitoring (SPPL).
- d. Denpasar Major Regulation No. 26/2013 on Procedures for the Implementation of Environmental Documents and Environmental Permits in the Denpasar City.

9. Further, each building will be subject to a construction permit to be issued by the One-Stop Integrated Licensing Office.

²¹ Criteria of significant impact are also provided in Article 32 of the Law.

III. ANTICIPATED IMPACTS AND RISKS

10. The anticipated impacts of proposed civil works include:
- a. Air pollution from dust emissions from on-site excavation and emission from heavy equipment and construction vehicles used for construction.
 - b. Water pollution from run-off or soil erosion from stockpiled construction materials and wastewater from domestic sewage of construction workers and accidental spillage of oil and other lubricants from washing of construction equipment.
 - c. Noise pollution from construction activities that may disturb nearby communities.
 - d. Generation of solid wastes from construction workers and construction and demolition (C & D) wastes.
 - e. Occupational health and safety risks to construction workers.
 - f. Community health and safety impacts, primarily as a result of exposure to noise, smell of paints and solvents and dangerous excavated work areas.

IV. CONTRACTOR OBLIGATIONS

11. The Contractor that is awarded the civil works contract for the project is required to take the following measures to address potential impacts and risks to environment, health and safety of workers and communities:

- (i) Demonstrate ISO 14001:2015 Environmental Management accreditation. The EMS should set out the contractor's environmental policy; the procedures to be implemented to deliver and monitor compliance with environmental legislation.
- (ii) The execution of the works and all associated operations on the work sites or off-site are carried out in conformity with statutory and regulatory environmental requirements of the Government of Indonesia and the ADB SPS 2009. This includes the provisions embodied in the documents listed under Section II of the CoCP.
- (iii) All measures and precautions are taken to avoid any nuisance or disturbance arising from the execution of construction works and their related activities. This will, wherever possible, be achieved by suppression of the nuisance (or unwanted effects to the physical environment and people) at source rather than abatement of the nuisance once generated.
- (iv) Compensation is paid for any damage, loss, spoilage, or disturbance of the properties and health of affected people during execution of the construction works as specified by in the Bid Documents.
- (v) Local skilled and unskilled labour is recruited to increase the direct benefits in the subproject area(s) and to minimize potential environmental issues related to construction camps, disease transmission and socio-cultural disputes.
- (vi) The contractor shall ensure that the core labor standards and the applicable laws and regulations are complied to the contractor's personnel, including laws related to their employment, health, safety, and welfare during the construction of the Training

Centers. The Borrower shall include specific provisions in the bidding documents and contracts in relation to Works financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower’s applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining.

- (vii) Establish a simple system to receive, register, and address community concerns and complaints. Contact number of contractor including name, position and telephone number will be shared with local authorities.
- (viii) Produce and implement site-specific construction environmental management plans (CEMPs) for each site, in full accordance with the CoCP, for approval by the Employer. The CEMP will demonstrate how the CoCP will be implemented by the contractor through its EMS. The CEMP should demonstrate how the impacts associated with the construction works as defined in Table 1 below will be addressed. Contractor should hire an environmental officer to develop and monitor the CEMP implementation.
- (ix) Conduct weekly monitoring of compliance with the CEMP and this CoCP, and include section in the monthly report to the Project Management Unit (PMU). The report format defined in Attachment 1 shall be used for monthly reporting to the PMU.
- (x) The following activities are strictly prohibited on or near the project site:
 - a. Cutting of trees for any reason outside the approved construction area;
 - b. Hunting, fishing, wildlife capture, or plant collection;
 - c. Use of unapproved toxic materials, including lead-based paints, asbestos;
 - d. Deposition of chemicals, sanitary wastewater, spoil, waste oil, and concrete agitator washings in watercourses;
 - e. Disturbance to anything with architectural or historical value;
 - f. Employment of workers under the age of 16;
 - g. Discrimination regarding recruitment, wages and compensation.

