



August 2016

Procurement Risk Assessment

CURRENCY EQUIVALENTS

(as of 1 August 2016)

Currency Unit	–	rupiah (Rp)
Rp1.00	=	\$0.0000764643
\$1.00	=	Rp13,078

ABBREVIATIONS

APBD	–	Anggaran Pendapatan dan Belanja Daerah - Local Government Budget
APBN	–	Anggaran Pendapatan dan Belanja Negara - Central Government Budget
ADB	–	Asian Development Bank
BUMN	–	Badan Usaha Milik Negara
BLIS	–	Base Line Indicator System
CPAR	–	Country Procurement Assessment Review
DED	–	Detailed Engineering Design
DGH	–	Directorate General of Highways
DGHS	–	Directorate General of Human Settlements
DGWR	–	Directorate General of Water Resources
e-GP	–	electronic Government Procurement
EA	–	Executing Agency
ESP	–	Engineering Services Project
HRD	–	Human Resource Development
IA	–	Implementing Agency
IDR	–	Indonesian Rupiah
ICB	–	International Competitive Bidding
LKPP	–	Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah
MPWH	–	Ministry of Public Works and Housing
NCB	–	National Competitive Bidding
NLA	–	National Land Agency
OECD-DAC	–	Organization for Economic Co-Operation and Development – Development Assistance Committee
OCR	–	Ordinary Capital Resources
OECF	–	Overseas Economic Cooperation Fund of Japan
PPM	–	Project Preparation Mechanism
PPTA	–	Project Preparatory Technical Assistance
PPP	–	Public Private Partnership
SDP	–	Strategic Development Plan
SBD	–	Standard Bidding Document
SPSE	–	Sistem Pengadaan Secara Elektronik
USD	–	United State Dollar

NOTE

- (i) In this report, "\$" refers to US dollars unless otherwise stated.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

Table of Contents

I. INTRODUCTION	1
A. Country procurement environment	2
B. Assessment of Directorates General of MPWH	12
C. Summary	16
(i) Strengths	16
(ii) Weaknesses	18
D. Procurement risk assessment and management plan	18
E. Project specific procurement thresholds	20
F. Conclusion	22
Appendix 1: Country Level Procurement Risk Assessment	23
Appendix 3: Procurement Risk Assessment Summary – <i>DG of Water Resources</i>	39
Appendix 4: Procurement Risk Assessment Summary – <i>DG of Human Settlement</i>	44
Appendix 5: Procurement Risk Assessment Summary – <i>DG of Highways</i>	49
Appendix 7A: PRA Questionnaire – <i>DG of Water Resources</i>	58
Appendix 7B: PRA Questionnaire – <i>DG of Human Settlement</i>	65
Appendix 7C: PRA Questionnaire – <i>DG of Highways</i>	72
Appendix 8: Project Procurement Risk Analysis	79
Appendix 9: Supporting ESP's Panel Arrangement through LKPP's SPSE	82
Appendix 10: ESP Implementation Arrangements	86

I. Introduction¹

1. This assessment was prepared in accordance with the ADB Guidelines for Assessing Country, Sector and Project Procurement Risk (August 2014). The assessment methodology included reviewing relevant documents, interviews with counterparts at the Ministry of Public Works and Housing (MPWH), and discussions with other stakeholders. Information on the ADB's procurement experiences was collected during interviews and discussion. This assessment was informed by the recent Country and Sector Procurement Risk Assessment commissioned by OSFMD in 2014, and the project procurement risk assessment completed in 2015 for the proposed Flood Management in Selected River Basins Sector Project.

2. The assessment also looked into the capacity of the executing agency (EA) and implementing agency (IA) to undertake procurement under an ADB-funded project and make recommendations on actions required to overcome weaknesses or constraints. Specifically, the assessment sought to: (i) evaluate the adequacy of EA/IAs' existing processes adopted for procurement and their ability to comply with the ADB's Procurement Guidelines (March 2013, as amended from time to time); (ii) define the procurement packages in the procurement plan; (iii) identify the need for capacity building and training for the EA/IAs during the project implementation stage to develop staff's competence in areas relating to procurement; and (iv) define the appropriate level of prior- or post-review by ADB.

3. The assessment builds on two major blocks:

- (i) assessment of the general public procurement environment in Indonesia;
- (ii) procurement risk questionnaires relating to each Directorate General of the MPWH completed in discussions with the respective implementing agency.

4. The panel approach and the use of the Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah (LKPP's) Sistem Pengadaan Secara Elektronik (SPSE) e-procurement system for consultant selection will help ensure the speedy selection of project preparation consultant firms while maximizing value for money. Each MPWH directorate general (DG) will be provided with comprehensive project management consultant support and procurement capacity building prior to and during implementation of the project. All DGs have procurement teams who are reasonably experienced in ADB procurement and consultant selection procedures.

5. The assessment concludes that overall the procurement risk is **medium**, and the MPWH is **capable** of implementing the proposed project with the assistance of project management consultants and close supervision and advice by the ADB (OSFMD and IRM).

¹ The discussions with OSG and DGs of MPWH and the initial draft project procurement risk assessment were carried out by Prakash Rao, ADB consultant. Aziz Haydarov, Infrastructure Economist/Mission Leader, IRM wrote the final report, with inputs by Jesper Pedersen, Senior Procurement Specialist/OSP2 and Olga Suyatmo, Senior Procurement Officer/IRM.

Overall procurement environment

A. Country procurement environment

6. Procurement reform in Indonesia was initiated in 1999. It was a key factor for reducing state budget leakage, and was intended to enhance the transparency of the public procurement system. The reform was aimed at improving the integrity and accountability of the public procurement system through an effective and efficient procurement process. Since decentralization in 2004, the environment of the national development program has changed. Regional governments have been given the authority to manage their own budgets for public spending.

7. The first Country Procurement Assessment Review (CPAR) on Indonesia was undertaken in 2001. It was a collaborative review conducted by the World Bank, the Asian Development Bank, and the Government of Indonesia, in coordination with the Overseas Economic Cooperation Fund of Japan (OECF). The CPAR basically found that from all accounts, the public procurement system in Indonesia did not function well. It was not market-driven, had been prone to misuse and abuse, and reduced the value for money of public funds. The outputs of CPAR set the basis for the country's procurement reform and modernization. After going through the reform actions, in June 2007, the joint effort of the Government of Indonesia and the World Bank resulted in a pilot assessment for using the OECD-DAC base line indicator system (BLIS) to benchmark Indonesia's improved procurement system, which resulted in an average score of **61.45%**.

8. The ADB's 2015 country and sector/agency assessment report found that a number of elements of the country's procurement system had improved.² The overall country and sector/agency procurement risk has been rated as **medium**, with a high expectation going to a lower outlook. Most elements of best international procurement practice are already institutionalized in the system, including the following aspects:

- (i) The procurement legal framework has been anchored to the highest law and regulation in the country;
- (ii) There are national standard bidding documents (SBDs) available in the country, which adopt basic principles of the best international practices. There may be room for improvement, especially for supporting procurement of large contracts that are subjected to international competition;
- (iii) The country's procurement professional certification and training program is in place. Although this program needs to be enhanced, it is able to at least ensure that those staff meeting certain qualifications are involved in procurement decision making and planning;
- (iv) The transparency of the procurement process is in place. The mandatory use of e-procurement system and the opportunity for procurement is widely notified in the government's website with free access, and bidders may easily access them for participating;
- (v) There is a standard procedure for complaint handling and sanctioning system, which is quite effective in reducing the risks of a non-qualified bidder being awarded a contract, or some other irregularities; and

² ADB. 2015. *Indonesia: Country and Sector/Agency Procurement Assessment Final Report*. DRAFT. April 2015

(vi) Procurement advisory function and oversight has been practiced by LKPP, and it advocates the compliance of procurement procedures for an audit proceeding.

9. Summary of scores on the country and sector/agency assessment in 2014 (CSA), with a comparison matrix with the previously undertaken BLIS exercise in 2007, is given in the following table (score of 0 is the lowest; score of 3 is the highest).

No	Description	OECD /DAC BLI - Year 2007		ADB CSA Procurement Assessment - Year 2014				
		Score	Adjusted to CSA	Country	Agriculture /Irrigation	Energy	Transport	Urban
1	Legislative & Regulatory Framework	62.50	1.88	2.75	2.75	2.75	2.75	2.75
2	Institutional Framework & Management Capacity	55.00	1.65	2.00	2.75	3.00	2.75	2.50
3	Procurement Operations & Market Practices	59.30	1.78	2.33	2.67	3.00	2.67	2.67
4	Integrity & Transparency of the Public Procurement System	69.00	2.07	2.67	2.67	2.67	2.67	2.67
Total		61.45	1.84	2.44	2.71	2.86	2.71	2.65

10. The government continues to work towards a more robust and transparent procurement system and capability. However the corruption risk still persists and the overall institutional capacity for managing procurement is relatively weak. Until these elements are more substantially improved the risk rating will not proceed to low.

11. The absence of a national procurement law, conflicting and unclear interpretation and application of rules and regulations within the country's procurement systems especially in a decentralized environment also affect the performance of the country's procurement system. This include the lack of integration between procurement planning and the annual budget process; the absence of professional procurement management and weakness in procurement capacity in implementing agencies, especially at the provincial and district levels; and the vulnerability of the procurement system to corruption risks.

B. National Public Procurement Agency

12. Since the establishment of a National Public Procurement Agency, LKPP in 2007 and the issuance of Presidential Regulation (Perpres) 54/2010, public procurement has witnessed improvements. LKPP is an independent agency reporting to the President and responsible for integrated and coordinated planning as well as development of strategies, policies, and regulations associated with the procurement of goods, works, and services using public funds. The development of the organizational structure and staffing for agency is nearly complete. LKPP has completed a human resources development strategy to facilitate a competency-based capacity building process and creation of a professional cadre. LKPP is using a two pronged approach to reform the public procurement system: reform on the legislative and regulatory framework and reform on the public procurement function and capacity building.

13. The main regulation on public procurement is Presidential Regulation no 54/2010 (Perpres 54). It follows key principles of sound procurement practices, i.e. efficiency,

effectiveness, competitiveness, openness, transparency, non-discrimination, and accountability. The government has amended Perpres 54 four (4) times, with the latest amendment issued in March 2015. Procurement regulation now mandates the establishment of Procurement Service Units (ULPs), mandates the usage of e-procurement, allows single selection, and allows advance procurement plan to take place without budget allocation. Moving forward, LKPP still sees the need for a procurement law. The draft law proposes a broader scope for coverage which includes concessions and PPP transactions. It states the main principles and proposes to further detail these through separate implementation decrees.

14. LKPP has completed a human resource development (HRD) strategy to professionalize and support the public procurement sector by developing and facilitating a competency based capacity building process and creation of professional and dedicated cadre. These strategic objectives will generate a number of tasks that will require significant resources.

15. As the result of the latest regulation, there are several ongoing activities to improve procurement management in implementing agencies. The Directorate General of Highways (DGH) in the Ministry of Public Works and Housing (MPWH) has established a procurement team to support overall procurement in the DGH. The Ministry of Finance (MOF) has already established a procurement function with an Echelon II-level manager, which is a significant precedent in the country. At the local governments' level, there are ongoing activities with around nine provincial governments and 130 local government/municipalities that have already established ULPs, with varying roles and functions. Nation-wide, the Government has established about 567 ULPs to date.

16. The LKPP is currently taking the lead on the implementation of SPSE, the electronic Government Procurement (e-GP) in Indonesia at a national and sub-national level. With the requirement for all procurement to be done electronically from 2012, there has been a rapid increase in the number of provinces and local governments using e-procurement. Most recent data indicate that around 34 provincial governments and 731 regional governments and government institutions have introduced e-procurement.³ The number of e-procurement transactions have also increased since e-GP was launched in 2008, from 33 to more than 136,000 tenders processed, or from IDR 52.5 million to more than IDR 500 trillion, in terms of value. However, the volume of procurement carried through the system and the stage to which phase the system is used (i.e., bid announcements, bid distribution, bid submission etc.) varies by location. The increased use of e-procurement is a good measure for increasing transparency and efficiency in the procurement process.

17. The ADB is providing inputs to LKPP on the draft content of the national procurement law. ADB is providing technical assistance (TA) support to LKPP to strengthen its institutional capacity, and to develop and roll out e-procurement. In cooperation with the government counterparts, ADB will continue to ensure that procurement practices are sound in all its projects and programs. ADB has been continuing its consultation with LKPP to ensure that the country's procurement practice is in line with best international standards.

³ Smart Report LKPP (<http://report-lpse.lkpp.go.id/v2/public/index>); INAPROC

C. Procurement assessment of irrigation, national roads and urban sectors

18. The Ministry of Public Works and Housing (MPWH) is responsible for public investment in irrigation, national roads, and urban sectors (including road and bridge, water resources and irrigation, and urban and rural infrastructures).⁴ The ministry has issued regulations, decrees, guidelines, and manuals related to procurement for construction and infrastructure investment, as downstream regulations, guidelines, and manuals of the national procurement regulations (Perpres 54/2010 as amended), to ensure transparency and integrity in the public procurement system. These documents are to be used by all MPWH structures in carrying out procurement for construction and investment in infrastructure using public funds.

19. The MPWH has a ULP at the ministerial level (whose function is performed by the DG Construction Development). The MPWH also has regular ULPs under each DG. The main responsibility of the ministry-level ULP is to review and clear the procurement process above the minister's thresholds prior to the minister's approval. This function ensures the quality assurance function in procurement, which does not appear in other EA/IAs in the country. DG Construction Development also provides assistance to all ULPs under the MPWH for any procurement-related issues.

20. **IRRIGATION SECTOR.** The responsibility for managing the irrigation system is divided between central and local (provincial and Kabupaten/district) governments. The local government is responsible for irrigation schemes with command areas of less than 3,000 ha. Above that, it falls under the responsibility of the central government. Other works related to the irrigation system, such as reservoirs, main canals, and flood control, are mostly done by the central government, under the responsibility of the MPWH's DGWR. The procurement implementation mostly follows national competitive bidding (NCB) procedures (as the contracts are less than \$5 million), with some small elements of community participation in the supervision and maintenance of the irrigation facilities. There is an adequate number of local firms that have business permits in the irrigation sector. Among areas requiring attention are: (i) insufficient number of staff with procurement certification to be part of the procurement committees; and (ii) the general pattern of a rather limited number of qualified bidders despite a large number of firms submitting bids. The overall procurement risk in the irrigation sector is **medium**.

21. **NATIONAL ROADS SECTOR.** Responsibility for national road development rests with the Directorate General of Highways (DGH) of the MPWH. The total development budget for road development in FY 2014 was around \$3 billion, of which approximately \$225 million was donor-financed. Contracts financed under APBN are mostly below \$10 million, while larger contracts (above \$50 million) are mostly donor-financed. Procurement in this sector follows international competitive bidding (ICB) or NCB procedures. There have been cases of improper use of APBN funds (e.g., in road rehabilitation along northern Java territory). There seems to be a pattern of a limited number of qualified bidders despite a large number of firms submitting bids. The overall risk in this sector is rated **medium**, especially taking into account the above average capacity of the ULP.

⁴ Prior to the establishment of LKPP, all laws and regulations related to construction and infrastructure investment were traditionally initiated and drafted by the MPWH.

22. **URBAN SECTOR.** National public investments in the urban sector are carried out by the Directorate General of Human Settlements (DGHS). The total allocated development budget for FY2014 was around \$1.3 billion (including donor-financed contributions). Contracts financed under the APBN are mostly below \$10 million, following NCB and community participation. In addition to the traditional program financed out of the APBN budget allocated to DGHS, the Ministry of Finance (MOF) provides output-based grants to the committed districts by using the on-granting mechanism for improving access to clean water supply.⁵ Among areas requiring attention are: (i) insufficient number of staff with procurement certification to be part of the procurement committees; and (ii) the general pattern of a rather limited number of qualified bidders despite a large number of firms submitting bids. The overall procurement risk in the urban sector is rated **medium**.

II. PROJECT PROCUREMENT RISK ASSESSMENT

Project overview

23. Delivery of the MPWH's infrastructure programs has been constrained by complex land acquisition processes, limited procurement capacity, and inadequate preparation of infrastructure projects. With the implementation of the new land acquisition law and continuous efforts to strengthen MPWH procurement systems,⁶ it is now the latter that critically constrain the ministry's ability to deliver good quality infrastructure in a timely manner. Inadequate project preparation, in its turn, is largely due to: (i) lack of resources to complete the required assessments, surveys, designs, and environmental and land acquisition clearances to make projects ready for implementation;⁷ and (ii) low quality of project feasibility studies and detailed engineering designs that often need to be redone during implementation, causing cost overruns and delays.⁸ Unless addressed, inadequate project preparation issues will adversely affect the MPWH's efforts to meet its ambitious infrastructure development targets.

24. The Accelerating Infrastructure Delivery through Better Engineering Services Project (ESP) will target the MPWH's critical constraints listed above. Specifically, the ESP will: (i) enable financing of the preparation of infrastructure projects as a separate project; and (ii) strengthen MPWH systems to improve the quality and timeliness of the preparation of feasibility studies, detailed engineering designs (DEDs), land acquisition and resettlement plans, environmental impact assessments, bidding documents, and construction supervision.

⁵ Under this program, each district recipient must pre-finance the program, and the disbursement from the central government is linked to the number of new connections made, as well as consumers' satisfaction indicated by 3-month bills of clean water used by each household.

⁶ Law No. 2 of 2012 on Land Acquisition in Public Interest. This sets clear steps and timelines for land acquisition, including dispute resolution through courts, after which land can be acquired for public purposes. ADB supported the development of this law.

⁷ Funding for detailed assessments, surveys, etc. is budgeted as part of infrastructure projects themselves. This approach often leads to conditional approval of the projects. In order to get infrastructure project funds released, most projects need to be re-approved during the fiscal year, upon submission of complete project information.

⁸ Review of SDP suggests that only 30% of projects have feasibility studies, 20% have detailed engineering designs, and less than 10% have environmental impact and land acquisition compliance documents.

25. The ESP's impact will be to help the MPWH attain the infrastructure development objectives of the MPWH's Strategic Development Plan (SDP), 2015–2019 by improving the quality and timeliness of the delivery of the SDP's public investment program.⁹ The impact will be the attainment of infrastructure objectives of the SDP. The outcome will be strengthened capacity of the MPWH to efficiently design and implement its public investment program. The ESP's outputs are as follows:

26. **Output 1: Improved quality and timely start-up of infrastructure projects.** This output will support the preparation—based on new technology and improved design standards¹⁰—of (i) irrigation, flood management, bulk water, and dam projects of the MPWH's Directorate General of Water Resources (DGWR); (ii) water supply and sanitation projects of the MPWH's Directorate General of Human Settlements (DGHS); and (iii) national road projects of the MPWH's Directorate General of Highways (DGH) for an estimated total investment of \$6 billion. These projects are to be financed mainly from the government budget.¹¹ All infrastructure projects are from the MPWH's Strategic Plan, 2015–2019 and are to be financed mainly from the government budget.¹² This output will support preparation of: (i) master plans and feasibility studies; (ii) detailed engineering designs, including geotechnical, topographical, and other surveys; (iii) environmental impact assessments and land acquisition documents as per government requirements; and (iv) advance contracting for civil works.¹³

27. **Output 2: Strengthened capacity in public investment management.** This output will support the DGWR, DGHS, and DGH of the MPWH in: (i) improving master planning and public investment management systems; (ii) on-the-job capacity development of project staff, especially at the local level, in such areas as design-and-build contracts, design standards, construction supervision, enforcement of civil works contractor performance via technical and financial assessment consultants, multiyear contracting, asset management, etc.; (iii) strengthening of the MPWH's safeguards¹⁴ and procurement systems;¹⁵ (iv) strengthening value engineering during preparation of infrastructure projects; and (v) implementing the ESP, including monitoring of project preparation activities.

⁹ MPWH. 2015. *Strategic Development Plan, 2015–2019*. Jakarta.

¹⁰ In the road sector, these are improved design standards on pavement, drainage, geometric, grade-separated junction, and at-grade junction aspects. In the irrigation sector, the new technologies are related to the web-based integrated asset management information system with geospatial interface, high-resolution aerial surveys for survey of irrigation assets, and satellite-based water accounting. The detailed engineering design guidelines of the irrigation sector will also be updated to incorporate climate change and water efficiency, among other issues. In the wastewater sector, in 2016 the MPWH is expected to adopt new technical guidance on feasibility studies and new design standards for wastewater treatment systems.

¹¹ The list of projects to be prepared under the ESP is in Appendix 1 of the PAM. Based on the request of the Government and in accordance with the provisions of the 2016–2019 Country Partnership Strategy, the ADB may consider financing selected projects prepared under this operation through either a results-based lending or a project loan modality.

¹² The total amount of public investment associated with these projects is estimated at \$6 billion. ADB may consider financing selected ESP-prepared projects through either a results-based lending or a project loan modality. ADB's safeguards and fiduciary requirements will be considered for these projects, as appropriate.

¹³ This output will also support construction supervision (for selected DGHS and DGH projects), and technical and financial assessment during construction (for selected DGH projects).

¹⁴ Assessment of DGH, DGHS, and DGWR's safeguards systems and the areas for institutional and capacity building are in Appendix 7 of the PAM.

¹⁵ Such as in implementation of the MPWH's regulation on design-and-build contracts adopted in May 2015.

28. The ESP is the first “umbrella” project fully dedicated to the preparation of a large number of SDP infrastructure projects according to the requirements of the Government. It is also the first engineering services project that covers three directorates general (DGs) of the MPWH at the same time, and it is fully aligned with the timeline of Indonesia’s National Medium-Term Development Plan (RPJMN), 2015–2019. The ESP will help the MPWH set up a mechanism that will ensure: (i) better quality project preparation to address the large backlog of projects that need to be prepared to help address the nation’s daunting infrastructure gap; and (ii) adequate mainstreaming of international best practices and technology in project feasibility, design, environmental and land acquisition assessments, and construction supervision of infrastructure projects.¹⁶

29. The ESP’s estimated cost is \$167.6 million, of which \$155.7 million is to cover the cost of output 1 and \$11.9 million to cover the cost of output 2 as described above. ADB will provide a technical assistance loan of \$148.2 million from ADB’s ordinary capital resources (OCR).¹⁷ The Government will provide \$19.4 million to finance taxes, duties, interest during implementation, and incremental administration costs.

