

FACT SHEET

Revised 2 December 2008

ETESP's FIDUCIARY OVERSIGHT COMPONENT

Introduction

ETESP includes a component dedicated to fiduciary oversight . This component includes (a) capacity building for the state audit agency (BPK) to carry out external auditing on the utilization of rehabilitation and reconstruction funds; (b) restoring the internal control and systems to channel funds in the Director General of Treasury (in the Ministry of Finance); (c) restoring the capacity of local government internal audit structures (Bawasdas); (d) support to the Commission for Eradication of Corruption in Indonesia (KPK); and (e) administrative support and general contingency. The institutional arrangements established by these initiatives are intended to be permanently sustainable after project completion.

The ETESP design also includes a set of fiduciary measures within the project, including (a) financial management oversight with strengthened government monitoring and independent monitoring by consultants, (b) use of detailed subproject selection criteria, (c) comprehensive project supervision, (d) independent financial and performance auditing (such as NGO housing contracts), and (e) independent spot checks by ADB through its Extended Mission for Sumatera (EMS) and review missions.

Furthermore, the design of ETESP from the outset recognized the need to deal with citizen complaints related to the implementation of the various programs financed under ETESP. The design therefore requires the establishment of a mechanism to deal with citizen complaints as well as alternative dispute resolution mechanisms to settle private disputes. BRR's Supervisory Board (Dewan Pengawas) was identified as responsible for this specific mechanism as part of its overall responsibilities.

Activities to Date

Fiduciary Responsibilities

Technical assistance was provided to BRR in 2005 for the establishment of policies and procedures for internal finance and accounting systems, as well as internal control, audit and fiduciary management systems related to BRR's financial management of the overall rehabilitation and reconstruction implementation process. A consultant was mobilized in late 2006 to help develop the system. Recommendations were discussed and subsequently adopted by BRR. The utility of this TA is evidenced by the fact that annual audits to date have not revealed any errors of substance.

Support is being provided to BPK to carry out annual audits to ensure that funds applied to the rehabilitation and reconstruction process have been utilized appropriately and transparently.

Further financial support was provided to fund a series of international conferences for national audit agencies from tsunami-impacted and donor countries. The objectives of these conferences were: a) share audit-related lessons learnt from

the earthquake and tsunami events, b) identify risks associated with funds flows, c) determine control and risk mitigation measures, d) ensure efficient and effective funds flows, e) guard against waste, misuse, fraud and corruption, and f) distinguish best practices in planning, conducting and reporting on related audits. follow-up conference is planned for 2008.

A special treasury office (KPPN-K) has been established in Banda Aceh, with subsidiary units in Meulaboh and Gunung Sitoli (Nias Island). Offices are staffed and equipped with ETESP assistance. Full details of all payment requests and transactions are published daily on-line within KPPN-K and on a dedicated web site. The subsidiary offices are also linked on-line with the Banda Aceh office. Support is also being provided for the rehabilitation of KPPN offices in the Kanwil Banda Aceh, Langsa, Tapektuan and Lhokseumawe. **The KPPN-K office was awarded first prize in 2006 for being the most efficient government office in Indonesia.**

The earthquake and tsunami events physically destroyed many Bawasda facilities and rendered them largely non-functional. To restore, improve and sustain these functions, deliveries of equipment and materials for Bawasda offices in the provincial office and in 10 local governments have been funded and implemented successfully through ETESP.

Support to KPK's Anti-Corruption Work

KPK was provided capacity building to its first regional office in Banda Aceh. In August 2006, a consultant was mobilized to work under KPK supervision to support KPK's corruption prevention and repression activities in relation to the ongoing reconstruction work in NAD and Nias. The consultant's assignment ended in August 2008.