Table 1: Mitigation/Management Measures for Construction Phase by Contractor

Potential impacts and issues	Nature of impacts/Issues	Environmental Action /Prevention by Contractor
Environmental and Social Issues	Complaints, Concerns	<ul style="list-style-type: none"> • Establish and disseminate effective grievance redress mechanism (GRM). • Share contractor contact details with local authority leaders. • Prior to any works, inform residents and businesses in advance through media, information boards, and direct consultations, of the construction activities, dates and duration of expected disruption. • Especially for the communities within 40 m of works and who will be subjected to higher noise/dust levels, conduct meetings with residents prior to any works. • Record all community feedback and solutions discussed and agreed. • Based on feedback from the community consultations: (i) update contractor site plans as needed to incorporate the solutions, including revisions in work schedules, daily working hours, construction methods, and/or mitigation methods; (ii) revise contractor monitoring schedules and monitoring criteria as needed to reflect the updated contractor site management plans.
EHS capacity	Inadequate EHS management capacity	<ul style="list-style-type: none"> • Prepare and submit for approval an CEMP that addresses the requirements of the CoCP

Potential impacts and issues	Nature of impacts/Issues	Environmental Action /Prevention by Contractor
		<ul style="list-style-type: none"> Assign qualified EHS staff at each construction site to supervise and monitor CEMP implementation and report to PMU
Water and soil pollution	Leakage of spills of fuel and lubricants that may contaminate soil, surface water and groundwater	<ul style="list-style-type: none"> Prevent pollution of soil, surface water/ groundwater by ensuring the following: Location of storage facilities for fuel/oil/cement/ chemicals are located 200m away from the river, stream and waterways; Soil surfaces shall be made impermeable and provided with bunds; Vehicles/heavy equipment maintenance and re-fuelling area will prevent spillage of fuel, oil and hazardous materials to seep into soil; Oil traps shall be provided in the maintenance and service areas; Fuel storage and refilling areas located > 50 m from water sources and protected by temporary bunds to contain spills.
Air quality	Concentration of machinery working in one area plus haulage vehicle traffic may result in local areas of poor air quality	<ul style="list-style-type: none"> Equipment will be maintained to a high standard to ensure efficient running and fuel-burning. High-horsepower equipment will be provided with tail gas purifiers. All vehicle emissions will be in compliance with relevant Cambodian emission standards.
Dust	Caused by earthmoving and construction haulage traffic can cause poor air quality and nuisance to householders and farmers.	<ul style="list-style-type: none"> Material stockpiles and concrete mixing equipment will be equipped with dust shrouds. Regular water spraying when dust observed on construction sites, construction roads, and stockpiled material Maintenance of driving surfaces will be standard site management practice. Vehicles carrying soil, sand, or other fine materials to and from the construction sites will be covered.
Noise impacts on sensitive receptor	Noise caused by the concentration of machinery working in one area, plus haulage vehicles, can cause a range of impacts from nuisance to health problems. Noise near schools, medical centres, and temples can disrupt services.	<ul style="list-style-type: none"> Construction after 8pm within 300 m of residences shall be strictly prohibited. During daytime construction, the contractor will ensure that: Temporary anti-noise barriers will be installed to shield sensitive receptors (if any) within 50 m of the construction site.
Water Quality	Pollution of local water courses through sediment	<ul style="list-style-type: none"> Construction site drainage will ensure any rainfall will be diverted to a holding pond or suitable land to prevent localised flooding and sedimentation of surface water In stream works will take place in dry season
Construction waste and spoil	Unauthorized or careless storage and disposal of waste can damage property, vegetation, agricultural land, and block natural drainage.	<ul style="list-style-type: none"> Temporary storage of spoil waste shall be located away from the rivers, streams and waterway Construction waste will be stored securely to prevent escape in containers Final disposal site of waste and spoil will be in a site approved by the district and provincial authorities.
Waste from workers	The construction workforce will generate domestic wastewater & garbage (food wastes, paper, and other solid waste including food-laden wash water) which causes impacts if poorly disposed	<ul style="list-style-type: none"> Contractors will provide sufficient waste bins at strategic locations and ensure that they are Protected from birds and vermin. Emptied regularly to prevent overflow Disposed of in local disposal site as approved by local authorities
Erosion impacts	Both canal and road construction will require earthworks which will leave surfaces liable to erosion, especially in heavy rain periods.	<ul style="list-style-type: none"> Erosion control includes: <ul style="list-style-type: none"> Limiting construction and material handling during periods of rains and high winds Stabilizing all cut slopes, embankments and other erosion-prone working areas while works are going on. All earthwork disturbance areas shall be stabilized within 30 days after earthworks have completed.