30. The project is expected to be implemented from 1 October 2016 to 31 December 2019. Most activities related to the preparation and bidding of projects are planned to be completed by the end of 2018 and mid-2019 respectively. A significant share of ESP-prepared projects is expected to be at various phases of civil works by the end of 2019. Project preparation and construction periods have been considered as 12–18 months each, based on the MPWH’s approach to strictly align the ESP term with the terms of the RPJMN and MPWH’s Renstra, which both end in 2019. The period between mid-2018 and end-2019 is expected to be used for construction supervision as well as the technical and financial assessment of selected infrastructure projects prepared under the ESP. The implementation period of the ESP is expected to be 3.3 years, while the grace period is 3 years.¹⁸

31. The MPWH will be the executing agency with the DGH, DGWR, and DGHS as implementing agencies.¹⁹ The MPWH will establish a steering committee to monitor the ESP’s overall implementation and ensure that ESP-supported projects are prioritized for implementation. A project coordination office (PCO) will be established at the Bureau of Budget Planning and International Cooperation of the MPWH’s SetJen to support the

¹⁶ The ESP builds on MPWH good practices, such as the DGH’s Australia-funded East Indonesia National Roads Improvement Project, which won the International Road Federation’s 2015 Global Road Achievement Award for Program Management. In such sectors as highways, the ESP will also help the Government implement improved policy, planning tools, design standards and project supervision practices as developed under the leadership of DGH with support from the Australia-funded Indonesia Infrastructure Initiative.

¹⁷ In accordance with ADB’s Operations Manual Section D12/BP, the TA loan amount is normally repaid over a 15-year period, including a grace period of 3 years, with no commitment charge and the rest of the loan charges in line with sovereign and sovereign-guaranteed OCR loans. Final terms of the TA loan for the ESP will be discussed and agreed between the Government and ADB during loan negotiations.

¹⁸ In accordance with ADB’s Operations Manual Section D12/BP, the TA loan amount is normally repaid over a 15-year period, including a grace period of 3 years, with no commitment charge and the rest of the loan charges in line with sovereign and sovereign-guaranteed OCR loans. Final terms of the TA loan for the ESP will be discussed and agreed between the Government and ADB during loan negotiations.

¹⁹ Programming and budgeting of loan-funded infrastructure projects of the MPWH are carried out at directorate-general level. In line with this, the government programmed separate engineering services projects for the DGWR, DGHS, and DGH. Due to efficiency considerations, it was decided to integrate these separate projects into one operation. Hence, under the ESP the MPWH has been designated as the executing agency, with the DGH, DGHS, and DGWR as implementing agencies.

steering committee.²⁰ The DGH, DGHS, and DGWR will each establish: (i) a project management office (PMO) headed by a project director and supported by administrative staff; and (ii) project implementation units (PIUs) within their respective sector directorates to lead the selection of consultants for the preparation of infrastructure projects, with participation of concerned local offices of the DGH, DGHS, and DGWR, as required. The PIUs and local offices of DGH, DGHS, and DGWR will establish project teams to review and endorse the outputs of consulting firms for direct payment by the ADB. The PIUs will submit regular reports to the respective PMO on the status of consultant selection and performance. The PMOs will consolidate the reports for their respective DGs and will submit reports to the PCO for monitoring and consolidated reporting on the ESP as a whole. The selection of consultants and procurement of goods will be done by the MPWH in accordance with the ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time)²¹ and the ADB's *Procurement Guidelines* (2015, as amended from time to time). All disbursement will follow the ADB's *Loan Disbursement Handbook* (2015, as amended from time to time). The project implementation period will be from March 2016 to December 2019.

32. Given the distinct features of the ESP, the process of recruitment of project preparation consulting (PPC) firms will involve two stages: **Stage-1**: empanelment of PPC firms by the PMOs [**empanelment stage**], and **Stage-2**: selection of firms by the PIUs from the panel for preparation of specific public investment projects of the DGH [**call-down stage**]. At the **empanelment stage**, indefinite delivery contracts (IDC)²² will be signed by the PMOs of the respective directorate generals with every empanelled firm (whether single firm or an association of firms). Such PMOs shall be the 'Client' under the IDCs and shall monitor the panel arrangements. At the **call-down stage**, Assignment Contracts (lump-sum contracts) shall be signed between the PIUs of the respective directorate generals and the PPC firm selected from the panel for individual projects for project preparation activities. Such PIUs shall be the 'Client' under the Assignment Contracts and shall monitor the project preparation activities, with assistance from the Balai/Satkars. The PMOs shall play an oversight role throughout the infrastructure project development stage.

33.

34. The PMOs will lead: (i) the establishment of panels of consultants, in consultation with the PIUs of the respective DGs; and (ii) the selection of project management consultants to support the PMOs and PIUs with the implementation of the ESP. The PIUs will lead the selection of the consultants from the panels for preparation of infrastructure projects (with the participation of the relevant Balai or Satker at the local

²⁰ The PCO will be supported through cluster technical assistance on sustainable infrastructure assistance program (C-TA0013-INO).

²¹ These Guidelines define policies and procedures of ADB for selecting, contracting, and monitoring consultants required for loan and technical assistance (TA) projects financed in whole or in part by loans from ADB, grants by ADB, or funds administered by ADB. Procurement of selected goods will be through the consultants engaged under the ESP. Such procurement will be done in accordance with ADB's *Procurement Guidelines* (April 2015, as amended from time to time).

²² Indefinite delivery contracts are used when the client needs to have quick and continuing access to "on call" specialized advisory services for a particular activity, the extent and timing of which cannot be defined in advance. In accordance with ADB's *Guidelines on the Use of Consultants* (2013), the consulting firms shall be pre-qualified and retained under indefinite delivery contracts for 3 years without any commitment. As and when the services of the consultants are required for infrastructure project preparation support, a consultant will be selected from the empanelled firms and a call-down assignment contract shall be signed with such firm.

level). The DGWR, DGHS, and DGH will set up tender committees for the purpose of selecting consultants recruited under the ESP. Consultant selection will be done electronically using the LKPP's SPSE, with proper adjustments made to accommodate the panel arrangement.

35. The role of MPWH DGs as implementing agencies will involve the selection of a large number of consultant firms for preparation of infrastructure projects and small-scale procurement of goods for capacity-building activities. There will be no procurement of civil works under the ESP. The procurement activities will be undertaken by the Directorate General of Water Resources, Directorate General of Human Settlement, and the Directorate General of Highways.

A. Assessment of MPWH

36. The completed questionnaire on the general procurement environment of the MPWH is given in Appendix 1. Highlights of the assessment and findings are presented below.

37. **Risk Assessment:** The rating for MPWH is "medium", but some procurement risk aspects were identified in the following areas:

- (i) lack of experience in the use of the panel approach for selection of consultants;
- (ii) insufficient number and quality of consultants due to restrictions for international bidders to submit expressions of interest (MPWH procurement regulation²³ on requires foreign bidders—as part of the EOI submission—to have a local office in Indonesia and a local partner as part of the consortium at EOI stage);
- (iii) a preference for domestic firms;
- (iv) absence of a nationwide procurement training plan;
- (v) funding delays hampering procurement;
- (vi) absence of systematic procurement process audits; and
- (vii) inadequate regulation for debarment of firms and individuals.

38. **Summary of findings:** Overall, the risks associated with the procurement capacity of the MPWH is manageable, with most risk criteria rated as "low" or "medium". The legal and regulatory framework and practices for public procurement are sound, and the MPWH's Directorates General are reasonably experienced in the procurement of goods, works, and consultant services under self-financed and foreign-assisted procurements.

39. It was found that the following needs require consideration in planning procurement at the MPWH, that is, to:

- (i) Establish adequate adjustment of the MPWH e-procurement system for the purposes of the panel approach;
- (ii) Ensure seamless migration of the panel arrangement from the MPWH e-proc system to the e-proc system of the LKPP which is expected to be launched in August 2016;

²³ MPWH Minister decree no. 05/PRT/M/2011.

- (iii) Ensure mechanisms for involving greater foreign participation in bids ;
- (iv) Ensure transparency of the procurement process;
- (v) Establish mechanisms for resolving contract disputes and enforcing specific performance contracts;
- (vi) Ensure timely availability of counterpart funds, as applicable.

40. The LKPP's SPSE has been assessed by the ADB for use under the ESP. Overall, the assessment concludes that the LKPP's SPSE—with adjustments—can be used for the panel arrangement for recruitment of project preparation consultants. The SPSE has been also assessed for standard (non-panel) selection of consultant firms, such as PMC firms and the firm for the preparation of the Jragung multi-purpose dam project. The results of the assessment made by ADB and the required actions to be implemented by LKPP and MPWH/PUSDATIN are in Appendix 4.1 of the Project Administration Manual (PAM). The LKPP, in coordination with the ADB and MPWH/PUSDATIN, has made the required adjustments in the SPSE to cater to the consultant selection, in accordance with the ADB's guidelines, for the projects under the ESP. The system is under final review by LKPP, ADB, and MPWH/PUSDATIN and, after the some minor adjustments, the LPSE ESP platform shall be ready by August 2016 for use by the respective tender committees (see Box 1 below). The assessment on the e-proc system for the ESP's panel arrangement is in Appendix 9.

Box 1: Description of the Panel Arrangement under the Project

The Accelerating Infrastructure Delivery through Better Engineering Services Project (ESP) aims at supporting MPWH in fast and quality preparation of infrastructure projects included in the ministry's strategic development plan, 2015–2019. The draft concept paper is attached to this letter.

The ESP will support preparation of feasibility studies, development and certification of detailed engineering designs, preparation of land acquisition and resettlement plans and environmental impact assessments in compliance with government safeguards systems and licensing requirements, preparation of the bidding documents, and technical and financial audit during construction. To assist MPWH implement this scope of work for a rather large number of infrastructure projects, a number of technical consultant firms (associations of firms) are expected to be recruited.

Given the large number of consultant contracts and the need to ensure expeditious and quality requirement of technical consultants, it is proposed that the ESP, using ADB's Guidelines on the Use of Consultants and LKPP's SPSE, adopts a two-phase approach for selection of technical consultants for preparation of infrastructure projects.

- **Phase 1: Establishing panels of consultant firms.** The MPWH—based on evaluation of submitted expressions of interest and following generic terms of reference—would first establish panels of prequalified firms to be retained on non-committal basis for 3 years under indefinite delivery contracts. Overall, it is proposed to have three panels: one panel for the water resources sector, one panel for the water supply and sanitation sector, and one panel for the road sector. On average, it would take about 3 months to have a panel established. This time is spent only once, and the panel (list of prequalified firms) becomes ready for use for preparation of all the ESP-covered projects in the relevant sector.
- **Phase 2: Selection for project-specific assignments from the panel.** For preparation of individual infrastructure projects, the MPWH—based on project specific terms of

reference and budget estimate—will send request for proposals (RFP) to the firms in the relevant panel (i.e., for preparation of a road project, the RFP is sent only to the road sector panel members). The PIUs, at their discretion, will send the RFPs to either **all** or **selected** number of panel members. Where the RFPs are proposed to be issued only to **selected** number of firms in the Panel, the following principles must be adhered to: (i) RFPs are sent to at least 1/3 of panel members, (ii) adequate geographic spread²⁴ among the panel members, to which the RFPs are sent, to ensure no preference is given to any particular country, (iii) performance of the panel members (responsiveness to RFPs, submission of quality RFPs, and satisfactory performance under signed contracts, if any), (iv) number of on-going ESP assignments of the panel members not to affect the consultants' work under on-going contracts and (v) any other matter, that in the opinion of the project management office (PMO)/project implementation unit (PIU) issuing the RFP, raises concerns on the ability of a panel member to undertake work outlined in the RFP. Draft procedures in this regard are in Appendix 2A. After it is finalized by the PMOs of the respective directorate generals, the same shall be included in the REOIs and shall also be notified through LKPP's SPSE (or in any other manner) for the information of the consultants. The draft RFP and list of the to-be-invited panel members will be reviewed by ADB prior to issuance to such panel members as agreed with the Government. Upon evaluation of the submitted technical and financial proposals, the MPWH will award the contract to the best technically qualified firm whose financial proposal is within the budget (fixed budget selection method). With electronic distribution of the RFPs to the panel members and electronic submission of their proposals, the time between issuance of RFPs and conclusion of negotiations with the consultants can on average take 40 days, which is twice as fast as under standard consultant selection following ADB Guidelines on the Use of Consultants.

This approach has been admitted in Perpres No. 75/2015, Clause 11, para. 2, which states that the KPPIP can recruit expert individuals, institutions and/or business entity, and *form a panel of consultants*. The panel approach and the fixed budget selection seems to be also compatible with the Perpres 54's provisions on framework contracts and the evaluation based on budget ceiling, respectively. The panel approach is also conceptually similar to the e-catalogue on consultants being developed now by the LKPP.

The use of development partner (DP) procurement procedures is allowed under the government's DP-funded projects, if this is so recorded in the project agreement between the DP and the Government (Article 2, part (4) of Perpres 54/2010, as amended). Based on consideration of ensuring sustainability of the consultant selection mechanisms beyond the ESP period, it is important to ensure that the approach for selection of technical consultants proposed under the ESP is compatible and is in-line with the government public procurement framework.

41. Under the ADB-funded Rural Roads Development Project (loan 2817-INO), the foreign bidders were allowed to submit the working license cortication (BUJKA) prior to contract signing and not as a pre-condition for bidding. Moreover, the condition for mandatory association with local firms through joint ventures or joint operations has been waived.²⁵ Hence, the same approach may be followed under the ESP.

B. Assessment of Directorates General of MPWH

²⁴ Geographic spread among panel members means that the panel shall have a balanced representation from regions consisting of Oceania (Australia-New Zealand), North America, Europe and the Asia Pacific region, in addition to the borrower country.

²⁵ Invitation to bid issued by DGH on 20 September 2012.

42. An assessment of the procurement capacity of the Directorates General was undertaken based on a review of previous ADB assessments on Indonesia and discussions with officials of the relevant Directorates General. A summary of the assessments has been enclosed as Appendices 3–5. The Scoring Guide for the Procurement Risk Assessment is in Appendix 6.

43. Furthermore, to assess the procurement capacity of each Directorates General, the ADB provided a questionnaire for completion by each of the Directorates General within the MPWH. The questionnaire is divided into the following parts:

- (i) General Resources – on staffing and equipment
- (ii) Procurement Processes for Goods and Works – who to do what in preparing bid documents and in the tendering process
- (iii) Procurement Processes for Consulting Services – on consultants selection procedures
- (iv) Process Oversight and Control – on check-and-balance mechanisms and contract administration
- (v) Records Keeping

44. The questionnaires were issued to the Directorate General of Water Resources (Appendix 7A), Directorate General of Human Settlement (Appendix 7B), and Directorate General of Highways (Appendix 7C). These were completed by them in consultation with the ADB team.

45. The risks that have been categorised as “high” for the relevant DG in Appendix 6A–6C, with regard to its implications on the ESP, have been separated and presented in Project Procurement Risk Analysis in Appendix 8.

(i) Organizational and Staff Capacity

Risk Assessment

46. The risk associated with the capacity and organisation of the procurement functions of the Directorates General is rated as “Medium”.

Summary of Findings

47. The procurement departments of the Directorates General are appropriately staffed and possess reasonable experience, skill sets, and commitment for the current levels of procurement. All of them have experience in managing procurements for World Bank, JICA, DFAT, IDB and ADB-funded projects, but will need capacity development for undertaking the ESP, especially given the panel arrangement for consultant selection.

48. The additional procurements proposed under the ESP will add to their current projects, which will result in a heavy workload for the procurement staff, which could result in delays and shortcuts. To avoid this, additional recruitment of qualified procurement staff or assistance through ADB-appointed procurement consultants will be required.

(ii) Information management

Risk Assessment

49. The risk associated with information management by the procurement staff of the Directorates General is rated as “Medium”.

Summary of Findings

50. The Directorates General have in place systems for infrastructure planning, funding approval, procurement, project management, and contract administration.

51. Document storage and retrieval systems are maintained. Documents, including the original contract, bid evaluation report, and winning bid contractual communications, are kept by the Directorates General for a period of 10 years or more. Documents are filed systematically in contract files with separate files kept, as appropriate, for commercial, contractual, and technical matters. They are, however, not subject to an annual internal audit.

52. Potential weaknesses include limited familiarity with ADB procedures and resourcing issues during peak workload periods.

(ii) Procurement Practices – Procurement of Goods and Works

Risk Assessment

53. The risk associated with the procurement of goods and works by the Directorates General is rated as “low to medium”. This has to be seen in the context of the lack of procurement of civil works and very little procurement of goods under the ESP.

Summary of Findings

54. The processes and procedures for the procurement of Goods and Works generally follow standardised procedures, some of them consistent with international best practice principles. There is abundant experience in applying them in the procurement for Government-funded and multilateral-funded projects.

55. The Directorates General also have experience in procurement for projects financed by development agencies, notably the World Bank, JICA, DFAT, IDB and ADB. However, due to turnover of staff there may be limited familiarity with ADB procedures, and the Directorates General may have difficulty producing documents and evaluating bids to ADB standards.

56. The staff of the Directorates General are fully occupied with their current workload and may lack the resources to undertake the additional procurements of the ESP. It follows that the Directorates General are likely to need assistance with the additional and unfamiliar work involved in the ADB-related ESP procurements, and it is recommended that a Project Implementation/Procurement Consultant be engaged to provide that assistance.

(iii) Procurement Practices – Consulting Services

Risk Assessment

57. The risk associated with the procurement of consulting services by the Directorates General is rated as “medium”. This is mainly due to the novelty of the panel arrangement for consultant selection and the large number of consultant firm contracts to be procured and managed under the ESP.

Summary of Findings

58. The processes and procedures of the Directorates General in their procurement of internally financed consulting services are not as tight as those employed by the ADB. The Directorates General also have reasonable exposure to the procurement of consulting services financed by development agencies, notably World Bank, JICA, DFAT, IDB and ADB projects. However, there is limited familiarity with ADB procedures, and the Directorates General may have difficulty producing documents and evaluating bids to ADB standards. The novelty of the panel arrangement adds to the challenges that DGs are likely to face during the ESP implementation.

59. The staff of the Directorates General are fully occupied with their current workload and may lack the resources to undertake the additional procurements proposed under the ESP. It follows that the Directorates General are likely to need significant assistance with the additional and unfamiliar work involved in the ADB-related procurements, and it is recommended that several procurement advisors be engaged by ADB or through the project management consultant firms to provide the required assistance. The procurement advisors will need to have experience with panel arrangements and have solid expertise in consultant selection based on ADB consultant selection systems.

(iv) Effectiveness

Risk Assessment

60. The risk associated with the effectiveness of procurement is rated as “medium”.

Summary of Findings

61. The institutional arrangements are generally adequate in supporting the procedures laid down by the Government for the procurement of goods, works, and consulting services. Issues of transparency and open competitiveness remain a concern.

62. The interest of contractors and suppliers appears to be in sufficient numbers to engender effective competition in a bidding contest. The projects are primarily engineering-driven, and the market participants have the experience and track record to execute them effectively.

63. With the support of the project implementation and procurement consultant and the application of ADB procedures, the Directorates General can be expected to be effective in the way the procurement transactions for the ESP will be conducted.

(v) Accountability Measures

Risk Assessment

64. The risk associated with the measures, and their implementation, for ensuring accountability in procurement is rated as “medium”.

Summary of Findings

65. The processes, procedures, and accountability measures of the Directorates General are aligned in most respects with those of the ADB, and the control and oversight mechanisms and, other than a few that have been pointed out in the CPS, are unlikely to clash with the ADB’s procurement policies. The EAs have been implementing procurements under projects funded by JICA, World Bank, DFAT, IDB and ADB projects without any major conflict between the procurement systems of the borrower and the lender, which suggests overall compatibility with ADB requirements.

66. No evidence of a lack of transparency was noted in the course of conducting the capacity assessment, although there are anecdotal indications of issues in connection with procurements conducted by Indonesian agencies.

C. Summary

67. The panel approach and modified use of the LKPP’s SPSE for consultant selection under the panel approach will help ensure speedy selection of a large number of project preparation consultant firms while maximizing value for money. Each MPWH directorate general (DG) will be provided with comprehensive project management consultant support and procurement capacity building prior to and during implementation of the ESP. All DGs have procurement teams that are reasonably experienced in WB, JICA and ADB procurement and consultant selection procedures.

68. Overall the procurement risk is assessed as **medium**, and the MPWH is considered **capable** of implementing the proposed project with the assistance of project management consultants and close supervision and advice by the ADB (OSFMD and IRM).

69. The specific findings on the procurement capacity of MPWH are summarised below:

(i) Strengths

70. The procurement activities are tied to the annual planning and budgeting process, well-streamlined, and broadly aligned with international best practices. Though the bidding may commence prior to budget approval, a note is inserted in the advertisement that the procurement is subject to budget approval and that the contract shall be awarded only after the budget has been duly approved. Under the new government, for most APBN-funded projects, the MPWH procurement committee initiates an advance procurement action starting from the last quarter of the preceding fiscal year—so once the budget is approved, the contract can be signed. This is to meet the ambitious infrastructure development target of the new government.

71. The MPWH has pioneered the use of e-procurement systems, and all

Directorates General under the MPWH have used the MPWH full e-procurement system for procurement under state/local budgets (APBN/APBD). The MPWH e-procurement system is managed by the PUSDATA unit located at the Office of the Secretary General.

72. Nationwide, there is a reasonably well-functioning and well-organized private sector that can access public procurement in the sector. The overall consultant industry in Indonesia is considered strong enough to meet the expectations of the ESP. Low government consulting budgets and delays in fund release have impeded government hiring of project design consultants in the past. The use of ADB consultant guidelines in the ESP as well as the panel approach will help address these issues. Hence, the response of the consultants to the demands placed under the ESP is expected to be adequate. The big firms are concentrated mainly at the central government level, while small local firms are normally engaged at the local government level.

73. The 2013 ADB-assisted rapid assessment of Indonesia's construction and consultant industry (prepared to respond to the EFTA and WTO invitations for free trade talks) suggested that the construction industry (including construction design consultants) has sufficient capacity to meet infrastructure development demands. Other sectors' consultant industries were found to be less strong. The consultant firms covered under the assessment also suggested their readiness to set up assignment-based joint ventures with foreign firms if there is a need to augment their knowledge, expertise, and technology to meet the requirements of particular assignments.

74. The ESP will support carrying out a survey of the MPWH-related consultant market, drawing on the approach adopted under the 2013 rapid assessment. The ESP will also support the MPWH, in coordination with the LKPP, in implementing the recommendations of the 2013 rapid assessment (e.g., creation of the national industry capacity development team) and the MPWH's consultant market survey.

75. The Directorates General's procurement teams who will be responsible for the implementation of the procedures and processes are experienced with donor-funded projects (e.g., the World Bank, JICA, ADB), and have demonstrated that they are committed and cooperative. All procurement staff are certified following public procurement capacity development program developed by the LKPP (see the assessment of the MPWH above noting strong ULPs at the MPWH compared with other government agencies).

76. All biddings are competitive (covering almost 100% of the procurement in fiscal year 2014). All contracts are awarded below cost estimates, and no contract variation is allowed where the cumulative incremental value of the variation is more than 10% of the original contract value. The national procurement regulation provides general guidance on the preparation of the cost estimates. For large contracts (more than IDR 100 billion for civil works package and more than IDR 10 billion for consulting services), the Ministry regulation requires the cost estimates to be endorsed by the Director General (DG). In fact, for very large contracts, the DG usually asks the Inspectorate General (IG) to carry out an internal control function to ensure the accuracy and adequacy of the cost estimates.