Following are the highlights of accomplishments and activities from August 2006 to August 2008 related to KPK's anti corruption work:

- 32 reports/complaints received by the KPK Banda Aceh Office were forwarded to KPK Jakarta for action. Another 847 corruption reports/cases in Aceh and Nias were received directly by KPK Jakarta from other sources (i.e. BRR-SAK, the general public).
- 879 reports have been reviewed/screened by KPK. Of these 220 (25%) were found to have sufficient information and substance for follow-up actions. Others were dropped due to insufficient information or were assessed by KPK as not corruption-related.
- 144 (65%) cases have been forwarded by KPK to concerned agencies (local police, public attorney's office, BPKP, Internal Affairs, BPK, MA and Bawasda) for further action. KPK sought additional information from the complainants/informants in another 64 cases (29%). 9 cases (4%) were referred to other units within KPK for further action. Investigation is ongoing prior to filing in courts.
- 453 police officers, 70 public attorneys and 139 judges in 20 districts in NAD were given orientation by KPK on anti corruption. 453 BAWASDA staff from 10 districts in NAD also received training on procurement procedures and fraud in procurement. In partnership with NGOs working in NAD and

Nias, KPK provided basic orientation on anti corruption to around 367 NGO staff.

- Conducted orientation sessions on the role of the public in fighting corruption among student groups, academicians and religious leaders (ulama). With support from an expert on Islam, an anti corruption handbook based on the anti-corruption law, the Al Qur'an and Hadits, was produced. Teaching materials on anti-corruption for universities based on local wisdom were also developed.
- Trained ETESP satkers on fighting corruption in procurement and administered the National Certification on Procurement, in coordination with BAPPENAS.
- Facilitated training for members of the DPRD (People's Assembly) in 20 districts in NAD on budgeting, legal drafting and supervision.
- Produced and distributed several information materials on anti corruption.
- Facilitated the signing of Memorandum of Understanding (MOU) between KPK and six universities in NAD for the conduct of anti corruption education and campaign.
- Organized twenty three media talk shows covering various topics on anti-corruption.
- Conducted a two-day training for both Aceh-based and national journalists, and public information staff from various districts in NAD.
- Organized orientation sessions on LHKPN (wealth reporting) for 829 government officials and staff in various districts in NAD.

At present, KPK is implementing the remaining corruption prevention/capacity building activities under the ETESP grant using its regular staff. EMS continues to coordinate with KPK on the follow up of cases that have been forwarded to local enforcement agencies for investigation and prosecution.

Complaint Handling Mechanism

In August 2006, Grievance focal points were designated at the consultant teams and BRR satkers. The ADB OSPF organized a number of training for consultants, partner NGOs and village facilitators in order to clarify roles and procedures and provide basic skills on grievance facilitation. A complaint handling system was likewise set up within EMS.

Most of the complaints are resolved at the village level, with the help of the village facilitators and site advisers. However, cases that require further attention are referred to the BRR satkers and Departments or the EMS.

In June 2007, ADB engaged the Unsyiah Kuala University for the provision of experts and staff for the ETESP Grievance Facilitation Unit located within BRR's Dewan Pengawas. Under a 17-month contract, the Facilitation Unit (composed of a Facilitation Specialist supported by 1 Technical Staff and 1 Administrative Staff) was tasked to forward and follow up on complaints/queries on ETESP received from the public. The Facilitation Unit works closely with the BRR ETESP Satkers, ETESP Consultants and village facilitators in addressing concerns raised by beneficiaries and the general public on the ETESP.

As of October 2008, the ETESP Grievance Facilitation Unit has received 125 complaints/queries. Those related to ETESP were referred to the concerned Satkers and Consultant Teams for action. Most of the cases received (73%) have been resolved. Others are still pending resolution, dropped due to insufficient information or non-response from the complainants or have been referred to KPK for further action.

Between 2 to 5 November 2008, OSPF and EMS organized a series of workshops and exhibitions in Banda Aceh involving NGOs, BRR, MDF and local governments in NAD to take stock and share the ETESP experience on complaint handling. The experiences presented and discussions highlighted the positive impacts of having a sound grievance mechanism in projects for improving quality and outcomes, as well as in avoiding the escalation of conflicts.

To ensure that grievance facilitation is continued during the transition period when BRR gradually transfers responsibilities to local government units and line ministries, the engagement of UNSYIAH shall be extended until March 2009 for the operations of the ETESP Grievance Facilitation Unit.