Potential impacts and issues	Nature of impacts/Issues	Environmental Action /Prevention by Contractor
Community health and safety	Construction work poses safety hazards and threats to nearby residents. Excavations, unstable slopes, loss of access and movements of large machinery and vehicles all potentially impact on community safety and day-to-day life.	<ul style="list-style-type: none"> • Community health and safety will be safeguarded by: <ul style="list-style-type: none"> • Planning construction activities so as to minimize disturbances to residents and utilities. • Temporary land occupation will be planned well ahead of construction to minimize its impact and after consultation with the affected community. • Land reinstated to its original condition after construction. • Implementing safety measures around the construction sites to protect the public, including install warning signs at construction sites to inform people of the project potential dangers (e.g. moving vehicles, hazardous materials, excavations) and safety barricades around all excavations area to alert the public about potential safety hazards, and prevent public access to construction sites, and provide a watch person, where necessary. • Prepare and implement a traffic control plan, for approval by local traffic management administration before construction. This will include scheduling or diverting construction traffic to avoid peak hours, regulating traffic at road crossings, selecting routes to reduce disturbance, reinstating roads, and opening them to traffic when construction is completed. • For all works involving excavation and easements which already have existing subsurface utilities (power cables, sewage pipes, water pipes, telecommunication cables): (i) plan and coordinate the project sewage pipeline construction with the utility managers, (ii) check whether there are pending domestic projects to upgrade these utilities. Coordinate works to avoid repeated excavation of the same sections of road or easement; and work with utility managers to minimize the risk of damage or disruption to the existing utilities. • Ensure that all sites are secure, discouraging access through appropriate fencing. • Lock and secure all work sites to prevent unauthorized access.
Road safety (through movement of vehicle and equipment for construction)	Increased motorised vehicle movement including heavy goods vehicles to and from the site during construction may increase road safety risks for local residents.	<ul style="list-style-type: none"> • Contractors will ensure that drivers of all vehicles strictly follow road rules and maintain good road safety standards. • Deliveries of construction materials to the site by heavy good vehicles will be properly supervised by use of banksmen / traffic marshals.
Occupational health and Safety	Workers are subject to safety hazards while operating and/or moving around machinery, as well as dust and noise impacts from extended exposures at the work site.	<ul style="list-style-type: none"> • Measures to ensure occupational health and safety will include: • Contractors are required by the CC to ensure that their workers and other staff engaged in the proposed constructions are in a safe environment. • Following the award of construction contracts, the successful contractors will prepare site environmental health and safety plan, for approval by the CC and PPIU. • Contractors shall ensure that: <ul style="list-style-type: none"> ○ All reasonable steps are taken to protect any person on the site from health and safety risks. ○ Construction sites are safe and healthy workplaces. ○ Machineries and equipment are safe. ○ Adequate training or instruction for occupational health and safety is provided. ○ Qualified electricians take charge of all solar panel installations. ○ Adequate supervision of safe work systems is implemented. ○ Means of access to and exit from the site are without risk to health and safety. ○ A first aid kit will be available on each construction site ○ All member of staff is responsible for first aid and is aware of local health care facilities.

Potential impacts and issues	Nature of impacts/Issues	Environmental Action /Prevention by Contractor
Human health and environmental pollution – Site Hand Over	Hazardous waste materials, unprotected latrines and organic waste remaining after construction will pose a risk to human health and safety.	<ul style="list-style-type: none">• All unused or discarded construction materials will be removed from the site before hand-over.• Surroundings will be landscaped to reinstate original site conditions.• All temporary dwellings cook houses and latrines will be removed upon completion of the construction and the site cleaned.

Attachment 1: Contractor’s EHS Progress Monitoring Report

Contract *(Insert Contract ref/number)*
 Completed by *(Insert name of Contractors Environmental Health and Safety Officer)*
 Company name *(Insert name of Company)*

Reporting Frequency: Monthly

Date of this report		Reporting Period	
Key construction activities since last report:			

Progress with H&S Activities this month	
Trainings Undertaken <i>– all training related to H&S</i>	Training Provided: Participants: Who provided the training:
Personal Protective Equipment	New PPE issued this month: Number of incidents of workers not wearing adequate PPE:
Emergency Response	
Use of site accident Book	Accidents reported: Description and Actions taken: Outcome:
Spillages	Number of spills: Description and Actions taken: Impact of spill:
Other incidents such as fire or flood:	Number of incidents: Description and Actions taken: Impact of incident:
Concerns and Complaints	
	Number of complaints: Action taken for each complaint: Outstanding complaints:
Describe Compliance Issues, Problems or Other issues PMU should be aware of	