77. At the central level, the roles of civil society organizations working on anti-corruption and monitoring public procurement are increasing in recent years. The complaint mechanism is in place, as are internal and external audits, although the

procurement audit is still part of the financial audit.

(ii) Weaknesses

78. The Directorates General's procurement teams are not fully familiar with ADB's panel consultant selection procedures, which will require capacity building prior to and during the ESP implementation. This will be provided under the project management consultant firm to the relevant DGs, as well as through ADB TAs to the PMO at the Office of the Secretary General.

79. Limited competition, particularly for large contracts, may pose a challenge for the ESP. Despite a number of firms participating in bids, only a limited number of qualified bidders pass the qualification process. Though not relevant to the ESP, this pattern is mostly observed with large civil work contracts that are dominated by State-Owned Enterprises.

80. Despite good progress with the LKPP's SPSE system, which enhances transparency and enables open competition, the procurement process does not ensure the desired level of accountability, since the procurement audit function overall is not yet well developed in Indonesia.

81. The high workload on the Directorates General may leave the ADB-funded ESP procurement under-resourced.

82. Since projects are implemented at the PIU level while oversight and management take place at the DG central level, strong co-ordination and management will be needed for the smooth implementation of the ESP.

83. Lack of competence in the English language is a considerable barrier for the committee, as well as for the local bidders.

84. The weaknesses can be countered by engaging project implementation and procurement consultants as part of the project management consultant firms (under output 2 of the ESP) to assist each Directorate General throughout the procurement cycle, as well as appropriate capacity building by the ADB under the ESP.

D. Procurement risk assessment and management plan

Risk Description	Risk Assessment	Mitigation Measures	Responsibility
Delayed selection of project preparation consultant firms due to (i) novelty of the panel approach for the MPWH, and (ii) first-	High	<ul style="list-style-type: none"> Advance capacity building of MPWH staff and tender committees involved or responsible on the two-phase consultant selection arrangement – (i) selection of panels of firms, and (ii) selection of firms from the panel for project preparation assignments. This advance capacity building will be delivered by consultants engaged by ADB under various Technical Assistances. During implementation, capacity building and advisory assistance to each directorate general of the MPWH will be provided through the PMC firms that will be engaged under the ESP to support the DGH, DGHS, and DGWR 	<p>ADB</p> <p>PMC Firms (Under Output 2)</p>

time use of the SPSE for consultant selection under an ADB-funded project		<p>of the MPWH with ESP implementation.</p> <ul style="list-style-type: none"> • Procurement quality assurance and strengthening support will be also provided through one international and one national project implementation consultant provided on a full-time basis to the OSG of the MPWH through Technical Assistance Cluster Management Facility. • The SPSE is being adjusted to accommodate the structure of the panel approach, i.e., selection and retirement of firms for 3 years, selection of firms from the panels for call-down assignments and for selection of firms through regular short-listing using ADB's guidelines. The SPSE adjustment work, which is nearing completion, is being done by LKPP based on an assessment of the SPSE by an ADB-recruited e-procurement consultant under close guidance and in coordination with LKPP and the MPWH's Center for Data and Information Technology. LKPP is providing training to MPWH tender committee members on SPSE through simulation of panel and short-listing arrangements. • During ESP implementation, all issues related to the SPSE (including related to newer versions of the SPSE) will be addressed with support from the PMC firms that will be engaged to support the DGH, DGHS, and DGWR with ESP implementation. • The ADB project team will closely coordinate with LKPP on SPSE upgrades to help provide a seamless transition without interruptions to the consultant selection process. • In-country support and advice from the ADB project team leader and senior procurement officer located within the Indonesia Resident Mission and close coordination with the procurement specialist of ADB's Operations Services and Financial Management Department will be provided to MPWH. 	<p>PCO Consultants (Under TA)</p> <p>ADB LKPP MPWH/ PUSTADIN</p> <p>LKPP PMC Firms (under Output 2)</p> <p>ADB LKPP</p> <p>ADB</p>
Insufficient experience of the PMOs and PIUs with administration of large consultant (lump-sum) contracts	Low	<ul style="list-style-type: none"> • Capacity building and advisory assistance of PMO and PIU staff in contract administration. The PMC firms that will be engaged under the ESP will provide this assistance to their concerned directorate generals. • Contract administration support will be also provided through one international and one national project implementation consultant provided to the OSG of the MPWH through Technical Assistance Cluster Management Facility (Subproject 1) (footnote a). • Close administration support from the ADB project team leader, senior procurement officer, and PAU head within the Indonesia Resident Mission 	<p>PMC Firms (under Output 2)</p> <p>PCO Consultants (Under TA)</p> <p>ADB</p>
The addition of the ADB-funded ESP procurements to the Directorates General's workload will stretch the existing	Medium	<ul style="list-style-type: none"> • Capacity building and advisory assistance of PMO and PIU staff of each DG in contract administration through experienced PMC firms that will be engaged under the ESP to (i) assist with the procurements and project management functions; (ii) ease the contract administration burden on the DGs; (iii) provide formal training in ADB procedures, ADB Standard Bidding Documents and ADB bid evaluation procedures and (iv) provide counterpart on-the-job training. • ADB will engage procurement consultants to strengthen 	<p>PCO Consultants (Under TA)</p> <p>PMC Firms (under Output</p>

resources.		capacity of DGs in consultant selection and management. Procurement consultants will be part of the TORs of PMC firms who will provide operational support to DGs with processing and administering consultants engaged for project preparation purposes.	2)
Risks relating to the accountability of procurements within each Directorates General	Medium	<ul style="list-style-type: none"> • Enforce application of the code of conduct and procurement ethics by each Directorate General. • Procurement quality assurance and strengthening support in transparency issues related to consultant selection and management will be provided on a full-time basis to the OSG of the MPWH through one international and one national project implementation consultant engaged by ADB through Technical Assistance Cluster Management Facility. • Timely conduct and monitoring of follow-up actions of independent audit of the ESP. Project management consultants will support DGs in preparation and follow-up of the annual audit of the ESP per the independent audit TORs agreed between MPWH and ADB. 	(a) PCO Consultants MPWH PMC Firms (Under Output 2)
Procurement reputational risk (bidders only want to participate in agencies which they are familiar with and have the connections causing limited competition)	Medium	<ul style="list-style-type: none"> • ADB will support Pusdatin of MPWH and LKPP to improve its monitoring function, and use the MPWH/SPSE e-procurement generated data/information to enforce the monitoring and publication function more widely • MPWH will maintain regular dialogues with professional associations of consultants. • The use of the panel method will attract more consultants to participate in bidding. • The PMC firms will facilitate interaction with the country's consulting industry in general and with the empanelled firms in particular. 	ADB LKPP MPWH/ PUSDATIN PMC Firms (Under Output 2)
Limited interest of national and international consulting firms in the ESP due to apprehension of working under government contracts	Low	<ul style="list-style-type: none"> • Consultations with the country's consultant community and improvement of the ESP's consultant selection mechanism during implementation. The PMC firms will facilitate interaction with the country's consulting industry in general and with the empanelled firms in particular. • Application of ADB's Guidelines on the Use of Consultants (2013, as amended from time to time), a clear statement in the terms of reference on the review role of ADB in the procurement process and direct payment by ADB to the consultants, and use of sizable (lump-sum) contracts with clear timelines for government action are expected to address the apprehensions of the consultant firms. 	PMC Firms (Under Output 2) ADB PCO Consultants (Under TA) PMC Firms (Under Output 2)

E. Project specific procurement thresholds

85. Except as the ADB may otherwise agree, the following process thresholds shall apply to the procurement of goods and works.

Method	Threshold	Comments
Procurement of Goods		
Shopping for Goods	≤\$100,000	Goods will be part of the PMC firms' contracts. Prior review by ADB of technical specifications and list of price quotations prior to issuance of a purchase order.
Consulting Services		
Quality Based Selection	N/A	Principles of this method will be followed for selection of the panels of consultants for DGWR, DGHS, DGH Selection and updates to the panels will be on prior reviewed by ADB
Quality and Cost Based Selection	above \$200,000	90% for quality and 10% for cost. Default method for selecting consulting firms (i) from the panels for call-down assignments, (ii) for the Jragung multi-purpose dam project, and (iii) as technical and financial assessment consultants (TFAC). First selection from each panel will be prior reviewed by ADB. Selection of consultants for Jragung Dam Project and TFAC will be on prior review basis. For all selections from the panels, RFPs to be prior reviewed by ADB before issuance to the panel members. For this, the PIUs will submit submission 1 form to ADB. Except for the first selection from each panel, technical and financial evaluation and contract negotiations' results will be on post-review basis. ²⁶ After the first year of implementation of the ESP ADB and the MPWH will jointly assess the status and performance of the panel arrangement. If this joint assessment finds no major issues with selection at the call-down stage, then ADB may consider applying post review also to the RFP stage of call-down selections. Under the post-review arrangement, the DGs—before proceeding to the next phase in the selection process—will submit the required submission package to ADB, but will not wait for ADB's approval. Specifically: before proceeding with opening of financial

²⁶ Under post review arrangement in the ESP, the ADB will review DGs' submissions at each step in the consultant selection process, but the DGs may proceed from one step to another (including award of contract) without waiting for the outcome of the ADB review.

		<p>proposal, the DGs will need to submit to ADB the submission 2 form on the results of technical evaluation. Similarly, before proceeding with contract negotiations, the DGs will need to submit to ADB the submission 3 form on results of the evaluation of financial proposals. Finally, before signing the contract, the DGs will need to submit submission 4 form to ADB. In each case, the submissions will need to be submitted to ADB 5 working days before the DGs conduct the next step in the consultant selection process.</p> <p>International and national project implementation specialists recruited by ADB under cluster technical assistance “Sustainable Infrastructure Assistance Program” (C-TA0013-INO) will provide safeguarding assistance to DGs throughout the consultant selection process. The PMOs and PIUs, through PCO, will request the consultants to review the full set of documents required for Submissions 1, 2, 3, and 4 to ensure these are complete and in accordance with ADB Guidelines on the Use of Consultants. Based on this review, the consultants, through PCO, will submit operational memos to ADB on each stage of each consultant selection. The TORs of these consultants are in Appendix 2 of the Project Administration Manual.</p>
Quality and Cost Based Selection	above \$200,000	<p>80% for quality and 20% for cost.</p> <p>Default method for standard selection of consultant firms (such as project management consulting firms to support DGs with ESP implementation and capacity building in public investment management; construction supervision consultants).</p> <p>Selection of these firms will be on prior review basis.</p>

F. Conclusion

86. The conclusion from the project procurement risk assessment is that the legal, regulatory, institutional and staff capacity, information management, procurement practices, and accountability measures are adequate. The risk is **medium**, and the mitigation plan is provided in the P-RAMP section.

Appendix 1: Country Level Procurement Risk Assessment

Question	Yes/No	Narrative Explanation	Risk ²⁷
A. LEGAL AND REGULATORY FRAMEWORK			
1. Is there a procurement law? <i>Is there a single law governing procurement that is consistent with internationally accepted principles and practices; or is procurement governed through various laws, decrees etc.?</i>	Yes	<ul style="list-style-type: none"> The procurement principles for implementation under APBN and APBD funding are stated in Law 18/1999 and PP 29/2000 (as amended by PP 59/2010). MPWH is covered under this law. 	Low
2. Does the procurement law have implementing regulations? <i>Does the procurement law have implementing rules and regulations that support it by providing the details that are not normally found in a law? Are these clear, comprehensive and consolidated as a set of regulations that are available in a single and accessible place? Are these regularly updated?</i>	Yes	<ul style="list-style-type: none"> The detailed procurement rules and regulations in Indonesia are stated in the forms of Keppres or Perpres. The most recent procurement regulations are stated in Perpres 54/2010 (as amended by Perpres 35/2011, 70/2012, and 172/2014) which provides a clear framework that the Perpres, serve as the implementation rules and regulations for the implementation of all laws related to the budget execution for APBN and APBD (including one for the construction works). Procurements by MPWH are governed under these regulations. 	Low
3. Are the procurement law and regulations clear and concise? <i>If there is a single law that is easy to follow, then the risk is "low". If the law is complex and difficult to follow, then the risk is "average". If there is no single law, then the risk is "extremely high" or "high".</i>	Yes	<ul style="list-style-type: none"> Perpres 54/2010 as amended, makes the legal framework quite clear as it is anchored to the highest level legal instrument, i.e. the Laws and the relevant Government Regulations. The current procurement regulations feature significant improvements of the procurement policies and procedures, which adopt more international best practices as well as a number of key CPAR recommendations and are followed by all ministries including MPWH 	Medium
4. What does the procurement law/regulation cover? <i>If there is a single law, the risk will be "low" if it covers drafting and</i>	Yes	<ul style="list-style-type: none"> MPWH is governed by Points 3 and 4 of Article 2 of Perpres 54/2010 which states clearly that the Perpres 54/2010 is 	Medium

²⁷ Risk ratings are extremely high, high, average, and low.

Question	Yes/No	Narrative Explanation	Risk ²⁷
<p><i>use of standard bidding documents, evaluation, contracting through to the management of contracts, including payment, warranty and defects liability periods. The less the procurement process is covered the higher the risk. If there is no single law, then the risk is “extremely high” or “high”.</i></p>		<p>also applicable to all procurements, including donor financed projects, and any exceptions shall require a specific agreement between the respective donor and the Government of Indonesia.</p>	
<p>5. Does the procurement law/regulation cover the procurement of consulting services? <i>If there is a single procurement law that also covers consulting services, then the risk is “low”. If consulting services are not covered, or there is no law, then the risk is “extremely high” or “high”.</i></p>	Yes	<ul style="list-style-type: none"> • Presidential Decree No. 80/2003 / Presidential Regulation No 54/2010 and No 35/2011 cover the procurement of consulting services and is followed by MPWH for its procurements. 	Low
<p>6. Does the procurement law/regulation differentiate between processes for goods, works and consulting services? <i>If there is a single law that deals separately with consulting services, then the risk is “low”. If there is a single law that provides some differentiation, but the processes are similar, then the risk is “average”. If there is no single law, or it applies the same processes to consulting services as for goods and works, then the risk is “extremely high” or “high”.</i></p>	Yes		Medium
<p>7. Does the law/regulation require the advertisement of all procurement opportunities? <i>A “low” risk may be indicated if advertisement is required for all procurements above \$25,000. An “average” risk may be indicated if advertisement is required only for procurements above \$100,000. A “high” risk may be indicated if advertisement is required for all procurements above a threshold that is higher than \$100,000. An “extremely high” risk should be indicated if no advertisement is required.</i></p>	Yes		Low
<p>8. Are contract awards advertised?</p>	Yes	<p>The e-procurement system requires all processes are recorded in the system, including</p>	Low

Question	Yes/No	Narrative Explanation	Risk ²⁷
		the winner of the contract package.	
<p>9. Are there restrictions on goods, works and services on the basis of origin? <i>If there is no limitation, restriction and/or preference scheme, then the risk is "low". If there are restrictions or a national preference scheme, then the risk is "average". If procurement is solely limited to those of national origin, then the risk is "extremely high" or "high".</i></p>	Yes	<ul style="list-style-type: none"> As per Article 98 of the Perpres 54/2010, as amended, domestic preference of 15% (for goods) and 7.5% (for construction works) for APBN financed contracts above IDR 5 billion (USD 410,000 equivalent) up to December 31, 2013 and above IDR 1 billion (USD 82,000 equivalent) starting January 1, 2014 is applicable, or in the case of foreign/donor financing this domestic preference is only applicable to international competitive bidding (ICB) procedures. 	Medium
<p>10. Does the procurement law or relevant legislation and regulation provide acceptable provisions for the participation of state-owned enterprises (SOEs)? <i>If an exception is given to SOEs that are legally and financially autonomous and are not dependent agencies of the purchaser/employer, then the risk is "low". Otherwise, the risk is "extremely high" or "high".</i></p>	Yes	<p>The Perpres 54/2010, as amended, guides procurement of budget entities only. SOEs are allowed to bid for contracts of budget entities and are to be treated in the same manner as other bidders.</p> <p>Procurement financed by SOE funds is subject to procurement procedures adopted by the SOEs.</p>	Medium
<p>11. Are there restrictions on the nationality of bidders and consulting firms to be invited? <i>If there is no limitation, restriction and/or preference scheme, then the risk is "low". If there are nationality restrictions or a national preference scheme, then the risk is "average". If procurement is solely limited to national firms and individuals, then the risk is "extremely high" or "high".</i></p>	Yes	<ul style="list-style-type: none"> Foreign firms may only participate for contracts above IDR 100 billion (for works – USD 8.2 million equivalent), IDR 20 billion (for goods – USD 1.6 million), and IDR 10 billion (for consultancy services – USD 800,000 equivalent). Although it is open to foreign firms, there are several requirements that foreign firms must meet before they are eligible to participate, e.g., mandatory requirements to have joint venture (with limited maximum percentage of shares for foreign partners) with local firms, mandatory hiring of local key staff, and existence of a representative office in Indonesia. 	High
<p>12. Are foreign bidders and consultants forced to submit offers</p>	Yes	<ul style="list-style-type: none"> As per Articles 96 and 104 of the Perpres 54/2010, as 	High

Question	Yes/No	Narrative Explanation	Risk ²⁷
<p>through or with local partners? <i>If this is never required, then the risk is "low". If this is required under certain circumstances, then the risk is "average". If this is always required, then the risk is "extremely high" or "high".</i></p>		<p>amended, all foreign bidders are required to form associations with local firms before they can be eligible to participate in the procurement.</p>	
<p>13. Is there a domestic preference scheme? <i>If there is no scheme, then the risk is "low". If it is applied in limited circumstances, then the risk is "average". If a domestic preference scheme is applied across the board, then the risk is "extremely high" or "high".</i></p>	Yes	<ul style="list-style-type: none"> Ref Article 104 of the Perpres 54/2010 (as amended) requires that the procurement of goods, works and services is only open for Indonesian firms only, while foreign firms may participate for contracts above USD 8.2 million (works) and USD 1.6 million (goods). 	High
<p>14. Is there a national standard mandated for the use for quality control purposes? <i>If there are no mandated national standards or if these have direct and accessible international equivalents, then the risk is "low". If there are mandated national standards that have no international equivalents, then the risk is "high".</i></p>	No	<p>Perpres 54/2010 does not specify the procedure of standard quality procedures, but requirement to include quality control aspects in procurement processes.</p>	Low
<p>15. Are any agencies or parts of public expenditure exempt from the procurement law/regulation? <i>If yes, such as defense equipment, then the risk may range from "average" to "extremely high, depending on the extent of the exemption. For example, if an exemption is outrightly granted to medicines, text books or other similar commodities, then the risk is "extremely high".</i></p>	No	<p>Perpres 54/2010 and its amendment governs that procurement of defense equipment follows the procurement procedures established by the respective agencies.</p>	Medium
<p>16. Is the default method for procurement open competition? <i>If yes, then the risk is "low". If no, or if it is not clearly established, then the risk may be "extremely high" or "high".</i></p>	Yes	<ul style="list-style-type: none"> Competitive procurement methods (i.e. the general and limited bidding, and direct/simple selection methods) are stated as the default, as opposed to non-competitive procurement methods (i.e. direct contracting). The thresholds for direct/simple selection methods are: USD 400,000 for goods and works, and USD 80,000 for consultant services, above which general and limited bidding procedures 	Low

Question	Yes/No	Narrative Explanation	Risk ²⁷
		must be followed.	
<p>17. Is open competition easily avoided? <i>If avoidance requires the approval of an oversight agency, then the risk is "low". If open competition can be avoided by senior management decision, then the risk is "average". If the procurement law/regulation allows the avoidance of open competition above a certain national threshold on the basis of circumstances that are not in response to natural disasters, i.e. simple urgency, then the risk is "extremely high" or "high".</i></p>	Yes		Medium
<p>18. Does the procurement law/regulation require pre-qualification? <i>If it is only for complex or high value contracts, then the risk is "low". If no pre-qualification is allowed, then the risk is "average". If it applies to all contracts, then the risk is "high".</i></p>	Yes		Low
<p>19. Does the procurement law/regulation require the pre-registration of bidders? <i>If no pre-registration is required, then the risk is "low". If it is only required for special types of goods, such as medicines, then the risk is "average". If yes, then the risk is "extremely high" or "high".</i></p>	Yes	<ul style="list-style-type: none"> • The use of e-GP for public procurements require pre-registration of bidders 	Low
<p>20. Does the procurement law/regulation mandate the use of standard documents? <i>If it does and there are documents for goods, works and consultants services, then the risk is "low". If it is required just for only two of the three procurement types, then the risk is "average". If it is required for only one of the procurement types, or it is required but no documents have yet been issued, then the risk is "high". If standard documents are not required, then the risk is "extremely high".</i></p>	Yes	<ul style="list-style-type: none"> • There are standard bidding documents available for national competitive bidding (NCB) for most types of basic procurement for goods, works, and non consulting services. • Under the mandate of newly issued Perpres 157/2014, LKPP is currently preparing for review and revision of Perpres 67/2005 to amend the procurement procedures and regulations related to PPP works and contracts. 	Medium
<p>21. Have these standard documents been approved for use on ADB projects? <i>If yes, then the risk is "low". If some, but not all, then the risk is</i></p>	Yes	<ul style="list-style-type: none"> • ADB has suggested in its CPS that a single umbrella Memorandum of Understanding be signed 	Medium

Question	Yes/No	Narrative Explanation	Risk ²⁷
<p><i>“average”. If no, then the risk is “extremely high” or “high”.</i></p>		<p>between ADB and the Government to clarify that the ADB Procurement Guidelines shall be applied for all ADB financed projects, which includes a provision for the use of National Competitive Bidding (currently the procurement procedure in Indonesia defined in the Perpres 54/2010, as amended)</p>	
<p>22. Is there a national procurement manual or guide? <i>If an omnibus procurement manual or guide exists, then the risk is “low”. If a manual exists, but it is out of date or is not widely used/distributed, then the risk is “average”. If there is no manual, then the risk is “extremely high” or “high”.</i></p>	Yes	<ul style="list-style-type: none"> The procedures to be followed for national competitive bidding are those (i.e. Pelelangan Umum, Pelelangan Sederhana, Pelelangan Terbatas, and Pemilihan Langsung) set forth in Presidential Decree No 54/2010 of the Republic of Indonesia, dated August 6, 2010 and its Amendments. It is applicable for all ADB financed projects. 	Low
B. INSTITUTIONAL FRAMEWORK			
<p>23. Which body oversees public procurement? <i>If there is a regulatory body at an adequate level in government, and financing is secured by the legal/regulatory framework, then the risk is “low”. If the body is at an adequate level, but financing is subject to administrative decisions and can be changed easily, then the risk is “average”. If the level of the body is too low or financing is inadequate for proper discharge of its responsibilities, then the risk is “high”. If there is no body, or the body is too low with no independence to perform its obligations, then the risk is “extremely high”.</i></p>	Yes	<ul style="list-style-type: none"> LKPP was established in 2007, and commenced full operations in 2009. The establishment of LKPP was made through the Perpres 106/2007 as recently amended by Perpres 157/2014). The Agency was established following one of the key CPAR recommendations. LKPP undertakes the functions of public policy formulation procurement implementation and oversight functions. LKPP has played a key role in improving national procurement regulations and practices. 	Medium
<p>24. What powers does the oversight body have? <i>The rating may range from “low” to extremely high”, depending on whether the body exercises all, some, a few or none of the following responsibilities: providing advice to contracting entities, drafting amendments to the legal/regulatory framework, monitoring public procurement,</i></p>	Yes	<ul style="list-style-type: none"> LKPP has the power to formulate government procurement policy and regulations; give public procurement-related technical guidance and advocacy; as well as facilitate the conduct of the public procurement specialist certification examinations. 	Medium

Question	Yes/No	Narrative Explanation	Risk ²⁷
<p><i>providing procurement information, managing statistical databases, reporting on procurement to other parts of government, developing/supporting the implementation of initiatives for improvements to the public procurement system, and providing implementation tools and documents to support capacity development.</i></p>			
<p>25. Is there a nationwide procurement training plan? <i>If procurement trainings are regularly implemented nationwide and needs are regularly assessed, then the risk is "low". If there is an existing program, but it is insufficient to meet national needs, then the risk is "high". If there is no formal training program, then the risk is "extremely high". Consider also the existence of a helpdesk.</i></p>	Yes	<ul style="list-style-type: none"> • Not sufficient to cover nationwide. 	High
<p>26. Is there a procurement accreditation or professionalization program? <i>If there is an externally recognized program, then the risk is "low". If it is a government sponsored program, then the risk is "average". If there is no accreditation or professionalization program, then the risk is "high".</i></p>	Yes	Through LKPP	Medium
<p>27. Are major projects identified within agencies' appropriations or budgets? <i>If yes, then the risk is "low". If no, but a system is in place for the ring-fencing of project funds, then the risk is average. If neither condition exists, then the risk is "high".</i></p>	Yes		Medium
<p>28. Is the procurement cycle tied to an annual budgeting cycle, i.e. can procurement activity only commence once a budget is approved? <i>If yes, and a medium-term expenditure framework is in place, then the risk is "low". If an activity may start up to, but excluding contract award, then the risk is "average". If the procurement cycle is not tied to an annual budget, then the risk is "extremely high" or</i></p>	Yes	<ul style="list-style-type: none"> • This option is available in the current Law, however, details must be scrutinized 	Medium

Question	Yes/No	Narrative Explanation	Risk ²⁷
<i>“high”.</i>			
<p>29. Once an appropriation or budget is approved, will funds be placed with the agency or can the agency draw them down at will? <i>If yes, then the risk is “low”. If not, such as when additional bureaucratic controls are imposed (such as a cash release system), then the risk is “extremely high” or “high”.</i></p>	Yes	<p>Each project has its budget execution document (DIPA) that defines the annual allocation. Agencies are allowed to sign contracts only if DIPA is final and confirmed. For each contract under the project (as part of DIPA allocation), the payments are processed thru the national treasury office.</p>	Low
<p>30. Is there a nationwide system for collecting and disseminating procurement information, including tender invitations, requests for proposals, and contract award information? <i>If there is an integrated information system that provides up-to-date information and is easily accessible at no or minimum cost, then the risk is “low”. If there is such an integrated information system that covers majority of contracts, but access is limited, then the risk is “average”. If there is a system, but it only provides information on some of the contracts and is not easily accessible, then the risk is “high”. If there is no procurement information system, except for some individual agency systems, then the risk is “extremely high”.</i></p>	Yes	Through e-GP	Medium
<p>31. When an agency is implementing a project using funds from the national budget, are there general experiences/reports of funding delays that significantly hamper procurement? <i>If no, then the risk is low. If yes, then the risk is “extremely high” or “high”.</i></p>	Yes		High
<p>32. Is consolidated historical procurement data available to the public? <i>If yes, then the risk is “low”. If the data is too much or too little, then the risk is “average”. If none, then the risk is “extremely high” or “high”.</i></p>	Yes	LKPP smart report, accessible through http://report-lpse.lkpp.go.id/	Medium
<p>33. Does the law/regulation require the collection of nationwide statistics on procurement?</p>	Yes		Medium

Question	Yes/No	Narrative Explanation	Risk ²⁷
<p><i>If yes and statistics are actually collected, then the risk is “low”. If yes, but data is not collected or used, then the risk is “average”. If there is no requirement, then the risk is “extremely high” or “high”.</i></p>			
C. PROCUREMENT MARKET AND OPERATIONS			
<p>34. Do formal mechanisms exist to encourage dialogue and partnerships between the government and the private sector, and are these well established in the procurement law/regulation? <i>If such mechanisms exist, such as programs to build the capacity of private companies and small businesses to participate in public procurement, and these are effective, then the risk is “low”. If such mechanisms exist, but there is no proof of its effectiveness, then the risk is “average”. If no such mechanisms exist, then the risk is “extremely high” or “high”.</i></p>	Yes		Medium
<p>35. Are private sector institutions well organized and able to facilitate access to the market? <i>If the private sector is competitive, well organized and able to participate in open competition, then the risk is “low”. If there is a reasonably well functioning private sector, but competition for large contracts is concentrated in a relatively small number of firms, then the risk is “average”. If the private sector is relatively weak and/or competition is limited owing to monopolistic or oligopolistic features in important segments of the market, then the risk is “high”. If the private sector is not well organized and lacks capacity and access to information for participation in the public procurement market, then the risk is “extremely high”.</i></p>	Yes	<ul style="list-style-type: none"> • For large contract the number of competitive private sector players are limited. The perceptions are that several contractors are reluctant to participate in large government contracts. 	Medium
<p>36. Is there an alternative disputes resolution process independent of the government and courts? <i>If there is an arbitration law with an independent process, then the risk is “low”. If there is no arbitration law, but the standard contracts use ICC or similar dispute resolution</i></p>	Yes	<ul style="list-style-type: none"> • LKPP receives and resolves complaints and protests (second degree of protest) on a regular basis 	Medium

Question	Yes/No	Narrative Explanation	Risk ²⁷
<p><i>provisions, then the risk is “average”. If alternative dispute resolution is not practiced, or if arbitration is through the courts or can be overturned by the courts, then the risk is “extremely high” or “high”.</i></p>			
D. INTEGRITY OF THE PROCUREMENT SYSTEM			
<p>37. Are there systematic procurement process audits? <i>If yes, then the risk is “low”. If only financial audits are conducted, then the risk is “average”. If no systematic audits are conducted, then the risk is “extremely high” or “high”.</i></p>	No	<ul style="list-style-type: none"> The guidance on conducting procurement process audit is missing 	High
<p>38. Does the procurement law/regulation contain provisions for dealing with misconduct, such as fraud and corruption? A cross reference to an anti-corruption law will suffice. <i>If yes, then the risk is “low”. If no, then the risk is “extremely high” or “high”.</i></p>	Yes		Low
<p>39. Is fraud and corruption in procurement regarded as a criminal act, whereby the penalty includes imprisonment? <i>If yes, then the risk is “low”. If no, then the risk is “extremely high” or “high”.</i></p>	Yes		Low
<p>40. Have there been prosecutions for fraud and corruption? <i>If there have been successful prosecutions for fraud and corruption, then the risk is “low”. If prosecutions seem to focus solely on low grade/junior staff, then the risk is “average”. If there is no evidence of any prosecution, then the risk is “extremely high” or “high”.</i></p>	Yes		Low
<p>41. Does the legal/regulatory framework allow for sovereign immunity to agencies for claims against them? <i>If plaintiffs can sue the government for contractual non-performance, then the risk is “low”. If they cannot, then the risk is “extremely high” or “high”.</i></p>	Yes	There were several cases where the agencies were asked by the court to give compensation to the contractor due to contract breach.	Low
<p>42. Do the regulations allow for the debarment of firms and</p>	Yes		High

Question	Yes/No	Narrative Explanation	Risk ²⁷
<p>individuals? <i>If there is a debarment process that is transparent and equitable, and undertaken by an independent oversight agency, then the risk is "low". If there is a process and it is administered by a single agency, such as the Ministry of Finance, then the risk is "average". If it is administered by the procuring agency, then the risk is "high". If there is no debarment mechanism, then the risk is "extremely high".</i></p>			

Summary:

Criterion	Risk
A. Legal and Regulatory Framework	Medium
B. Institutional Framework	Medium
C. Procurement Market and Operations	Medium
D. Integrity of the Procurement System	Medium
OVERALL RISK RATING	Medium

**Appendix 2: Sector Procurement Risk Assessment
–Ministry of Public Works and Housing**

Indicators/Questions	Sector/Agency Questions	Score	Narrative
1. Legislative and Regulatory Framework			
1.1 Does the national public procurement law (including supporting regulations, standard bidding documents and operational manuals/guides) apply to the sector?	<p>Is the sector exempted by legislation from being subject to the national public procurement law? Even if subject to the national public procurement law, does the sector tend to follow it?</p> <p>Do agencies in the sector use government-issued public procurement manuals or guidance?</p> <p>Have government-issued documents been tailored to meet sector requirements? In absence of government-issued documents, does the sector have its own standard bidding documents/guidelines?</p>	3	<p>The sector/agency is subject to national procurement law and follows it. Generally use the national procurement processes. The sector has its own downstream regulations that translate the government law and regulation in a more detail or to include additional requirements not covered by the government law and regulation.</p> <p>The sector issues several guidelines related with the procurement, and bidding documents consistent with those issued by LKPP.</p> <p>The ministry provides an electronic procurement service in its website. The ministry also pioneered to provide and develop the electronic procurement system before other government organizations did.</p>
1.2 Is the supply market for the sector sufficiently competitive to give full effect to the national procurement law and/or open competitive tendering?	<p>Is competitive bidding a common feature under the sector? Is there a core of suppliers in the sector who regularly submit responsive bids? What proportion, by %, of the sector's procurement is undertaken through open competitive bidding? What is the average number of bidders for publicly bid contracts? Do EAs tend to make sufficient efforts to attract bids (e.g. adequate advertising, bidding periods)? Is there availability and quality of suppliers, labor force and/or related goods and services in the domestic market?</p>	3	<p>Competitive bidding is consistent; almost 100% contracts are resulted from competitive bidding. Direct contract and single sources selection are eyes catching. There is indication that the EAs avoid this practice either because it needs cumbersome approval process or avoid risk of being accused of corruption.</p> <p>For large contract there is 3 to 6 bidders submitted bids but for medium to small contracts the number of bidder submitted bids 6 to 8.</p> <p>All EAs already use E-procurement. To attract bids, the EAs post a procurement plan in its website, the plan consists of list of packages to be tendered. Each package to be tendered is advertised in the E-procurement system. Advertisement can consist of several packages to be tender. Note: Procurement of packages financed by foreign fund has not fully used EA's E-Procurement system. It is being discussed and</p>

Indicators/Questions	Sector/Agency Questions	Score	Narrative
			piloted in several packages. Availability and quality of suppliers, labor force and/or related goods and services in the domestic market are adequate.
1.3 If there is a sector specific legal framework, does it support non-discriminatory participation, transparent tender processes (including advertisement, tender documentation, tender evaluation, complaints mechanism)?	Has the sector adopted non-discriminator, transparent tender processes? What is the average number of bidders for publicly bid contracts?	2	Transparent and non-discrimination of tender process are amongst values of the sector procurement regulations. However, additional requirements are imposed to foreign bidders such as requirement to be in partnership with national bidders, establishment of a representative in the country, and maximum share of capital in the partnership. The average number of bidder for small and medium contract is higher than for large contract. The average number for small and medium contracts is 6-8, while for large contract is 3-6 bidders.
1.4 Is the sector subjected to excessive regulation or government control such that competition is limited or non-existent?	Does the sector apply a domestic preference scheme? Does the sector require pre-registration of bidders? Are there acceptable provisions in the sector for the participation of State Owned Enterprises?	3	The sector regulation allows preference for domestic content of the product to be purchased but not widely implemented. Foreign bidders may participate only for above certain thresholds. There are more than 130,000 contractors in Indonesia of which about 2,400 are classified as big contractor (for above IDR 2.5B size contract) and 18,000 classified as medium. Although there is no regulatory restriction, but the number of biggest contractors participate in large packages (IDR 100B or above) are limited, and dominated by state-owned enterprises. There are a few large contractors reluctant to participate in the public tender. There is no clear reasons for that but some sources of information say that due to cumbersome procedures, un-match qualification, and there are enough market in the private sector.
2. Institutional Framework and Management Capacity			
2.1 Is the procurement cycle in the sector required to be tied to an annual	Are procurement plans in the sector prepared on as part of the budget planning and formulation process?	3	Preparation of draft Procurement Plan and budget allocation in following FY are an iterative procedure. The plan is finalized

Indicators/Questions	Sector/Agency Questions	Score	Narrative
budgeting cycle (i.e. can a procurement activity commence only when budget has been duly appropriated for it?	Do systems and processes in the sector or key agencies in the sector require certification of availability of funds before solicitation of tenders?		when the FY budget is already approved by parliament. Procurement process may start in advance of budget is issued by the MOF. The Implementation Unit can only award the contract after the budget has been formally issued by MOF.
2.2 Does the system foster efficiency through the use of adequate planning?	Does the sector, or key agencies in the sector, have a formalized procurement planning process(s)?	3	There is an annual procurement plan prepared by EAs. There is also multiyear plan prepared but not in that detailed and not a mandatory action.
2.3 Does the procurement system in the sector feature an oversight/regulatory body?	Does the sector fall under the remit of the national oversight/regulatory body? If a national body does not exist, is there a sector-specific body that oversees/regulates procurement?	3	LKPP provides an oversight/regulatory body.
2.4 Is there a public procurement capacity development or professionalization program?	What proportions of procurement-related officers and staff in the sector have been trained under the national or sector capacity development program or participated in any formal procurement training program?	3	100% of procurement staff are procurement certified following the national certification system The ministry conducts procurement courses participated by staffs from many provinces.
3. Procurement Operations and Market Practices			
3.1 Is private sector competitive, well organized and able to access the sector market?	Is the private sector well organized and able to access the sector market? Do civil society organizations regard public procurement in the sector to be open and accessible to the market?	2	Private sector can access to the public sector tender. They are well organized. The market in private sector is even bigger than those of public sector and apparently the private firms prefer to participate in the private tender instead of public sector. Civil society organization or public can access to the public tender. Their roles in are increasing in the recent years, including those working on anti-corruption issue and watching public procurement.
3.2 Do measures exist in the sector to ensure the adequacy and accuracy of cost estimates before bidding, and to manage contract	What percentages of contracts are awarded for values less than the original cost estimates? What percentage of contract variations amount to a cumulative impact of more	3	The government regulation regulates methods for preparation of cost estimate. Each EA also refer to the list of unit prices issued by Bureau of Statistic and the one prepared by local government where the work site is located. Based on monitoring data from

Indicators/Questions	Sector/Agency Questions	Score	Narrative
price variations?	than 10% of the original contract price?		<p>LKPP, the success bids cost about 10% to 20% less than owner cost estimate.</p> <p>Allowable variation to each contract is 10%. It is very rare that the cumulative impact is more than 10%. The implementation unit always avoids this because it requires lengthy process of approval and difficult budget administration system.</p>
3.3 Is there a mechanism in the sector to receive and handle observations, complaints and protests?	<p>Are there sector-specific procedures to receive and handle observations, complaints and protests?</p> <p>Are complaints and protests in the sector processed within the maximum time limit provided for in the law?</p> <p>Have bidders used the complaint and protests mechanisms?</p>	3	<p>The complaint or protest on a procurement protest is allowed by regulation. It should be sent to the committee in 5 days at the latest after the announcement. If clarification/explanation provided by the committee is not acceptable the complainer can send another complaint with a certain amount of money as a guaranty, and the committee temporarily stop procurement process until the issue is settled.</p> <p>Complaint can also be sent or copied to LKPP.</p> <p>The complaint mechanism has been used by the bidders.</p>
4. Integrity and Transparency of the Sector Public Procurement System			
4.1 Is there a formal internal control and audit framework in the sector?	<p>Do key agencies in the sector have an independent internal audit function?</p> <p>Do key agencies in the sector have adequate internal control mechanisms to oversee the procurement function?</p> <p>Are key agencies in the sector subjected to regular performance or value for money audits?</p> <p>Are key agencies in the sector subjected to annual financial audits?</p> <p>Are internal or external audit findings/recommendations acted on in a timely fashion?</p>	2	<p>The major weakness is that there is no specific obligation yet on procurement audit. It is so far still part of financial audit.</p> <p>The Inspectorate General (IG) of each EA carries out internal control function, administrative, technical as well as financially but it is not a formal audit process and their technical capacity is weaker.</p> <p>With regard to procurement function, the IG also check it in their annual visit to the implementation unit but its role more to help and guide than to punish.</p> <p>In addition to IG, All implementing agencies under the EA is audited by external auditors (BPKP if it uses APBN, and by BPK if it use APBD) as well. All findings found by the auditor should be followed up by audited units, and the pending matters is rolled over to next year audit.</p>

Indicators/Questions	Sector/Agency Questions	Score	Narrative
4.2 Is information pertaining to public procurement in the sector easy to find, comprehensive and relevant?	<p>What percentage of bids is published in a medium that is easily and freely accessible? Can bidders easily and freely access bid information? What is the percentage of contract awards announced in medium that is easily and freely accessible? Are third party observers invited to attend public biddings?</p>	3	<p>With the latest system of E-procurement all the bids are published in the website of each EA and can be assessed publically. It reduces the cost of advertising it the newspaper. However, to access more detail information on a bid one need to register and get a password, the process is simple and at no cost. Once the tender process is completed all the results can also be access by public in the E-procurement system. As the all tenders are done through electronic system, there is no room for the third party to attend the process.</p>
4.3 Does the sector have ethics and anticorruption measures in place?	<p>Are there sector-specific procedures to verify a bidder's legitimate existence, track records, financial capacity and capacity to complete the job? Are there sector-specific procedures to rate performance and/or debar bidders, supplier, contractors and consultants for ethical or integrity violations? Does the sector, or key agencies in the sector, maintain a register of debarred suppliers, contractors and consultants? Are there sector-specific integrity principles and guidelines?</p>	3	<p>The sector has an active anticorruption/ Integrity program(s) in place; the sector has mechanisms to debar firms for failure to perform and/or integrity violations; the sector has sufficient supplier due diligence processes; the sector has clear policy, procedures and/or frameworks governing conflict of interest.</p>

Appendix 3: Procurement Risk Assessment Summary – *DG of Water Resources*

<p>Implementing units:</p> <ul style="list-style-type: none"> • Directorate of Water Development (host of ESP PCO at DGWR) • Directorate of irrigation and low land (will have ESP PIU) • Directorate of river and coastal management (will have ESP PIU) • Center for ground- and bulk-water development (will have ESP PIU) • Center for dams (will have ESP PIU)
<p>Functions: refer to Appendix 10</p>

Indicators/Questions	Initial Country Score from OECD/DAK BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
1. Legislative and Regulatory Framework	<i>Medium</i> 1.88	<i>Medium</i> 2.75	<i>Medium</i> 3	For Initial country scores, only average scores against the Indicator are taken from OECD/DAK BLIs report, as sub-indicators used are different from those we are using in this assessment tool.
1.1 Does the national public procurement law (including supporting regulations, standard bidding documents and operational manuals/ guides) apply to the sector?		3	3	The Agency strictly follows the national procurement regulations (i.e. Perpres 54/2010 as amended) and the related laws. The Sector also adopts the national SBD (the ones as issued by LKPP) as required, and it customizes as required, or develops its own for those that are not available at national level, for example: SBD for large construction works, or special construction works. Implementation guidelines are also available in the Sector as issued by the Minister of Public Works and Housing, to guide procurement in the sector, consistent with the national procurement regulations.
1.2 Is the supply market for the sector sufficiently competitive to give full effect to the national procurement law and/or open competitive tendering?		3	3	As required at national level, competitive bidding is the default procurement method for the Sector (covering almost 100% of the procurement in FY 2014). There are adequate number of contractors and suppliers in the Sector. An average of 10 firms participating in the procurement of smaller contracts, while there are about 7 firms participating in larger contracts.
1.3 If there is a sector specific legal framework, does it support non-discriminatory participation, transparent		3	3	The Sector adopts non-discriminatory and transparent tender process. All rejection of bids is publicly notified in the

Indicators/Questions	Initial Country Score from OECD/DAK BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
tender processes (including advertisement, tender documentation, tender evaluation, complaints mechanism)?				existing feature of the e-procurement. However, certain requirements are imposed to foreign bidders and the average number of bidder for large contracts is limited.
1.4 Is the sector subjected to excessive regulation or government control such that competition is limited or non-existent?		2	3	<p>The national regulations allow the application of domestic preference. However, based on the implementation of FY 2014, there is no contract applying such preference. There is also common practice within the Sector not to encourage the application of domestic preference, as it is viewed less efficient (of paying higher prices for domestically manufactured goods/equipment or domestic contractors).</p> <p>No pre-registration process is required to enter into a bidding, except the vendor registration under the e-procurement system. There is no regulatory limitation that hinder the competition in the regulation, but the number of bidders participated in large contracts are limited. State Owned Enterprises are free to enter into competition, as long as the firms are legally autonomous (i.e. they are limited companies under the supervision of the Ministry of State Owned Enterprise).</p> <p>DPWR has sufficient experience in procuring nationally and internationally</p>
2. Institutional Framework/ Management Capacity	<i>Medium</i> 1.65	<i>Medium</i> 2.00	<i>Medium</i> 3.00	
2.1 Is the procurement cycle in the sector required to be tied to an annual budgeting cycle (i.e. can a procurement activity commence only when budget has been duly appropriated for it)?		2	3	The procurement is prepared as part of budget implementation exercise. Procurement activity may commence prior to budget approval with certain remarks in its advertisement, but the contract shall be awarded only after the budget has been duly approved.
2.2 Does the system foster efficiency through the use of adequate planning?		2	3	There is a regular planning exercise that starts with the preparation of multiyear operating plans followed by annual procurement plans with

Indicators/Questions	Initial Country Score from OECD/DA K BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
				associated expenditures that forms part of the annual budget formulation process.
2.3 Does the procurement system in the sector feature an oversight/regulatory body?		3	3	LKPP provides an oversight/regulatory role.
2.4 Is there a public procurement capacity development or professionalization program?		1	3	100% of procurement staff are procurement certified following the national certification system developed by LKPP.
3. Procurement Operations/ Market Practices	<i>Medium</i> 1.78	<i>Medium</i> 2.33	<i>Medium</i> 2.67	
3.1 Is private sector competitive, well organized and able to access the sector market?		2	2	There is a reasonable well-functioning private sector serving the agency but competition for large contracts is concentrated in a relatively small number of firms. The roles of CSO working on anti corruption issue and watching public procurement is increasing in the recent years.
3.2 Do measures exist in the sector to ensure the adequacy and accuracy of cost estimates before bidding, and to manage contract price variations?		2	3	The national procurement regulation provides general guidance on the preparation of cost estimates. For large contracts, the Minister issued a regulation stipulating the requirement to get endorsement of the cost estimates and evaluation criteria from DG before bidding. In fact, the DG usually ask the Inspectorate General help to ensure the adequacy and accuracy of cost estimates. All contracts are awarded below the original cost estimate, and no contract variation is allowed where the cumulative impact of the variation is more than 10% of the original contract value.
3.3 Is there a mechanism in the sector to receive and handle observations, complaints and protests?		3	3	The complaint review system has precise and reasonable conditions and timeframes for decision with clear enforcement authority and mechanisms; all complaints are processed with stipulated timeframes.
4. Integrity and Transparency of the Public Procurement System	<i>Medium</i> 2.07	<i>Medium</i> 2.67	<i>Medium</i> 2.67	
4.1 Is there a formal internal				There is no specific obligation yet

Indicators/Questions	Initial Country Score from OECD/DA K BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
control and audit framework in the sector?		2	2	on procurement audit. It is so far still part of financial audit. The audit is done by internal, as well as external auditors. Internal audit function is conducted by the Inspectorate General.
4.2 Is information pertaining to public procurement in the sector easy to find, comprehensive and relevant?		3	3	Yes.
4.3 Does the sector have ethics and anticorruption measures in place?		3	3	The sector has an active anticorruption/ Integrity program(s) in place; the sector has mechanisms to debar firms for failure to perform and/or integrity violations; the sector has sufficient supplier due diligence processes; the sector has clear policy, procedures and/or frameworks governing conflict of interest.
OVERALL SCORES	<i>Medium</i> 1.84	<i>Medium</i> 2.44	<i>Medium</i> 2.83	

Summary:	
Main risk:	<p>(i) Lack of experience of procurement staff with the panel arrangement;</p> <p>(ii) Delays due to potential problems with use of panel approach in MPWH e-proc system and migration of MPWH e-proc system to LKPP system in H2/2016</p> <p>(iii) The procurement process is less accountable because there is no specific procedure for procurement audit in governmental task.</p>
Mitigation measures:	<p>(i) Advance capacity building (by ADB procurement experts and consultants) of the DGWR's procurement committees and ULPs in procurement under ADB financed projects, with special attention to the use of the panel arrangement for consultant selection.</p> <p>(ii) Experienced project management and procurement consultants should be engaged for DGWR to (a) assist with the procurements and project management functions, (b) ease the contract administration burden on DGWR, and (c) provide on-the-job training in ADB procurement.</p> <p>(iii) Assist MPWH (thru ADB procurement consultant) to adjust LKPP's SPSE to accommodate the panel arrangement; and conduct hands-on training for ULPs.</p> <p>(iv) Assist LKPP and MPWH (thru ADB procurement consultant) to assess needs for seamless migration of the panel arrangement from the MPWH e-proc system to the LKPP system in H2/2016 when all government agencies will have to use the LKPP's electronic</p>

procurement system.

(v) Improve monitoring and publication function more widely, develop procurement audit system, seek feedback from professional associations of contractors/consultants to get their input on the business climate scorecards, and adopt flexible approach to the requirements for foreign bidders to submit EOIs and RFPs for contract assignments;

(vi) Enforce application of code of conduct and procurement ethics, partnership with external auditor (BPK) and anti-corruption commission (KPK) to update mapping of potential corruption areas in procurement, collaborate with CSO for preventing fraud and corruption, enforce the mandatory requirement for procurement audit.

Classification:

Medium risk

Appendix 4: Procurement Risk Assessment Summary – DG of Human Settlement

Implementing units: <ul style="list-style-type: none"> • Directorate of Integration of Infra & Settlements (host of ESP PCO at DGWR) • Directorate of Drinking Water Supply System Development (will have ESP PIU) • Directorate of Settlement Sanitation Development (will have ESP PIU)
Functions: refer to Appendix 10

Indicators/Questions	Initial Country Score from OECD/DAK BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
1. Legislative and Regulatory Framework	<i>Medium</i> 1.88	<i>Medium</i> 2.75	<i>Medium</i> 3	For Initial country scores, only average scores against the Indicator are taken from OECD/DAK BLIs report, as sub-indicators used are different from those we are using in this assessment tool.
1.1 Does the national public procurement law (including supporting regulations, standard bidding documents and operational manuals/ guides) apply to the sector?		3	3	The Agency strictly follows the national procurement regulations (i.e. Perpres 54/2010 as amended) and the related laws. The Sector also adopts the national SBD (the ones as issued by LKPP) as required, and it customizes as required, or develops its own for those that are not available at national level, for example: SBD for large construction works, or special construction works. Implementation guidelines are also available in the Sector as issued by the Minister of Public Works and Housing, to guide procurement in the sector, consistent with the national procurement regulations.
1.2 Is the supply market for the sector sufficiently competitive to give full effect to the national procurement law and/or open competitive tendering?		3	3	As required at national level, competitive bidding is the default procurement method for the Sector (covering almost 100% of the procurement in FY 2014). There are adequate number of contractors and suppliers in the Sector. An average of 10 firms participating in the procurement of smaller contracts, while there are about 7 firms participating in larger contracts.
1.3 If there is a sector specific legal framework, does it support non-discriminatory participation, transparent tender processes		3	3	The Sector adopts non-discriminatory and transparent tender process. All rejection of bids is publicly notified in the existing feature of the e-

Indicators/Questions	Initial Country Score from OECD/DA K BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
(including advertisement, tender documentation, tender evaluation, complaints mechanism)?				procurement. However, certain requirements are imposed to foreign bidders and the average number of bidder for large contracts is limited.
1.4 Is the sector subjected to excessive regulation or government control such that competition is limited or non-existent?		2	3	<p>The national regulations allow the application of domestic preference. However, based on the implementation of FY 2014, there is no contract applying such preference. There is also common practice within the Sector not to encourage the application of domestic preference, as it is viewed less efficient (of paying higher prices for domestically manufactured goods/equipment or domestic contractors).</p> <p>No pre-registration process is required to enter into a bidding, except the vendor registration under the e-procurement system.</p> <p>There is no regulatory limitation that hinder the competition in the regulation, but the number of bidders participated in large contracts are limited. State Owned Enterprises are free to enter into competition, as long as the firms are legally autonomous (i.e. they are limited companies under the supervision of the Ministry of State Owned Enterprise). DPWR has sufficient experience in procuring nationally and internationally</p>
2. Institutional Framework/ Management Capacity	<i>Medium</i> 1.65	<i>Medium</i> 2.00	<i>Medium</i> 3.00	
2.1 Is the procurement cycle in the sector required to be tied to an annual budgeting cycle (i.e. can a procurement activity commence only when budget has been duly appropriated for it)?		2	3	The procurement is prepared as part of budget implementation exercise. Procurement activity may commence prior to budget approval with certain remarks in its advertisement, but the contract shall be awarded only after the budget has been duly approved.
2.2 Does the system foster efficiency through the use of adequate planning?		2	3	There is a regular planning exercise that starts with the preparation of multiyear operating plans followed by annual procurement plans with

Indicators/Questions	Initial Country Score from OECD/DA K BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
				associated expenditures that forms part of the annual budget formulation process.
2.3 Does the procurement system in the sector feature an oversight/regulatory body?		3	3	LKPP provides an oversight/regulatory role.
2.4 Is there a public procurement capacity development or professionalization program?		1	3	100% of procurement staff are procurement certified following the national certification system developed by LKPP.
3. Procurement Operations/ Market Practices	<i>Medium</i> 1.78	<i>Medium</i> 2.33	<i>Medium</i> 2.67	
3.1 Is private sector competitive, well organized and able to access the sector market?		2	2	There is a reasonable well-functioning private sector serving the agency but competition for large contracts is concentrated in a relatively small number of firms. The roles of CSO working on anti corruption issue and watching public procurement is increasing in the recent years.
3.2 Do measures exist in the sector to ensure the adequacy and accuracy of cost estimates before bidding, and to manage contract price variations?		2	3	The national procurement regulation provides general guidance on the preparation of cost estimates. For large contracts, the Minister issued a regulation stipulating the requirement to get endorsement of the cost estimates and evaluation criteria from DG before bidding. In fact, the DG usually ask the Inspectorate General help to ensure the adequacy and accuracy of cost estimates. All contracts are awarded below the original cost estimate, and no contract variation is allowed where the cumulative impact of the variation is more than 10% of the original contract value.
3.3 Is there a mechanism in the sector to receive and handle observations, complaints and protests?		3	3	The complaint review system has precise and reasonable conditions and timeframes for decision with clear enforcement authority and mechanisms; all complaints are processed with stipulated timeframes.
4. Integrity and Transparency of the Public Procurement System	<i>Medium</i> 2.07	<i>Medium</i> 2.67	<i>Medium</i> 2.67	

Indicators/Questions	Initial Country Score from OECD/DA K BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
4.1 Is there a formal internal control and audit framework in the sector?		2	2	There is no specific obligation yet on procurement audit. It is so far still part of financial audit. The audit is done by internal, as well as external auditors. Internal audit function is conducted by the Inspectorate General.
4.2 Is information pertaining to public procurement in the sector easy to find, comprehensive and relevant?		3	3	Yes.
4.3 Does the sector have ethics and anticorruption measures in place?		3	3	The sector has an active anticorruption/ Integrity program(s) in place; the sector has mechanisms to debar firms for failure to perform and/or integrity violations; the sector has sufficient supplier due diligence processes; the sector has clear policy, procedures and/or frameworks governing conflict of interest.
OVERALL SCORES	<i>Medium</i> 1.84	<i>Medium</i> 2.44	<i>Medium</i> 2.83	

Summary:

Main risk:	<ul style="list-style-type: none"> (i) Lack of experience of procurement staff with the panel arrangement; (ii) Delays due to potential problems with use of panel approach in MPWH e-proc system and migration of MPWH e-proc system to LKPP system in H2/2016 (iii) The procurement process is less accountable because there is no specific procedure for procurement audit in governmental task.
Mitigation measures:	<ul style="list-style-type: none"> (i) Advance capacity building (by ADB procurement experts and consultants) of the DGHS' procurement committees and ULPs in procurement under ADB financed projects, with special attention to the use of the panel arrangement for consultant selection. (ii) Experienced project management and procurement consultants should be engaged for DGHS to (a) assist with the procurements and project management functions, (b) ease the contract administration burden on DGHS, and (c) provide on-the-job training in ADB procurement. (iii) Assist MPWH (thru ADB procurement consultant) to adjust LKPP's SPSE to accommodate the panel arrangement; and conduct hands-on training for ULPs. (iv) Assist LKPP and MPWH (thru ADB procurement consultant) to

assess needs for seamless migration of the panel arrangement from the MPWH e-proc system to the LKPP system in H2/2016 when all government agencies will have to use the LKPP's electronic procurement system.

(v) Improve monitoring and publication function more widely, develop procurement audit system, seek feedback from professional associations of contractors/consultants to get their input on the business climate scorecards, and adopt flexible approach to the requirements for foreign bidders to submit EOIs and RFPs for contract assignments;

(vi) Enforce application of code of conduct and procurement ethics, partnership with external auditor (BPK) and anti-corruption commission (KPK) to update mapping of potential corruption areas in procurement, collaborate with CSO for preventing fraud and corruption, enforce the mandatory requirement for procurement audit.

Classification:

Medium risk

Appendix 5: Procurement Risk Assessment Summary – DG of Highways

Implementing units: <ul style="list-style-type: none"> • Directorate for Road Network Development (host of ESP PCO at DGWR) • Directorate for Road Construction (will have ESP PIU) • Directorate Road Preservation (will have ESP PIU)
Functions: refer to Appendix 10

Indicators/Questions	Initial Country Score from OECD/DAK BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
1. Legislative and Regulatory Framework	<i>Medium</i> 1.88	<i>Medium</i> 2.75	<i>Medium</i> 3	For Initial country scores, only average scores against the Indicator are taken from OECD/DAK BLIs report, as sub-indicators used are different from those we are using in this assessment tool.
1.1 Does the national public procurement law (including supporting regulations, standard bidding documents and operational manuals/ guides) apply to the sector?		3	3	The Agency strictly follows the national procurement regulations (i.e. Perpres 54/2010 as amended) and the related laws. The Sector also adopts the national SBD (the ones as issued by LKPP) as required, and it customizes as required, or develops its own for those that are not available at national level, for example: SBD for large construction works, or special construction works. Implementation guidelines are also available in the Sector as issued by the Minister of Public Works and Housing, to guide procurement in the sector, consistent with the national procurement regulations.
1.2 Is the supply market for the sector sufficiently competitive to give full effect to the national procurement law and/or open competitive tendering?		3	3	As required at national level, competitive bidding is the default procurement method for the Sector (covering almost 100% of the procurement in FY 2014). There are adequate number of contractors and suppliers in the Sector. An average of 10 firms participating in the procurement of smaller contracts, while there are about 7 firms participating in larger contracts.
1.3 If there is a sector specific legal framework, does it support non-discriminatory		3	3	The Sector adopts non-discriminatory and transparent tender process. All rejection of

Indicators/Questions	Initial Country Score from OECD/DAK BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
participation, transparent tender processes (including advertisement, tender documentation, tender evaluation, complaints mechanism)?				bids is publicly notified in the existing feature of the e-procurement. However, certain requirements are imposed to foreign bidders and the average number of bidder for large contracts is limited.
1.4 Is the sector subjected to excessive regulation or government control such that competition is limited or non-existent?		2	3	<p>The national regulations allow the application of domestic preference. However, based on the implementation of FY 2014, there is no contract applying such preference. There is also common practice within the Sector not to encourage the application of domestic preference, as it is viewed less efficient (of paying higher prices for domestically manufactured goods/equipment or domestic contractors).</p> <p>No pre-registration process is required to enter into a bidding, except the vendor registration under the e-procurement system. There is no regulatory limitation that hinder the competition in the regulation, but the number of bidders participated in large contracts are limited. State Owned Enterprises are free to enter into competition, as long as the firms are legally autonomous (i.e. they are limited companies under the supervision of the Ministry of State Owned Enterprise). DPWR has sufficient experience in procuring nationally and internationally</p>
2. Institutional Framework/ Management Capacity	<i>Medium</i> 1.65	<i>Medium</i> 2.00	<i>Medium</i> 3.00	
2.1 Is the procurement cycle in the sector required to be tied to an annual budgeting cycle (i.e. can a procurement activity commence only when budget has been duly appropriated for it)?		2	3	The procurement is prepared as part of budget implementation exercise. Procurement activity may commence prior to budget approval with certain remarks in its advertisement, but the contract shall be awarded only after the budget has been duly approved.

Indicators/Questions	Initial Country Score from OECD/DA K BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
2.2 Does the system foster efficiency through the use of adequate planning?		2	3	There is a regular planning exercise that starts with the preparation of multiyear operating plans followed by annual procurement plans with associated expenditures that forms part of the annual budget formulation process.
2.3 Does the procurement system in the sector feature an oversight/regulatory body?		3	3	LKPP provides an oversight/regulatory role.
2.4 Is there a public procurement capacity development or professionalization program?		1	3	100% of procurement staff are procurement certified following the national certification system developed by LKPP.
3. Procurement Operations/ Market Practices	<i>Medium</i> 1.78	<i>Medium</i> 2.33	<i>Medium</i> 2.67	
3.1 Is private sector competitive, well organized and able to access the sector market?		2	2	There is a reasonable well-functioning private sector serving the agency but competition for large contracts is concentrated in a relatively small number of firms. The roles of CSO working on anti corruption issue and watching public procurement is increasing in the recent years.
3.2 Do measures exist in the sector to ensure the adequacy and accuracy of cost estimates before bidding, and to manage contract price variations?		2	3	The national procurement regulation provides general guidance on the preparation of cost estimates. For large contracts, the Minister issued a regulation stipulating the requirement to get endorsement of the cost estimates and evaluation criteria from DG before bidding. In fact, the DG usually ask the Inspectorate General help to ensure the adequacy and accuracy of cost estimates. All contracts are awarded below the original cost estimate, and no contract variation is allowed where the cumulative impact of the variation is more than 10% of the original contract value.
3.3 Is there a mechanism in the sector to receive and handle observations, complaints and protests?		3	3	The complaint review system has precise and reasonable conditions and timeframes for decision with clear enforcement authority and

Indicators/Questions	Initial Country Score from OECD/DA K BLIs (2007)	Verified Country Score (2014)	Agency Score During This Exercise	Comments
				mechanisms; all complaints are processed with stipulated timeframes.
4. Integrity and Transparency of the Public Procurement System	<i>Medium</i> 2.07	<i>Medium</i> 2.67	<i>Medium</i> 2.67	
4.1 Is there a formal internal control and audit framework in the sector?		2	2	There is no specific obligation yet on procurement audit. It is so far still part of financial audit. The audit is done by internal, as well as external auditors. Internal audit function is conducted by the Inspectorate General.
4.2 Is information pertaining to public procurement in the sector easy to find, comprehensive and relevant?		3	3	Yes.
4.3 Does the sector have ethics and anticorruption measures in place?		3	3	The sector has an active anticorruption/ Integrity program(s) in place; the sector has mechanisms to debar firms for failure to perform and/or integrity violations; the sector has sufficient supplier due diligence processes; the sector has clear policy, procedures and/or frameworks governing conflict of interest.
OVERALL SCORES	<i>Medium</i> 1.84	<i>Medium</i> 2.44	<i>Medium</i> 2.83	

Summary:

Main risk:

- (i) Lack of experience of procurement staff with the panel arrangement;
- (ii) Delays due to potential problems with use of panel approach in MPWH e-proc system and migration of MPWH e-proc system to LKPP system.
- (iii) The procurement process is less accountable because there is no specific procedure for procurement audit in governmental task.

Mitigation measures:

- (i) Advance capacity building (by ADB procurement experts and consultants) of the DGH's procurement committees and ULPs in procurement under ADB financed projects, with special attention to the use of the panel arrangement for consultant selection.
- (ii) Experienced project management and procurement consultants should be engaged for DGH's to (a) assist with the procurements and

project management functions, (b) ease the contract administration burden on DGH's, and (c) provide on-the-job training in ADB procurement.

(iii) Assist MPWH (thru ADB procurement consultant) to adjust LKPP's SPSE to accommodate the panel arrangement; and conduct hands-on training for ULPs.

(iv) Assist LKPP and MPWH (thru ADB procurement consultant) to assess needs for seamless migration of the panel arrangement from the MPWH e-proc system to the LKPP system in H2/2016 when all government agencies will have to use the LKPP's electronic procurement system.

(v) Improve monitoring and publication function more widely, develop procurement audit system, seek feedback from professional associations of contractors/consultants to get their input on the business climate scorecards, and adopt flexible approach to the requirements for foreign bidders to submit EOIs and RFPs for contract assignments;

(vi) Enforce application of code of conduct and procurement ethics, partnership with external auditor (BPK) and anti-corruption commission (KPK) to update mapping of potential corruption areas in procurement, collaborate with CSO for preventing fraud and corruption, enforce the mandatory requirement for procurement audit.

Classification:

Medium risk

Appendix 6: Procurement Risk Assessment – Scoring Guide

Indicators/Questions	Sector/Agency Questions	Scoring Guide ²⁸
1. Legislative and Regulatory Framework		
1.1 Does the national public procurement law (including supporting regulations, standard bidding documents and operational manuals/guides) apply to the sector?	<p>Is the sector exempted by legislation from being subject to the national public procurement law?</p> <p>Even if subject to the national public procurement law, does the sector tend to follow it?</p> <p>Do agencies in the sector use government-issued public procurement manuals or guidance?</p> <p>Have government-issued documents been tailored to meet sector requirements?</p> <p>In absence of government-issued documents, does the sector have its own standard bidding documents/guidelines?</p>	<p>3 – <i>The sector has its own regulations, processes, guidelines, bidding documents that are superior to those in the national public procurement system.</i></p> <p>2 – <i>The sector is subject to the national procurement law and tends to follow it. Generally uses the national procurement processes, guidelines, bidding documents</i></p> <p>1 – <i>The sector is subject to the national procurement law but tends to not follow it. Frequent deviations from national procurement processes, guidelines, bidding documents.</i></p> <p>0 – <i>The sector is exempt from, or does not follow, the national public procurement system, and does not have its own regulations, processes, guidelines, bidding documents that compensate for this.</i></p>
1.2 Is the supply market for the sector sufficiently competitive to give full effect to the national procurement law and/or open competitive tendering?	<p>Is competitive bidding a common feature under the sector?</p> <p>Is there a core of suppliers in the sector who regularly submit responsive bids?</p> <p>What proportion, by %, of the sector's procurement is undertaken through open competitive bidding?</p> <p>What is the average number of bidders for publicly bid contracts?</p> <p>Do EAs tend to make sufficient efforts to attract bids (e.g. adequate advertising, bidding periods)?</p> <p>Is there availability and quality of suppliers, labor force and/or related goods and services in the domestic market ?</p>	<p>3 – <i>Competitive bidding is more prevalent (by %) in the sector than generally evident in the country. A core of suppliers in the sector regularly submit responsive bids. At least 5 bidders on average per contract. EAs make sufficient efforts to attract bids.</i></p> <p>2 - <i>Competitive bidding in the sector is consistent with that generally evident in the country. A core of suppliers in the sector regularly submit bids, but often nonresponsive. At least 3 bidders on average per contract. EAs generally make sufficient efforts to attract bids.</i></p> <p>1 - <i>Competitive bidding in the sector is less prevalent than that generally evident in the country. Suppliers tend to submit one-off but often responsive bids. At least 2 bidders on average per contract. EAs often do not make sufficient efforts to attract bids.</i></p> <p>0 – <i>Competitive bidding in the sector is much weaker than that generally seen in the country. Suppliers tend to submit one-off, nonresponsive bids. Less than 2 bidders on average per contract. EAs rarely do not make sufficient efforts to attract bids.</i></p>
1.3 If there is a sector specific legal framework, does it support non-discriminatory participation, transparent tender processes (including advertisement, tender documentation, tender evaluation,	<p>Has the sector adopted non-discriminator, transparent tender processes?</p> <p>What is the average number of bidders for publicly bid contracts?</p>	<p>3 – <i>At least 5 bidders on average per contract</i></p> <p>2 – <i>At least 3 bidders on average per contract</i></p> <p>1 – <i>At least 2 bidders on average per contract</i></p> <p>0 – <i>Less than 2 bidders on average per contract</i></p>

²⁸ This guide does not replace professional judgment about the capacity of the sector relative to that of the country procurement system. If considerations other than this guide are used, mention them in the 'Narrative' column of the questionnaire.

Indicators/Questions	Sector/Agency Questions	Scoring Guide ²⁸
complaints mechanism)?		
1.4 Is the sector subjected to excessive regulation or government control such that competition is limited or non-existent?	Does the sector apply a domestic preference scheme? Does the sector require pre-registration of bidders? Are there acceptable provisions in the sector for the participation of State Owned Enterprises?	3 – <i>There are no restrictions on nationality of bidders or origins of goods, there is no domestic preference scheme, effective pre-registration processes rigorously followed, acceptable provisions govern participation of state owned enterprises.</i> 2 – <i>No restrictions on nationality of bidders or origin of goods, or pre-registration process exists but not rigorously followed, or weak or unclear provisions governing participation of state owned enterprises.</i> 1 – <i>Some restrictions on nationality of bidders, or domestic preference scheme exists, improvements needed pre-registration process, lack of clarity on participation by state owned enterprises.</i> 0 – <i>Restrictions on nationality of bidders, domestic preference scheme in place, no pre-registration of bidders required, no specific guidance with respect to state owned enterprises.</i>
2. Institutional Framework and Management Capacity		
2.1 Is the procurement cycle in the sector required to be tied to an annual budgeting cycle (i.e. can a procurement activity commence only when budget has been duly appropriated for it)?	Are procurement plans in the sector prepared on as part of the budget planning and formulation process? Do systems and processes in the sector or key agencies in the sector require certification of availability of funds before solicitation of tenders?	3 – <i>Procurement plans are prepared as part of the annual budget process; budget availability confirmed prior to solicitation of tenders.</i> 2 – <i>Budget availability confirmed prior to solicitation of tenders; limited procurement planning serving as input to budget formulation</i> 1 – <i>Procurement planning factors into budget formulation, but budget availability need not be confirmed prior to solicitation of tenders.</i> 0 – <i>Procurement planning does not factor into budget formulation and budget availability need not be confirmed prior to solicitation of tenders</i>
2.2 Does the system foster efficiency through the use of adequate planning?	Does the sector, or key agencies in the sector, have a formalized procurement planning process(s)?	3 – <i>There is a regular planning exercise that starts with the preparation of multiyear operating plans followed by annual procurement plans with associated expenditures that forms part of the annual budget formulation process.</i> 2 – <i>Multiyear operating plans and annual procurement plans are prepared independently of budget preparation, but these are revised in line with forward budget estimates</i> 1 – <i>Annual procurement plans are prepared, but these are not linked to multiyear operating plans an/or not linked to budget formulation.</i> 0 – <i>Procurement plans are not prepared</i>
2.3 Does the procurement system in the sector feature an oversight/regulatory body?	Does the sector fall under the remit of the national oversight/regulatory body? If a national body does not exist, is there a sector-specific body that oversees/regulates procurement?	3 – <i>There is a national procurement oversight body that covers agency procurement</i> 2 – <i>There is no national body, however, a sector specific body oversees and regulates procurement in the sector.</i> 1 – <i>There is a national regulatory body, but limited clarity with respect to its scope and or ability to oversee/regulate procurement in the sector</i> 0 – <i>There is no body, at the national or sector level, that oversees or regulates procurement</i>
2.4 Is there a public procurement capacity development or professionalization program?	What proportion of procurement-related officers and staff in the sector have been trained under the national or sector capacity development program or participated in any formal	3 – <i>At least 80% of procurement staff</i> 2 – <i>At least 60% of procurement staff</i> 1 – <i>At least 20% of procurement staff</i> 0 – <i>Less than 20% of procurement staff</i>

Indicators/Questions	Sector/Agency Questions	Scoring Guide ²⁸
	procurement training program?	
3. Procurement Operations and Market Practices		
3.1 Is private sector competitive, well organized and able to access the sector market?	Is the private sector well organized and able to access the sector market? Do civil society organizations regard public procurement in the sector to be open and accessible to the market?	3 – <i>The private sector is competitive, well organized and able to participate in the competition for sector procurement contracts; there are no major constraints inhibiting private access to sector procurement.</i> 2 – <i>There is a reasonable well functioning private sector serving the agency but competition for large contracts is concentrated in a relatively small number of firms; there are some constraints inhibiting private sector access to sector procurement.</i> 1 – <i>The private sector serving the agency is relatively weak and/or competition is limited due to monopolistic or oligopolistic features; there are multiple constraints inhibiting private sector access to sector procurement.</i> 0 – <i>The private sector is not well organized and lacks capacity to access sector procurement markets; there are major constraints which discourage competition from the private sector.</i>
3.2 Do measures exist in the sector to ensure the adequacy and accuracy of cost estimates before bidding, and to manage contract price variations?	What percentage of contracts are awarded for values less than the original cost estimates? What percentage of contract variations amount to a cumulative impact of more than 10% of the original contract price?	3 – <i>More than 75% of the contract awards sampled</i> 2 – <i>50 – 75% of contracts awards sampled</i> 1 – <i>20 - 50% of contracts awards sampled</i> 0 – <i>Less than 20% of contract awards sampled</i> 3 – <i>Less than 10% of contracts sampled</i> 2 – <i>10 – 20% of contracts sampled</i> 1 – <i>20 – 50% of contracts sampled</i> 0 – <i>More than 50% of contracts sampled</i>
3.3 Is there a mechanism in the sector to receive and handle observations, complaints and protests?	Are there sector-specific procedures to receive and handle observations, complaints and protests? Are complaints and protests in the sector processed within the maximum time limit provided for in the law? Have bidders used the complaint and protests mechanisms?	3 – <i>The complaint review system has precise and reasonable conditions and timeframes for decision with clear enforcement authority and mechanisms; more than 90% of complaints are processed with stipulated timeframes;</i> 2 – <i>There are terms and timeframes for resolution of complaints but authority for enforcement is unclear; more than 75% of complaints are processed within stipulated timeframes;</i> 1 – <i>Terms and timeframes for resolution of complaints are vague; the time to resolve complaints is tracked by the agency.</i> 0 – <i>There is no effective or functioning complaints mechanism</i>
4. Integrity and Transparency of the Public Procurement System		
4.1 Is there a formal internal control and audit framework?	Do key agencies in the sector have an independent internal audit function? Do key agencies in the sector have adequate internal control mechanisms to oversee the procurement function? Are key agencies in the sector subjected to regular performance or value for money audits? Are key agencies in the sector subjected to annual financial audits? Are internal or external audit findings/recommendations acted	3 – <i>The sector has an effective internal control framework including an independent internal audit function; annual financial audits are conducted; audit recommendations are implemented within six months; no significant outstanding audit findings for more than six months.</i> 2 – <i>The sector has effective segregation of duties; an internal audit function exists but capacity is weak, or the function is not sufficiently independent; annual financial audits are audited with reasonably time disposition of audit findings.</i> 1 – <i>The sector has effective segregations of duties and is subjected to annual audit; There is no internal audit function and/or audit findings are not disposed of in a timely fashion.</i>

Indicators/Questions	Sector/Agency Questions	Scoring Guide ²⁸
	on in a timely fashion?	0 – <i>The internal system is weak, with no internal audit, limited external audit and audit findings are not disposed of in a timely fashion</i>
4.2 Is information pertaining to public procurement in the sector easy to find, comprehensive and relevant?	<p>What percentage of bids is published in a medium that is easily and freely accessible? Can bidders easily and freely access bid information?</p> <p>What is the percentage of contract awards announced in medium that is easily and freely accessible? Are third party observers invited to attend public biddings?</p>	<p>3 – <i>At least 80% of bids are published; at least 80% of contract awards are published; bidders can easily and freely access bid and contract award information; third partner observes invited to attend public biddings.</i></p> <p>2 – <i>A least 60% of bids are published; at least 60% of contract awards are published; bidders can easily and freely access either bid and/or contract award information; third partner observers may attend public biddings.</i></p> <p>1 – <i>At least 20 % of bids are published; at least 20% of contract awards are published; bidders have some access to bid and contract award information</i></p> <p>0 – <i>Less than 20% of bids are published, less than 20% of contract awards are published.</i></p>
4.3 Does the sector have ethics and anticorruption measures in place?	<p>Are there sector-specific procedures to verify a bidder's legitimate existence, track records, financial capacity and capacity to complete the job? Are there sector-specific procedures to rate performance and/or debar bidders, supplier, contractors and consultants for ethical or integrity violations? Does the sector, or key agencies in the sector, maintain a register of debarred suppliers, contractors and consultants? Are there sector-specific integrity principles and guidelines?</p>	<p>3 – <i>The sector has an active anticorruption/ Integrity program(s) in place; the sector has mechanisms to debar firms for failure to perform and/or integrity violations; the sector has sufficient supplier due diligence processes; the sector has clear policy, procedures and/or frameworks governing conflict of interest.</i></p> <p>2 – <i>The sector has mechanisms to debar firms for failure to perform and/or integrity violations, or mechanisms to report suspected violations to a national or sector wide anticorruption body; they sector has sufficient supplier due diligence processes; the concept of conflict of interest is defined.</i></p> <p>1 – <i>The sector has sufficient supplier due diligence processes including need to address conflict of interest.</i></p> <p>0 – <i>The sector does not have a formal system(s) to deal with integrity violations, conflicts of interest, and/or fraud and corruption.</i></p>

Appendix 7A: PRA Questionnaire – DG of Water Resources²⁹

I. Specific Assessment and Ratings

QUESTION	RESPONSE	RISK ³⁰
A. ORGANIZATIONAL AND STAFF CAPACITY		
PROCUREMENT DEPARTMENT/UNIT		
A.1 Does the agency or Government have a Procurement Committee that is independent from the head of the agency?	Yes	Medium
A.2 Does the agency have a procurement department/unit, including a permanent office that performs the function of a Secretariat of the Procurement Committee?	Yes, under Secretary General	Medium
A.3 If yes, what type of procurement does it undertake?	For Goods and Services; Civil Works and Consulting Services	Medium
A.4 How many years' experience does the head of the procurement department/unit have in a direct procurement role?	More than 15 years	Medium
A.5 How many staff in the procurement department/unit are: i. full time ii. part time iii. seconded	Part time - 25 staff (Pokja) for 5 Directorates and reporting to 5 Directors.	Medium
A.6 Do the procurement staff have a high level of English language proficiency (verbal and written)?	Low	* High
A.7 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Sufficient	* Medium
A.8 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	Yes	Low
A.9 Does the agency have, or have ready access to, a procurement training program?	Yes, internal as well LKPP test	* Medium
A.10 At what level does the department/unit report (to the head of agency, deputy etc.)?	Reports to the Director General	Medium

²⁹ The Assessment was undertaken with Arbor Reseda, ST,MT, Chief of Multilateral Cooperation Section, and Ibu Ari of Sub-Directorate of Cooperation, Directorate of Water Resources Development, Directorate General of Water Resources

³⁰ Risk ratings are extremely high, high, medium, and low. Questions indicated with * are associated with potentially 'High' or 'Substantial' risks due to the impact being 'High', therefore the strategy for managing those risks should be addressed in the Project Procurement Risk Analysis (Appendix 9).

QUESTION	RESPONSE	RISK ³⁰
A.11 Do the procurement positions in the agency have job descriptions, which outline specific roles, minimum technical requirements and career routes?	Yes	Medium
A.12 Is there a procurement process manual for goods and works?	Yes, different for goods & services and consulting services within the manual	Low
A.13 If there is a manual, is it up to date and does it cover foreign-assisted projects?	Yes, national guidance on procurement, January 2015	Low
A.14 Is there a procurement process manual for consulting services?	Yes	Low
A.15 If there is a manual, is it up to date and does it cover foreign-assisted projects?	No, only for local projects	Medium
PROJECT MANAGEMENT UNIT		
A.16 Is there a fully (or almost fully) staffed PMU for this project currently in place?	Yes	* Medium
A.17 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Yes	* Medium
A.18 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	Yes	Low
A.19 Are there standard documents in use, such as Standard Procurement Documents/Forms, and have they been approved for use on ADB funded projects?	Yes, standard documents used for public procurements. Will be suitably modified for ADB projects	* Medium
A.20 Does the agency follow the national procurement law, procurement processes, guidelines?	National procurement law - Perpres 54, 2015 Perpres 4, 2015 and Perpres 70, 2012	* Low
A.21 Do ToRs for consulting services follow a standard format such as background, tasks, inputs, objectives and outputs?	Yes	Low
A.22 Who drafts the procurement specifications?	Satker	Low
A.23 Who approves the procurement specifications?	Parjabat Pambuat Komitmen (PPK) is the responsible official and reports to Satker (Kepala Satuan Kerja).	Low
A.24 Who in the PMU has experience in drafting bidding documents?	Pokga – team which prepares this is part of the Satuan Kerja	* Medium
A.25 Are records of the sale of bidding documents immediately available?	Yes	* Low
A.26 Who identifies the need for consulting services requirements?	Directors of the 5 Directorate	Low
A.27 Who drafts the Terms of Reference (ToR)	Parjabat Pambuat Komitmen (PPK)	Low
A.28 Who prepares the request for proposals (RFPs)	Parjabat Pambuat Komitmen (PPK)	Low

QUESTION	RESPONSE	RISK ³⁰
B. INFORMATION MANAGEMENT		
B.1 Is there a referencing system for procurement files?	Yes	Low
B.2 Are there adequate resources allocated to record keeping infrastructure, which includes the record keeping system, space, equipment and personnel to administer the procurement records management functions within the agency?	Yes	* Medium
B.3 Does the agency adhere to a document retention policy (i.e. for what period are records kept)?	10 years in hardcopy and more than 10 years in softcopy	* Low
B.4 Are copies of bids or proposals retained with the evaluation?	Yes	Low
B.5 Are copies of the original advertisements retained with the pre-contract papers?	Yes	Low
B.6 Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?	Yes	Medium
B.7 Are copies of invoices included with the contract papers?	Yes	Medium
B.8 Is the agency's record keeping function supported by IT?	Yes	Low
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Has the agency undertaken procurement of goods or works related to foreign assistance recently (last 12 months or last 36 months)? If yes, indicate the names of the development partner/s and project/s.	Yes, World Bank – Water Irrigation Sector Management Project (WISMP), 2015	* Medium
C.2 If the answer is yes, what were the major challenges faced by the agency?	Delays due to clearances with Lender on documentation	* Medium
C.3 Is there a systematic process to identify procurement requirements (for a period of one year or more)?	Yes	
C.4 Is there a minimum period for the preparation of bids and if yes, how long?	1-2 weeks	* Low
C.5 Are all queries from bidders replied to in writing?	Yes, thru the e-procurement system	* Low
C.6 Does the bidding document state the date and time of bid opening?	Yes	* Low
C.7 Are bids opened in public?	Yes	* Low
C.8 Can late bids be accepted?	No	* Low
C.9 Can bids (except late bids) be rejected at bid opening?	Yes, if not complete	* Medium

QUESTION	RESPONSE	RISK ³⁰
C.10 Are minutes of the bid opening taken?	Yes	* Low
C.11 Are bidders provided a copy of the minutes?	Yes, uploaded	* Low
C.12 Are the minutes provided free of charge?	Yes	* Low
C.13 Who undertakes the evaluation of bids (individual(s), permanent committee, ad-hoc committee)?	Pokjam - Ad-hoc committee	Medium
C.14 What are the qualifications of the evaluators with respect to procurement and the goods and/or works under evaluation?	Yes, based on qualifications from LKPP	* Medium
C.15 Is the decision of the evaluators final or is the evaluation subject to additional approvals?	Yes, and depends on approval authority	* Medium
C.16 Using the three 'worst-case' examples in the last year, how long from the issuance of the invitation for bids can the contract be awarded?	2 years (normal local bidding is 45 days and international multilateral funded projects take about 9-12 months)	Medium
C.17 Are there processes in place for the collection and clearance of cargo through ports of entry?	Yes, thru an external agency of cargo handlers	Medium
C.18 Are there established goods receiving procedures?	No.	High
C.19 Are all goods that are received recorded as assets or inventory in a register?	Yes, Belanja Modal (assets) and Belanja Barang (other items)	Medium
C.20 Is the agency/procurement department familiar with letters of credit?	No	High
C.21 Does the procurement department register and track warranty and latent defects liability periods?	Yes	Medium
Consulting Services		
C.22 Has the agency undertaken foreign-assisted procurement of consulting services recently (last 12 months, or last 36 months)? (If yes, please indicate the names of the development partner/s and the Project/s.)	Yes, World Bank, ADB, JICA Project Management and Technical Assistance, World Bank (Jakarta Urgent Flood Mitigation Project), 2015 (Ongoing)	* Medium
C.23 If the above answer is yes, what were the major challenges?	Challenges in prior review not in post review of the lenders	* Medium
C.24 Are assignments and invitations for expressions of interest (EOIs) advertised?	Yes	* Low
C.25 Is a consultants' selection committee formed with appropriate individuals, and what is its composition (if any)?	Yes, head, staff and secretary (5 numbers)	Medium
C.26 What criteria is used to evaluate EOIs?	Generally, Technical is 75% and Financial is 25%. Range is 70-90% for Technical and 10-30% for Financial	Low

QUESTION	RESPONSE	RISK ³⁰
C.27 Historically, what is the most common method used (QCBS, QBS, etc.) to select consultants?	QCBS	* Low
C.28 Do firms have to pay for the RFP document?	No, Free	* Low
C.29 Does the proposal evaluation criteria follow a pre-determined structure and is it detailed in the RFP?	Yes	* Medium
C.30 Are pre-proposal visits and meetings arranged?	No, (only for aanwiziging – explanation of the bid documents) and then on bid opening	Medium
C.31 Are minutes prepared and circulated after pre-proposal meetings?	Yes	* Low
C.32 To whom are the minutes distributed?	Bidders	* Low
C.33 Are all queries from consultants answered/addressed in writing?	Yes	* Low
C.34 Are the technical and financial proposals required to be in separate envelopes and remain sealed until the technical evaluation is completed?	Yes	* Medium
C.35 Are proposal securities required?	Yes (upto 5% of the contract value)	* Low
C.36 Are technical proposals opened in public?	Yes	* Low
C.37 Are minutes of the technical opening distributed?	Yes	* Low
C.38 Do the financial proposals remain sealed until technical evaluation is completed	Yes	Medium
C.39 Who determines the final technical ranking and how?	Procurement committee, after evaluation which is based on pre-determined criteria	* Low
C.40 Are the technical scores sent to all firms?	Yes	* Low
C.41 Are the financial proposal opened in public?	Yes	* Low
C.42 Are minutes of the financial opening distributed?	Yes	* Low
C.43 How is the financial evaluation completed?	Procurement committee, through assessment of pre-determined financial criteria	* Low
C.44 Are face to face contract negotiations held?	Yes	* Low
C.45 How long after financial evaluation is negotiation held with the selected firm?	3 days	Low
C.46 What is the usual basis for negotiation?	Through meetings	Medium
C.47 Are minutes of negotiation taken and signed?	Yes	* Medium
C.48 How long after negotiation is the contract signed, on average?	1 week	Low

QUESTION	RESPONSE	RISK ³⁰
C.49 Is there an evaluation system for measuring the outputs of consultants?	Yes	Medium
Payments		
C.50 Are advance payments made?	Yes (15% of Contract value)	Low
C.51 What is the standard period for payment included in contracts?	No standard period and depends on contracts and payment milestones	Medium
C.52 On average, how long is it between receiving a firm's invoice and making payment?	1 month	Medium
C.53 When late payment is made, are the beneficiaries paid interest?	No	Medium
D. EFFECTIVENESS		
D.1 Is contractual performance systematically monitored and reported?	Yes	Medium
D.2 Does the agency monitor and track its contractual payment obligations?	Periodically, Yes	Medium
D.3 Is a complaints resolution mechanism described in national procurement documents?	Yes	Medium
D.4 Is there a formal non-judicial mechanism for dealing with complaints?	Yes, through internal discussions	Medium
D.5 Are procurement decisions and disputes supported by written narratives such as minutes of evaluation, minutes of negotiation, notices of default/withheld payment?	Yes	* Medium
E. ACCOUNTABILITY MEASURES		
E.1 Is there a standard statement of ethics and are those involved in procurement required to formally commit to it?	No, but covered under the Indonesia law Perpres 54	* Medium
E.2 Are those involved with procurement required to declare any potential conflict of interest and remove themselves from the procurement process?	No, but covered under the Indonesia law Perpres 54	* Medium
E.3 Is the commencement of procurement dependent on external approvals (formal or de-facto) that are outside of the budgeting process?	No	Low
E.4 Who approves procurement transactions, and do they have procurement experience and qualifications?	PPK	* Medium
E.5 Which of the following actions require approvals outside the procurement unit or the evaluation committee, as the case may be, and who grants the approval?	None, entire process is managed by the procurement unit	Medium

QUESTION	RESPONSE	RISK ³⁰
a) Bidding document, invitation to pre-qualify or RFP		
b) Advertisement of an invitation for bids, pre-qualification or call for EOIs		
c) Evaluation reports		*
d) Notice of award		*
e) Invitation to consultants to negotiate		
f) Contracts		*
E.6 Is the same official responsible for: (i) authorizing procurement transactions, procurement invitations, documents, evaluations and contracts; (ii) authorizing payments; (iii) recording procurement transactions and events; and (iv) the custody of assets?	Yes and may delegate it to other persons as well	* Medium
E.7 Is there a written auditable trail of procurement decisions attributable to individuals and committees?	Yes	* Medium

II. General Ratings

Criterion	Risk
A. Organizational and Staff Capacity	Medium
B. Information Management	Medium
C. Procurement Practices	Medium
D. Effectiveness	Medium
E. Accountability Measures	Medium
OVERALL RISK RATING	Medium

Appendix 7B: PRA Questionnaire – DG of Human Settlement³¹

I. Specific Assessment and Ratings

QUESTION	RESPONSE	RISK ³²
A. ORGANIZATIONAL AND STAFF CAPACITY		
PROCUREMENT DEPARTMENT/UNIT		
A.1 Does the agency or Government have a Procurement Committee that is independent from the head of the agency?	Yes	Medium
A.2 Does the agency have a procurement department/unit, including a permanent office that performs the function of a Secretariat of the Procurement Committee?	Yes, under Secretary General	Medium
A.3 If yes, what type of procurement does it undertake?	For Goods and Services; Civil Works and Consulting Services	Medium
A.4 How many years' experience does the head of the procurement department/unit have in a direct procurement role?	More than 15 years	Medium
A.5 How many staff in the procurement department/unit are: i. full time ii. part time iii. seconded	Part time - 25 staff (Pokja) for 5 Directorates and reporting to 5 Directors.	Medium
A.6 Do the procurement staff have a high level of English language proficiency (verbal and written)?	Low	* High
A.7 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Sufficient	* Medium
A.8 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	Yes	Low
A.9 Does the agency have, or have ready access to, a procurement training program?	Yes, internal as well LKPP test	* Medium
A.10 At what level does the department/unit report (to the head of agency, deputy etc.)?	Reports to the Director General	Medium
A.11 Do the procurement positions in the agency have job descriptions, which	Yes	Medium

³¹ The Assessment was undertaken with Directorate of Planning, Directorate General of Human Settlement

³² Risk ratings are extremely high, high, medium, and low. Questions indicated with * are associated with potentially 'High' or 'Substantial' risks due to the impact being 'High', therefore the strategy for managing those risks should be addressed in the Project Procurement Risk Analysis (Appendix 9).

QUESTION	RESPONSE	RISK ³²
outline specific roles, minimum technical requirements and career routes?		
A.12 Is there a procurement process manual for goods and works?	Yes, different for goods & services and consulting services within the manual	Low
A.13 If there is a manual, is it up to date and does it cover foreign-assisted projects?	Yes, national guidance on procurement, January 2015	Low
A.14 Is there a procurement process manual for consulting services?	Yes	Low
A.15 If there is a manual, is it up to date and does it cover foreign-assisted projects?	No, only for local projects	Medium
PROJECT MANAGEMENT UNIT		
A.16 Is there a fully (or almost fully) staffed PMU for this project currently in place?	Yes	* Medium
A.17 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Yes	* Medium
A.18 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	Yes	Low
A.19 Are there standard documents in use, such as Standard Procurement Documents/Forms, and have they been approved for use on ADB funded projects?	Yes, standard documents used for public procurements. Will be suitably modified for ADB projects	* Medium
A.20 Does the agency follow the national procurement law, procurement processes, guidelines?	National procurement law - Perpres 54, 2015 Perpres 4, 2015 and Perpres 70, 2012	* Low
A.21 Do ToRs for consulting services follow a standard format such as background, tasks, inputs, objectives and outputs?	Yes	Low
A.22 Who drafts the procurement specifications?	Satker	Low
A.23 Who approves the procurement specifications?	Parjabat Pambuat Komitmen (PPK) is the responsible official and reports to Satker (Kepala Satuan Kerja).	Low
A.24 Who in the PMU has experience in drafting bidding documents?	Pokga – team which prepares this is part of the Satuan Kerja	* Medium
A.25 Are records of the sale of bidding documents immediately available?	Yes	* Low
A.26 Who identifies the need for consulting services requirements?	Directors of the 5 Directorate	Low
A.27 Who drafts the Terms of Reference (ToR)	Parjabat Pambuat Komitmen (PPK)	Low
A.28 Who prepares the request for proposals (RFPs)	Parjabat Pambuat Komitmen (PPK)	Low
B. INFORMATION MANAGEMENT		

QUESTION	RESPONSE	RISK ³²
B.1 Is there a referencing system for procurement files?	Yes	Low
B.2 Are there adequate resources allocated to record keeping infrastructure, which includes the record keeping system, space, equipment and personnel to administer the procurement records management functions within the agency?	Yes	* Medium
B.3 Does the agency adhere to a document retention policy (i.e. for what period are records kept)?	10 years in hardcopy and more than 10 years in softcopy	* Low
B.4 Are copies of bids or proposals retained with the evaluation?	Yes	Low
B.5 Are copies of the original advertisements retained with the pre-contract papers?	Yes	Low
B.6 Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?	Yes	Medium
B.7 Are copies of invoices included with the contract papers?	Yes	Medium
B.8 Is the agency's record keeping function supported by IT?	Yes	Low
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Has the agency undertaken procurement of goods or works related to foreign assistance recently (last 12 months or last 36 months)? If yes, indicate the names of the development partner/s and project/s.	Yes, World Bank – Water Irrigation Sector Management Project (WISMP), 2015	* Medium
C.2 If the answer is yes, what were the major challenges faced by the agency?	Delays due to clearances with Lender on documentation	* Medium
C.3 Is there a systematic process to identify procurement requirements (for a period of one year or more)?	Yes	
C.4 Is there a minimum period for the preparation of bids and if yes, how long?	1-2 weeks	* Low
C.5 Are all queries from bidders replied to in writing?	Yes, thru the e-procurement system	* Low
C.6 Does the bidding document state the date and time of bid opening?	Yes	* Low
C.7 Are bids opened in public?	Yes	* Low
C.8 Can late bids be accepted?	No	* Low
C.9 Can bids (except late bids) be rejected at bid opening?	Yes, if not complete	* Medium
C.10 Are minutes of the bid opening taken?	Yes	* Low

QUESTION	RESPONSE	RISK ³²
C.11 Are bidders provided a copy of the minutes?	Yes, uploaded	* Low
C.12 Are the minutes provided free of charge?	Yes	* Low
C.13 Who undertakes the evaluation of bids (individual(s), permanent committee, ad-hoc committee)?	Pokja - Ad-hoc committee	Medium
C.14 What are the qualifications of the evaluators with respect to procurement and the goods and/or works under evaluation?	Yes, based on qualifications from LKPP	* Medium
C.15 Is the decision of the evaluators final or is the evaluation subject to additional approvals?	Yes, and depends on approval authority	* Medium
C.16 Using the three 'worst-case' examples in the last year, how long from the issuance of the invitation for bids can the contract be awarded?	2 years (normal local bidding is 45 days and international multilateral funded projects take about 9-12 months)	Medium
C.17 Are there processes in place for the collection and clearance of cargo through ports of entry?	Yes, thru an external agency of cargo handlers	Medium
C.18 Are there established goods receiving procedures?	No.	High
C.19 Are all goods that are received recorded as assets or inventory in a register?	Yes, Belanja Modal (assets) and Belanja Barang (other items)	Medium
C.20 Is the agency/procurement department familiar with letters of credit?	No	High
C.21 Does the procurement department register and track warranty and latent defects liability periods?	Yes	Medium
Consulting Services		
C.22 Has the agency undertaken foreign-assisted procurement of consulting services recently (last 12 months, or last 36 months)? (If yes, please indicate the names of the development partner/s and the Project/s.)	Yes, World Bank, ADB, JICA Project Management and Technical Assistance, World Bank (Jakarta Urgent Flood Mitigation Project), 2015 (Ongoing)	* Medium
C.23 If the above answer is yes, what were the major challenges?	Challenges in prior review not in post review of the lenders	* Medium
C.24 Are assignments and invitations for expressions of interest (EOIs) advertised?	Yes	* Low
C.25 Is a consultants' selection committee formed with appropriate individuals, and what is its composition (if any)?	Yes, head, staff and secretary (5 numbers)	Medium
C.26 What criteria is used to evaluate EOIs?	Generally, Technical is 75% and Financial is 25%. Range is 70-90% for Technical and 10-30% for Financial	Low
C.27 Historically, what is the most common	QCBS	* Low

QUESTION	RESPONSE	RISK ³²
method used (QCBS, QBS, etc.) to select consultants?		
C.28 Do firms have to pay for the RFP document?	No, Free	* Low
C.29 Does the proposal evaluation criteria follow a pre-determined structure and is it detailed in the RFP?	Yes	* Medium
C.30 Are pre-proposal visits and meetings arranged?	No, (only for aanwizing – explanation of the bid documents) and then on bid opening	Medium
C.31 Are minutes prepared and circulated after pre-proposal meetings?	Yes	* Low
C.32 To whom are the minutes distributed?	Bidders	* Low
C.33 Are all queries from consultants answered/addressed in writing?	Yes	* Low
C.34 Are the technical and financial proposals required to be in separate envelopes and remain sealed until the technical evaluation is completed?	Yes	* Medium
C.35 Are proposal securities required?	Yes (upto 5% of the contract value)	* Low
C.36 Are technical proposals opened in public?	Yes	* Low
C.37 Are minutes of the technical opening distributed?	Yes	* Low
C.38 Do the financial proposals remain sealed until technical evaluation is completed	Yes	Medium
C.39 Who determines the final technical ranking and how?	Procurement committee, after evaluation which is based on pre-determined criteria	* Low
C.40 Are the technical scores sent to all firms?	Yes	* Low
C.41 Are the financial proposal opened in public?	Yes	* Low
C.42 Are minutes of the financial opening distributed?	Yes	* Low
C.43 How is the financial evaluation completed?	Procurement committee, through assessment of pre-determined financial criteria	* Low
C.44 Are face to face contract negotiations held?	Yes	* Low
C.45 How long after financial evaluation is negotiation held with the selected firm?	3 days	Low
C.46 What is the usual basis for negotiation?	Through meetings	Medium
C.47 Are minutes of negotiation taken and signed?	Yes	* Medium
C.48 How long after negotiation is the contract signed, on average?	1 week	Low
C.49 Is there an evaluation system for	Yes	Medium

QUESTION	RESPONSE	RISK ³²
measuring the outputs of consultants?		
Payments		
C.50 Are advance payments made?	Yes (15% of Contract value)	Low
C.51 What is the standard period for payment included in contracts?	No standard period and depends on contracts and payment milestones	Medium
C.52 On average, how long is it between receiving a firm's invoice and making payment?	1 month	Medium
C.53 When late payment is made, are the beneficiaries paid interest?	No	Medium
D. EFFECTIVENESS		
D.1 Is contractual performance systematically monitored and reported?	Yes	Medium
D.2 Does the agency monitor and track its contractual payment obligations?	Periodically, Yes	Medium
D.3 Is a complaints resolution mechanism described in national procurement documents?	Yes	Medium
D.4 Is there a formal non-judicial mechanism for dealing with complaints?	Yes, through internal discussions	Medium
D.5 Are procurement decisions and disputes supported by written narratives such as minutes of evaluation, minutes of negotiation, notices of default/withheld payment?	Yes	* Medium
E. ACCOUNTABILITY MEASURES		
E.1 Is there a standard statement of ethics and are those involved in procurement required to formally commit to it?	No, but covered under the Indonesia law Perpres 54	* Medium
E.2 Are those involved with procurement required to declare any potential conflict of interest and remove themselves from the procurement process?	No, but covered under the Indonesia law Perpres 54	* Medium
E.3 Is the commencement of procurement dependent on external approvals (formal or de-facto) that are outside of the budgeting process?	No	Low
E.4 Who approves procurement transactions, and do they have procurement experience and qualifications?	PPK	* Medium
E.5 Which of the following actions require approvals outside the procurement unit or the evaluation committee, as the case may be, and who grants the approval?	None, entire process is managed by the procurement unit	Medium
a) Bidding document, invitation to pre-qualify or RFP		

QUESTION	RESPONSE	RISK ³²
b) Advertisement of an invitation for bids, pre-qualification or call for EOIs		
c) Evaluation reports		*
d) Notice of award		*
e) Invitation to consultants to negotiate		
f) Contracts		*
E.6 Is the same official responsible for: (i) authorizing procurement transactions, procurement invitations, documents, evaluations and contracts; (ii) authorizing payments; (iii) recording procurement transactions and events; and (iv) the custody of assets?	Yes and may delegate it to other persons as well	* Medium
E.7 Is there a written auditable trail of procurement decisions attributable to individuals and committees?	Yes	* Medium

II. General Ratings

Criterion	Risk
A. Organizational and Staff Capacity	Medium
B. Information Management	Medium
C. Procurement Practices	Medium
D. Effectiveness	Medium
E. Accountability Measures	Medium
OVERALL RISK RATING	Medium

Appendix 7C: PRA Questionnaire – DG of Highways³³

I. Specific Assessment and Ratings

QUESTION	RESPONSE	RISK ³⁴
A. ORGANIZATIONAL AND STAFF CAPACITY		
PROCUREMENT DEPARTMENT/UNIT		
A.1 Does the agency or Government have a Procurement Committee that is independent from the head of the agency?	No	High
A.2 Does the agency have a procurement department/unit, including a permanent office that performs the function of a Secretariat of the Procurement Committee?	Yes, under Secretary General	Medium
A.3 If yes, what type of procurement does it undertake?	For Goods and Services; Civil Works and Consulting Services through e-procurement	Medium
A.4 How many years' experience does the head of the procurement department/unit have in a direct procurement role?	Extensive experience, especially on government procurement	Medium
A.5 How many staff in the procurement department/unit are: i. full time ii. part time iii. seconded	Part time - 25 staff (Pokja) for 5 Directorates and reporting to 5 Directors.	Medium
A.6 Do the procurement staff have a high level of English language proficiency (verbal and written)?	Low	* High
A.7 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Sufficient	* Medium
A.8 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	Yes	Low
A.9 Does the agency have, or have ready access to, a procurement training program?	Yes, internal as well LKPP test	* Medium
A.10 At what level does the department/unit report (to the head of agency, deputy etc.)?	Reports to the Director General	Medium
A.11 Do the procurement positions in the	Yes	Medium

³³ The Assessment was undertaken with Ni Komang Rasminiati, Chief section of integrated planning, Directorate General of Highways

³⁴ Risk ratings are extremely high, high, Medium, and low. Questions indicated with * are associated with potentially 'High' or 'Substantial' risks due to the impact being 'High', therefore the strategy for managing those risks should be addressed in the Project Procurement Risk Analysis (Appendix 9).

QUESTION	RESPONSE	RISK ³⁴
agency have job descriptions, which outline specific roles, minimum technical requirements and career routes?		
A.12 Is there a procurement process manual for goods and works?	Yes, different for goods & services and consulting services within the manual	Low
A.13 If there is a manual, is it up to date and does it cover foreign-assisted projects?	Yes, national guidance on procurement, January 2015	Low
A.14 Is there a procurement process manual for consulting services?	Yes	Low
A.15 If there is a manual, is it up to date and does it cover foreign-assisted projects?	No, only for local projects	Medium
PROJECT MANAGEMENT UNIT		
A.16 Is there a fully (or almost fully) staffed PMU for this project currently in place?	No	* High
A.17 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	No	* High
A.18 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	No	High
A.19 Are there standard documents in use, such as Standard Procurement Documents/Forms, and have they been approved for use on ADB funded projects?	Yes, standard documents used for public procurements. Will be suitably modified for ADB projects	* Medium
A.20 Does the agency follow the national procurement law, procurement processes, guidelines?	National procurement law - Perpres 54, 2015 Perpres 4, 2015 and Perpres 70, 2012	* Low
A.21 Do ToRs for consulting services follow a standard format such as background, tasks, inputs, objectives and outputs?	Yes	Low
A.22 Who drafts the procurement specifications?	Satker/PMU	Low
A.23 Who approves the procurement specifications?	Parjabat Pambuat Komitmen (PPK) is the responsible official and reports to Satker (Kepala Satuan Kerja).	Low
A.24 Who in the PMU has experience in drafting bidding documents?	Pokga – team which prepares this is part of the Satuan Kerja	* Medium
A.25 Are records of the sale of bidding documents immediately available?	Yes	* Low
A.26 Who identifies the need for consulting services requirements?	Directors of the 5 Directorate	Low
A.27 Who drafts the Terms of Reference (ToR)	Parjabat Pambuat Komitmen (PPK)	Low
A.28 Who prepares the request for proposals (RFPs)	Parjabat Pambuat Komitmen (PPK)	Low
B. INFORMATION MANAGEMENT		

QUESTION	RESPONSE	RISK ³⁴
B.1 Is there a referencing system for procurement files?	Yes	Low
B.2 Are there adequate resources allocated to record keeping infrastructure, which includes the record keeping system, space, equipment and personnel to administer the procurement records management functions within the agency?	Yes	* Medium
B.3 Does the agency adhere to a document retention policy (i.e. for what period are records kept)?	10 years in hardcopy and more than 10 years in softcopy	* Low
B.4 Are copies of bids or proposals retained with the evaluation?	Yes	Low
B.5 Are copies of the original advertisements retained with the pre-contract papers?	Yes	Low
B.6 Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?	Yes	Medium
B.7 Are copies of invoices included with the contract papers?	No	High
B.8 Is the agency's record keeping function supported by IT?	Yes	Low
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Has the agency undertaken procurement of goods or works related to foreign assistance recently (last 12 months or last 36 months)? If yes, indicate the names of the development partner/s and project/s.	Yes, ADB for RRDP, AusAID for EINRIP, IBRD for WINRIP	* Medium
C.2 If the answer is yes, what were the major challenges faced by the agency?	Delays due to administrative procedures and clearances with Lender on documentation	* Medium
C.3 Is there a systematic process to identify procurement requirements (for a period of one year or more)?	Yes	
C.4 Is there a minimum period for the preparation of bids and if yes, how long?	Yes, approximately 6 months	* Low
C.5 Are all queries from bidders replied to in writing?	Yes, thru the e-procurement system	* Low
C.6 Does the bidding document state the date and time of bid opening?	Yes	* Low
C.7 Are bids opened in public?	Yes	* Low
C.8 Can late bids be accepted?	No	* Low
C.9 Can bids (except late bids) be rejected at bid opening?	Yes, if not complete	* Medium
C.10 Are minutes of the bid opening taken?	Yes	* Low

QUESTION	RESPONSE	RISK ³⁴
C.11 Are bidders provided a copy of the minutes?	Yes, uploaded	* Low
C.12 Are the minutes provided free of charge?	Yes	* Low
C.13 Who undertakes the evaluation of bids (individual(s), permanent committee, ad-hoc committee)?	Pokjam - Ad-hoc committee	Medium
C.14 What are the qualifications of the evaluators with respect to procurement and the goods and/or works under evaluation?	Yes, procurement certification from LKPP	* Medium
C.15 Is the decision of the evaluators final or is the evaluation subject to additional approvals?	No, additional approval from Bank and Procurement Unit or Minister if necessary	* High
C.16 Using the three 'worst-case' examples in the last year, how long from the issuance of the invitation for bids can the contract be awarded?	1 year	Medium
C.17 Are there processes in place for the collection and clearance of cargo through ports of entry?	Yes, thru an external agency of cargo handlers	Medium
C.18 Are there established goods receiving procedures?	Yes	Medium
C.19 Are all goods that are received recorded as assets or inventory in a register?	Yes, Belanja Modal (assets) and Belanja Barang (other items)	Medium
C.20 Is the agency/procurement department familiar with letters of credit?	Yes	Medium
C.21 Does the procurement department register and track warranty and latent defects liability periods?	No, only for registering in the contract document, but not tracking	High
Consulting Services		
C.22 Has the agency undertaken foreign-assisted procurement of consulting services recently (last 12 months, or last 36 months)? (If yes, please indicate the names of the development partner/s and the Project/s.)	Yes, ADB for RRDP CTC and DSC, AusAID for EINRIP CTC and DSC, IBRD for WINRIP CTC and DSC	* Medium
C.23 If the above answer is yes, what were the major challenges?	Procurement process takes a long time due to administrative procedures	* Medium
C.24 Are assignments and invitations for expressions of interest (EOIs) advertised?	Yes	* Low
C.25 Is a consultants' selection committee formed with appropriate individuals, and what is its composition (if any)?	Yes, committee with procurement certificate with odd number of personnel as committee members	Medium
C.26 What criteria is used to evaluate EOIs?	Generally, Technical is 75% and Financial is 25%. Range is 70-90% for Technical and 10-30% for Financial	Low
C.27 Historically, what is the most common	QCBS	* Low

QUESTION	RESPONSE	RISK ³⁴
method used (QCBS, QBS, etc.) to select consultants?		
C.28 Do firms have to pay for the RFP document?	No, Free	* Low
C.29 Does the proposal evaluation criteria follow a pre-determined structure and is it detailed in the RFP?	Yes	* Medium
C.30 Are pre-proposal visits and meetings arranged?	Yes	Medium
C.31 Are minutes prepared and circulated after pre-proposal meetings?	Yes	* Low
C.32 To whom are the minutes distributed?	All participating bidders	* Low
C.33 Are all queries from consultants answered/addressed in writing?	Yes	* Low
C.34 Are the technical and financial proposals required to be in separate envelopes and remain sealed until the technical evaluation is completed?	Yes	* Medium
C.35 Are proposal securities required?	Yes (upto 5% of the contract value)	* Low
C.36 Are technical proposals opened in public?	Yes	* Low
C.37 Are minutes of the technical opening distributed?	Yes	* Low
C.38 Do the financial proposals remain sealed until technical evaluation is completed	Yes	Medium
C.39 Who determines the final technical ranking and how?	Procurement committee, after evaluation which is based on pre-determined criteria	* Low
C.40 Are the technical scores sent to all firms?	Yes	* Low
C.41 Are the financial proposal opened in public?	Yes	* Low
C.42 Are minutes of the financial opening distributed?	Yes	* Low
C.43 How is the financial evaluation completed?	By comparing the financial proposals of the top 3 bidders with the highest score of technical evolution	* Low
C.44 Are face to face contract negotiations held?	Yes	* Low
C.45 How long after financial evaluation is negotiation held with the selected firm?	2 weeks	Low
C.46 What is the usual basis for negotiation?	Compare the financial proposal with the Owner's Estimate	Medium
C.47 Are minutes of negotiation taken and signed?	Yes	* Medium
C.48 How long after negotiation is the contract signed, on average?	On average, 1 month	Low

QUESTION	RESPONSE	RISK ³⁴
C.49 Is there an evaluation system for measuring the outputs of consultants?	Yes, through progress report (monthly, quarterly and annually)	Medium
Payments		
C.50 Are advance payments made?	Yes (15% of Contract value)	Low
C.51 What is the standard period for payment included in contracts?	No standard period and depends on contracts and payment milestones. Usually Time-based.	Medium
C.52 On average, how long is it between receiving a firm's invoice and making payment?	2 weeks	Medium
C.53 When late payment is made, are the beneficiaries paid interest?	Yes	Medium
D. EFFECTIVENESS		
D.1 Is contractual performance systematically monitored and reported?	Yes	Medium
D.2 Does the agency monitor and track its contractual payment obligations?	Periodically, Yes	Medium
D.3 Is a complaints resolution mechanism described in national procurement documents?	Yes	Medium
D.4 Is there a formal non-judicial mechanism for dealing with complaints?	Yes, through internal discussions	Medium
D.5 Are procurement decisions and disputes supported by written narratives such as minutes of evaluation, minutes of negotiation, notices of default/withheld payment?	Yes	* Medium
E. ACCOUNTABILITY MEASURES		
E.1 Is there a standard statement of ethics and are those involved in procurement required to formally commit to it?	Yes, covered under the Indonesia law Perpres 54	* Medium
E.2 Are those involved with procurement required to declare any potential conflict of interest and remove themselves from the procurement process?	Yes, covered under the Indonesia law Perpres 54	* Medium
E.3 Is the commencement of procurement dependent on external approvals (formal or de-facto) that are outside of the budgeting process?	Yes	Medium
E.4 Who approves procurement transactions, and do they have procurement experience and qualifications?	PPK	* Medium
E.5 Which of the following actions require approvals outside the procurement unit or the evaluation committee, as the case may be, and who grants the approval?	None, entire process is managed by the procurement unit	Medium

QUESTION	RESPONSE	RISK ³⁴
a) Bidding document, invitation to pre-qualify or RFP		
b) Advertisement of an invitation for bids, pre-qualification or call for EOIs		
c) Evaluation reports		*
d) Notice of award		*
e) Invitation to consultants to negotiate		
f) Contracts		*
E.6 Is the same official responsible for: (i) authorizing procurement transactions, procurement invitations, documents, evaluations and contracts; (ii) authorizing payments; (iii) recording procurement transactions and events; and (iv) the custody of assets?	No	* Low
E.7 Is there a written auditable trail of procurement decisions attributable to individuals and committees?	Yes	* Medium

II. General Ratings

Criterion	Risk
A. Organizational and Staff Capacity	Medium
B. Information Management	Medium
C. Procurement Practices	Medium
D. Effectiveness	Medium
E. Accountability Measures	Medium
OVERALL RISK RATING	Medium

Appendix 8: Project Procurement Risk Analysis

Determine the risk management strategy to apply to each potentially high or substantial risk from Appendix 7A-7C

SL No.	RISK	IMPACT ³⁵	LIKELIHOOD ³⁶	DGWR	DGHS	DGH	STRATEGY ³⁷
A6, A7, A9, A16, A17, A24, C1, C2, C14, C22, C23	Inefficient procurement required to implement the project as the ULP and/or PMU have insufficient qualified staff.	High	<i>Unlikely</i>	<ul style="list-style-type: none"> PMO and PIU will be provided with comprehensive project management assistance. ULPs in DGWR have strong procurement track-record. The only drawback is that procurement staff have low level of English language proficiency (verbal and written). 	<ul style="list-style-type: none"> PMO and PIU will be provided with comprehensive project management assistance. ULPs in DGWR have strong procurement track-record. The only drawback is that procurement staff have low level of English language proficiency (verbal and written). 	<ul style="list-style-type: none"> PMO and PIU will be provided with comprehensive project management assistance. ULPs in DGWR have strong procurement track-record. The only drawback is that procurement staff have low level of English language proficiency (verbal and written). 	<ul style="list-style-type: none"> Develop the capacity of the procurement committee, particularly those without/with limited experiences in English and procuring ADB financed projects. More assistance, guidance, and supervision is needed for the ESP. Use of e-proc system will help mitigate the staff inadequacy risk.
B2 –B3	Record-keeping is inadequate to enable internal or external audit of procurement processes.	High	<i>Unlikely</i>	<ul style="list-style-type: none"> PMO and PIU will be provided with comprehensive project management assistance. Adequate record-keeping infrastructure and robust document retention policy will be designed with support of the M&E expert 	<ul style="list-style-type: none"> PMO and PIU will be provided with comprehensive project management assistance. Adequate record-keeping infrastructure and robust document retention policy 	<ul style="list-style-type: none"> PMO and PIU will be provided with comprehensive project management assistance. Adequate record-keeping infrastructure and robust document retention policy will be designed with 	<ul style="list-style-type: none"> Ensure compliance with government regulations on record-keeping infrastructure and document retention. Reflect these requirements in PAM.

³⁵ Any risk that may result in actions that are inconsistent with the ADB Procurement Guidelines or Guidelines on the Use of Consultants is assessed as 'High'.

³⁶ 'Likely' or 'Unlikely' to occur in the life of the project, given the response to the question in Appendix 2 and the guidance note in the column.

³⁷ 'Mitigate' (either through the ESP Procurement Plan or through appropriate measure/s), 'Monitor' or 'Avoid'.

				under the project management consultant firm	will be designed with support of the M&E expert under the project management consultant firm	support of the M&E expert under the project management consultant firm	
A25, C4 - C12, C24-C44, C47, D5, E7	Agency does not promote non-discriminatory participation, transparent tender processes (including advertisement, tender documentation, tender evaluation, complaints mechanism)?	High	<i>Unlikely</i>	<ul style="list-style-type: none"> • Implicit preference to local consultant firms may be given in the TORs. • Foreign bidder participation in submission of EOIs for the panel and RFPs for the call-down assignments may be constrained due to interpretation of LKPP MPWH regulations 	<ul style="list-style-type: none"> • Implicit preference to local consultant firms may be given in the TORs. • Foreign bidder participation in submission of EOIs for the panel and RFPs for the call-down assignments may be constrained due to interpretation of LKPP MPWH regulations 	<ul style="list-style-type: none"> • Implicit preference to local consultant firms may be given in the TORs. • Foreign bidder participation in submission of EOIs for the panel and RFPs for the call-down assignments may be constrained due to interpretation of LKPP MPWH regulations 	<ul style="list-style-type: none"> • ADB TA procurement advisors to pro-actively advise the DGs on balanced structuring of the TORs to ensure optimal representation of international and national expertise to best meet the requirements of the project. • Reflect in the PAM that foreign bidders are required to submit the working license only prior to signing of contract, and no mandatory association with local partners.
C15, E1 – E.7	The Agency has inadequate ethics and anticorruption measures in place.	High	<i>Unlikely</i>	<ul style="list-style-type: none"> • Budget users (echelon II and above) must sign integrity pact. • There is a multi-stakeholder approval system for each contract. ADB prior or post review also provides for a safeguard. • The decision of the 	<ul style="list-style-type: none"> • Budget users (echelon II and above) must sign integrity pact. • There is a multi-stakeholder approval system for each contract. ADB prior or post review also provides for a 	<ul style="list-style-type: none"> • Budget users (echelon II and above) must sign integrity pact. • There is a multi-stakeholder approval system for each contract. ADB prior or post review also provides for a safeguard. 	<ul style="list-style-type: none"> • Reflect in the PAM clear description of the approval process for procurement and payments. • Explain to all fiduciary responsible staff of MPWH ADB anti-corruption and integrity policy and requirements.

				<p>evaluators is not final as additional approvals will be required from ADB, PPK or even the Minister.</p>	<p>safeguard.</p> <ul style="list-style-type: none">• The decision of the evaluators is not final as additional approvals will be required from ADB, PPK or even the Minister.	<ul style="list-style-type: none">• The decision of the evaluators is not final as additional approvals will be required from ADB, PPK or even the Minister.	
--	--	--	--	---	--	--	--

Supporting ESP's Panel Arrangement through LKPP's SPSE

1. This procurement note has been prepared for the Asian Development Bank (ADB) to assess the viability of using the new LKPP's LPSE – electronic procurement system (eproc) –to support the procurement activity under the proposed - Accelerating Infrastructure Delivery through Better Engineering Services Project, hereinafter referred to as the “Engineering Services Project” or “ESP”.
2. As per the recent Presidential Decree (Perpres 4/2015 and Inpres 1/2015), all Government procurements are required to be routed through LKPP's electronic procurement system (eproc). The LKPP's SPSE has been assessed by ADB for use under the ESP. Overall, the assessment concludes that the LKPP's SPSE—with minor adjustments—can be used for the panel arrangement for recruitment of project preparation consultants. The SPSE has been also assessed for standard (non-panel) selection of consultant firms, such as PMC firms and the firm for the preparation of the Jragung multi-purpse damproject. The results of the assessment made by ADB and the required actions to be implemented by LKPP and MPWH/PUSDATIN are available in Appendix 4.1 of the Project Administration Manual (PAM). LKPP, in coordination with ADB and MPWH/PUSDATIN, has made the required adjustments in the SPSE to cater to the consultant selection, in accordance with ADB's guidelines, for the projects under ESP. The system is under final review by LKPP, ADB, and MPWH/PUSDATIN and after the some minor adjustments, the LPSE ESP platform shall be ready by August 2016 for use by the respective tender committees.
3. The SPSE system does not define the requirements for specific packages, only displays the information made available by the tender committee and allows registered bidders to download the bidding document and upload their response (one or two envelop as specified by the tender committee) and controls when a tender committee may open the responses. The SPSE will also manage the bidding process in accordance to the schedule of activities defined by the tender committee. The bidding requirements, any qualification requirements, validation and evaluation of the content of consultants' responses will be defined by the tender committees that shall beguided by ADB's *Guidelines on the Use of Consultants*. Overall, LKPP SPSE will only support the consultant selection process as e-procurement platform, and the consultant selection will follow ADB's *Guidelines on the Use of Consultants*.
4. The “SPSE User Guide” on the use of the LKPP's SPSE for the selection of consultants under the ESP, including for the selection of firms for the panels, is available

in Appendix 4.2 of PAM. The REOs and RFPs will be submitted electronically (through LKPP SPSE) per the requirements described in the REOs and RFPs.³⁸

5. The SPSE and the provisions in the EOs and RFPs will have no restrictions on registration and submission of EOs and RFPs by the consultant firms. The restrictions pertain, but are not limited to, to the need to (i) have a representative office in Indonesia, (ii) have a local partner, and (iii) be physically present at the government agency to obtain the relevant identification and registration numbers necessary for submission of EOs. Relevant registration and business permit requirements may be relevant at the stage of signing contract for a particular assignment. ADB and the MPWH will review such requirements and agree on their applicability under the ESP.³⁹

6. LKPP's SPSE was reviewed for the Asian Development Bank (ADB) to assess the progress of the system changes being applied to the LKPP SPSE e-procurement system for the ESP program, and to ensure the system meets ADB procurement guidelines and international standards for the selection of consultants. The review is only related to the system functionality available to key actors using the system, namely the tender committees, Panel Managers and prospective consulting firms who will use the procurement process and registration of local and international consultants. Key functions and features examined include: i) e-bid submission; ii) identification/authentication; iii) document formats and sizes; iv) encryption and decryption; v) integrity of data; and, vi) confidentiality before and after opening of tenders. This review does not include a partial or full security review of the system, database or the network infrastructure that will host the system. A proper security and penetration test of the production system will be conducted when the system is fully implemented.

7. The review was conducted on the current release of the LPSE ESP system, made available by LKPP. Key changes to the LPSE system for ESP include:

- a) Simplified Vendor registration process;
- b) Replacement of the Appendo data encryption utility with embedded database/file encryption after files are uploaded;
- c) Support for multiple files to be submitted as part of a technical or financial proposal or expression of interest instead of one file encrypted with Appendo;
- d) Simplified procurement submission process with the removal of tables linked to Vendor profile; and,
- e) Addition of Panel Management function to maintain multiple panel list.

8. The LPSE ESP version will operate as an independent and separate LPSE platform connected to the MPWH LPSE system. The procurement processes in the

³⁸ The ADB will evaluate readiness of LKPP SPSE for selecting the consultants under the ESP. If the SPSE is not ready for consultant selection under the ESP, the ADB and the MPWH will discuss the option of manual submission of EOs and technical and financial proposals of the consultants.

³⁹ In the empanelment stage, consultant firms are not required to have obtained registration and business permit from Indonesia Investment Coordinating Board. However, once consultant firms have passed the empanelment stage, the consultants may be required to submit their business permit (IUJK) to the tender committee along with the submission of the RFPs. This requirement will be further discussed and agreed between ADB and the MPWH prior to issuance of the first RFP at the call-down stage.

ESP system will be limited to the recruitment of consulting firms under the panel selection or as an open procurement. Other categories of procurement for goods, services, works and additional services are not included in the ESP system.

9. Operating the LPSE ESP as a separate site allows MPWH to provide more direct and easier access to ESP tender opportunities as they will no longer be embedded with the thousands of tenders normally published in the MPWH platform. Any interested vendor (consulting firm), national or foreign, will need to register in the LPSE ESP system in order to participate in any ESP procurement activity, even if they are already registered in the MPWH LPSE system or another LPSE system.

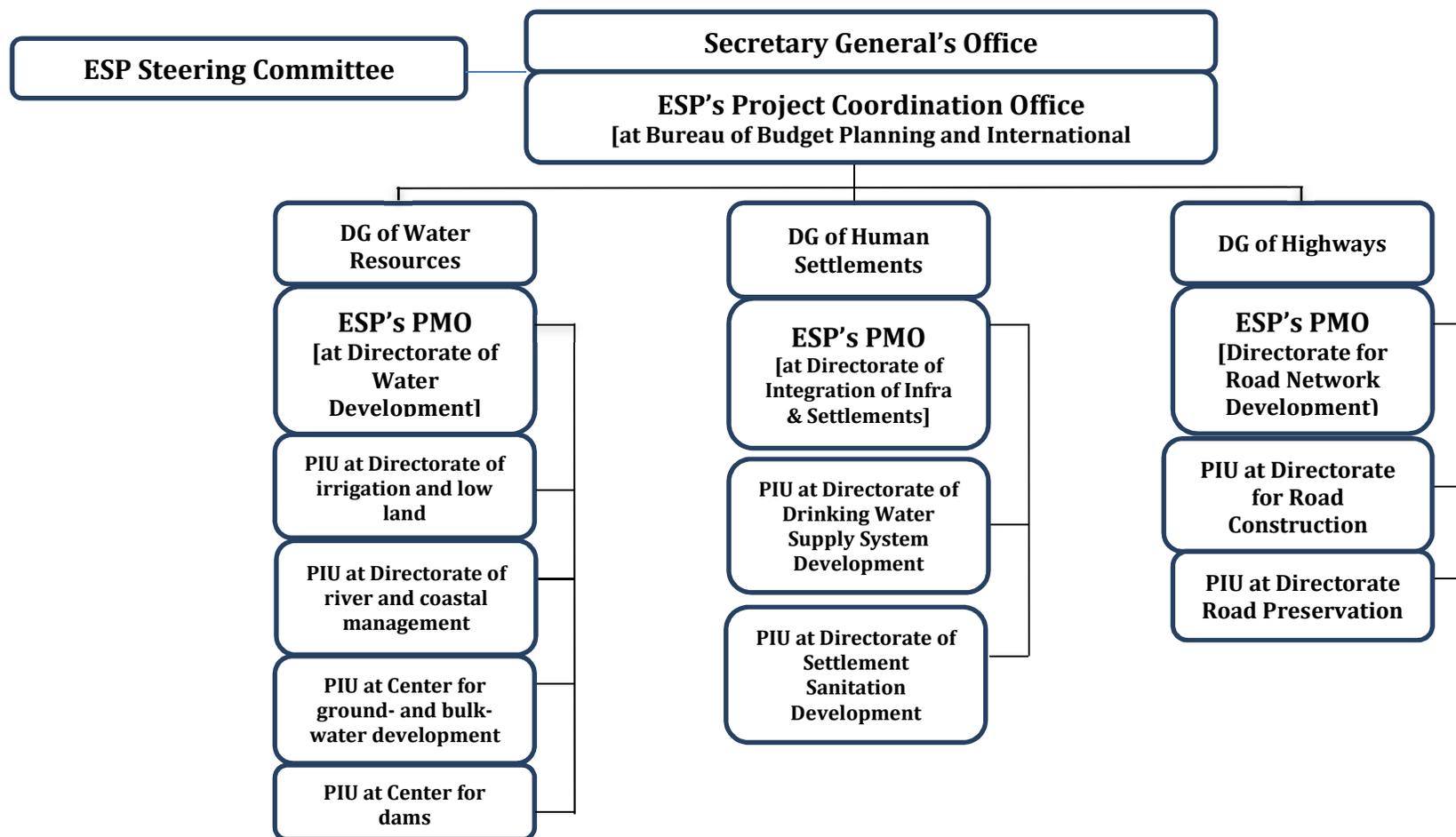
10. The current version of the LPSE ESP system has addressed the Action Items presented in the ADB ESP Action Plan prepared by the ADB in March 2016 and reflects the workflow presented by LKPP in support of the ESP program in March 2016. The system allows a Tender Committee to issue an Expression of Interest (EOI) for participation in the Panel Arrangement, issue invitation to bids to members of a Panel List, and manages the Panel List by adding new members through additional EOIs or removing members. The ESP version supports a single envelop, pass/fail evaluation for the EOI option and either a Quality Cost selection for Consulting Firms from a Panel List or open selection of a consulting firm with an embedded EOI stage followed by an invitation to bid. Weights to be applied for the Quality Cost are defined by the Tender Committee when the bidding is created. From the functional system test conducted during the review, the system does appear to fully support all functional procurement processes and panel management functions required to support the proposed ESP panel arrangement. Some minor language and user interface issues were identified, along with a few system errors which were addressed by LKPP during the testing period; no serious errors were encountered with respect to the functional workflows in the system.

11. The procurement under the ESP program will be governed by ADB Guidelines as specified in the standard bidding documents to be published with the packages in the LPSE ESP system. The system will primarily be used to support the announcement of the projects, provide access to the bid packages to registered bidders and allow bidders to submit their responses electronically to the Tender Committee through the system. The procurement process for each published package will be managed in accordance to the activities defined in the bidding schedule for the package. The bidding schedule will ensure the proper announcement and submission period is provided to interested vendors, control the deadlines for the submission queries and bid responses, control when bids can be opened and the evaluation process and the announcement of the award. ADB can be provided with an Auditor userid which will allow them to monitor all activity for a package before and after a package is announced and during the evaluation process and announcement of award. The auditor would be able to access bidding documents and bid responses submitted by vendors. Access to bid responses would only be available in accordance to the bidding schedule and evaluation process.

12. Most MPWH Tender Committees are familiar with the use of LPSE for the creation and management of bids as MPWH has been using the system for the past

year. Some items that should be reviewed with MPWH Tender Committees prior to implementation are related to the functional activity of creating and supporting a Panel List with an EOI and using the Panel List for an invitation to bid.

13. The system is under final review by LKPP, ADB, and MPWH/PUSDATIN and after the some minor adjustments, the LPSE ESP platform shall be ready by August 2016 for use by the respective tender committees.

ESP Implementation Arrangements⁴⁰

⁴⁰ Directorates will involve central or local level Saters (owners of infrastructure project budgets) for project preparation activities and review of outputs of technical consultants.

Highlights of functions

Body	Function	Remarks
1. ESP Steering Committee	<ul style="list-style-type: none"> • Provide overall coordination and guidance during the implementation of the ESP • Monitor status of preparation of individual infrastructure projects and facilitate that ESP-supported projects receive the required capital budget • Monitor status of institutional strengthening and capacity building activities • Ensure alignment of the ESP with MPWH Renstra targets and time-lines • The steering committee will meet quarterly; ad-hoc meetings may take place at request of the Chairperson 	<p>Chairperson:</p> <ul style="list-style-type: none"> • Secretary General of MPWH <p>Members:</p> <ul style="list-style-type: none"> • Director of Bureau of Budget and Planning, SetJen • Director of Water Development, DGWR • Director of Integration of Infra & Settlements, DGHS • Director of Road Network Development, DGH <p>Co-opted members:</p> <ul style="list-style-type: none"> • Director-level staff from the MPWH's unit on land acquisition coordination • Director-level staff from DG for construction development
2. Project Coordination Office (PCO) at SetJen	<ul style="list-style-type: none"> • Serve as secretariat to ESP steering committee • Consolidate and review information on ESP implementation, including on the inclusion of ESP-supported projects in the capital budget of MPWH based on the status of the project preparation and budgeting process • Prepare consolidated reports on ESP implementation status for MPWH management and other government agencies • Ensure follow-up to the steering committee meetings and instructions of MPWH leadership 	<ul style="list-style-type: none"> • SetJen staff will be assigned to PCO • SetJen will engage consultants to support PMO (funding thru APBN) • Limited capacity building consultant support may be provided thru one of existing ADB TAs
3. Project Management Offices (PMOs)	<p>Overall:</p> <ul style="list-style-type: none"> • Lead communication and reporting on the ESP with PCO and ADB • Establish and maintain a monitoring framework for all ESP-supported projects in 	<ul style="list-style-type: none"> • Each PMO will receive consultant support from the ESP through a project

<p>at DGWR, DGHS, and DGH</p>	<p>the respective DG and ensure all ESP-supported projects are prioritized in the DG's request for capital budget for the year, in which the projects are expected to be implementation ready</p> <ul style="list-style-type: none"> • Ensure compliance with agreed guidelines and procedures for the procurement of goods and selection of consultants • Review and process payments to consultants under outputs 1 and 2 • Review and process other relevant payments for goods and services falling under output 2 • Manage the imprest account and related financial reporting and accountability aspects (withdrawal applications, financial reports, audits, bank account statements, etc.) • Lead financial management per ADB's Loan Disbursement Handbook <p>Output 1:</p> <ul style="list-style-type: none"> • Lead selection of panels for respective DGs, including development of generic Terms of Reference (TOR), and evaluation of submitted EOIs (with contribution of the PIUs at relevant directorates) • Lead the review of panel performance and issues related to selection and maintenance of the panel • Sign indefinite delivery contracts with panel members • For individual project preparation, establish joint PIU-Satker project study committees responsible for selection of consultants, review of consultant outputs and quality assurance • Contribute to review of consultant outputs and quality assurance, as applicable • Closely monitor status of each contract and ensure timely action by the consultant and all structures of the respective DG <p>Output 2:</p> <ul style="list-style-type: none"> • Lead selection and management of ESP project management consultants • Lead selection and management of consultants for capacity building and institutional strengthening of MPWH in public investment management, safeguards, and public procurement 	<p>management consultant firm</p>
<p>4. Project Implementation Units at directorates of</p>	<p>Output 1:</p> <ul style="list-style-type: none"> • Contribute to development of generic TORs for selection of firms for the panel • Contribute to evaluation of submitted EOIs for empanelment • Provide feedback on performance of panel consultants 	<ul style="list-style-type: none"> • Each PIU will receive support from the ESP through the project management consultant

<p>DGWR, DGHS, and DGH</p>	<ul style="list-style-type: none"> • For individual project preparation, act as chair of project study committees: <ul style="list-style-type: none"> ○ lead development of project specific TORs and RFP for selection of consultants from the panel for a specific project ○ lead technical financial evaluation of submitted proposals, and contract negotiations ○ sign the contract with the technical consultant selected from the panel ○ lead quality assurance of the technical consultants' outputs, including review of consultant's deliverables ○ upon endorsement of Satker, confirm deliverable of the consultants for payment processing by PMO ○ lead consultant performance evaluation upon completion of contract • Submit monitoring status of each contract to PMO and ensure timely action by the consultant and Satkers • Ensure compliance with ADB consultant selection guidelines <p>Output 2:</p> <ul style="list-style-type: none"> • Contribute to implementation of capacity building and institutional strengthening activities (including in public investment management, safeguards, and public procurement) in the relevant DG 	<p>firm</p> <ul style="list-style-type: none"> • PIUs, along with Satkers, will be direct and immediate counterparts and beneficiaries of the technical consultants recruited from the panels
<p>5. Satkers</p>	<p>Output 1:</p> <ul style="list-style-type: none"> • Provide feedback to respective PIU and PMO on performance of panel consultants • As member of the project study committee: <ul style="list-style-type: none"> ○ contribute to development of project specific TORs and RFP for selection of consultants from the panel for a specific project ○ contribute to evaluation of technical and financial of proposals, and contract negotiations ○ confirm the contract with the technical consultant selected from the panel ○ lead substantive work and contributions to the work of consultants ○ manage and supervise the consultants on daily basis ○ lead review and quality assurance of consultant output ○ be the first instance to endorse consultant deliverables for payment ○ contribute to consultant performance evaluation upon completion of contract <p>Output 2:</p> <ul style="list-style-type: none"> • Participate and contribute to capacity building and institutional strengthening activities under the ESP 	<ul style="list-style-type: none"> • Satkers will be direct and immediate counterparts and beneficiaries of the technical consultants recruited from the panels

THIS IS A BLANK PAGE