

ASIAN DEVELOPMENT BANK

TAR: INO 35208

TECHNICAL ASSISTANCE

(Financed from the Asian Currency Crisis Support Facility)

TO THE

REPUBLIC OF INDONESIA

FOR

**STRENGTHENING THE CAPACITY OF THE MINISTRY OF SETTLEMENTS
AND REGIONAL INFRASTRUCTURE TO COMBAT FRAUD
AND CORRUPTION**

March 2002

CURRENCY EQUIVALENTS

(as of 6 December 2001)

Currency Unit	–	Rupiah (Rp)
Rp. 1.00	=	\$0.000096
\$1.00	=	Rp 10,405

ABBREVIATIONS

ADB	–	Asian Development Bank
AGO	–	Attorney General's Office
BPK	–	Badan Pemeriksa Keuangan (The Supreme Audit Institution)
BPKP	–	The Government Audit Office
MSRI	–	Ministry of Settlements and Regional Infrastructure
NGO	–	non-government organization
ICT	–	Information Communication Technology
IG	–	Inspector(ate) General
NPPO	–	National Procurement Office
TA	–	technical assistance

NOTE{S}

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

I. INTRODUCTION

1. A Fact-Finding Mission¹ from the Asian Development Bank (ADB) undertook discussions with representatives of the Government of Indonesia during March/July 2001 on proposed technical assistance (TA) to strengthen the capacity of the Inspectorate General (IG) of the Ministry of Settlements and Regional Infrastructure (MSRI) to combat fraud and corruption in the operations of MSRI and projects managed by it. The Mission reached an understanding with the Government, specifically with staff from MSRI-IG, on the objectives, scope, and implementation arrangements of the TA. The Mission also held consultations with representatives of civil society groups. The TA framework is presented in Appendix 1. The TA is included in the 2001 Indonesia country program.²

II. ISSUES

2. ADB's Anticorruption Policy³ provides increased emphasis on supporting anticorruption efforts as part of ADB's broader emphasis on governance and capacity building. The Country Strategy Program (CSP) for Indonesia defines several areas for anticorruption initiatives, particularly in the context of decentralization: (i) support for audit reform, (ii) continued support for improving procurement in order to improve financial management, (iii) support for the Attorney-General's Office, and (iv) effective anticorruption efforts in ADB's own projects. Several projects consistent with these priorities have already been implemented.⁴

3. Strengthening central (or cross-cutting) public financial management systems is an essential element of improved public administration in Indonesia. Within this broad area, the internal audit is one of the key functions for reform, as identified in a recent report by the World Bank.⁵ In association with complementary reforms in other areas of public financial management—e.g., accounting, budget preparation, budget execution, public procurement, and external audit—a modernized internal audit system would yield potential benefits both in relation to the Government's anticorruption program and, more fundamentally, by helping to create a framework for efficient and effective use of public resources, and for stronger accountability and transparency in the Government's financial operations. It should be mentioned that both the World Bank and ADB are providing support to the Government to set up a new national public procurement policy-making entity and to draft a new procurement law and regulations.

4. Reform of the internal audit function is a complex issue for a number of reasons. The IGs' roles and responsibilities are unclear, and the relations between IGs in individual line ministries and the Government's internal audit agency, BPKP, are not clearly defined. In addition, the existing mandate of the IGs fails to satisfy international standards of internal audit in certain respects. For example, the IG has in cases under administrative law both an

¹ The Mission was composed of S. Andrews, Head, Portfolio Management, Indonesia Resident Mission (IRM); and J. M. Lafreniere, Senior Audit Specialist, Office of General Auditor (OGA) (March/April); and Staffan Synnerstrom, Governance Advisor, (IRM) (August-October).

² The TA first appeared in *ADB Business Opportunities* (internet edition) in August 2001.

³ R89-98: *Anticorruption Policy*, 11 June 1998.

⁴ TA Loan 1620-INO: *Capacity Building for Financial Governance – Assistance to BPKP*, for \$ 47,000, approved on 25 June 1998; TA 3381-INO: *Establishment of an Anticorruption Commission*, for \$1,000,000, approved on 28 December 1999; TA 3471-INO: *Improving Public Sector Procurement*, for \$780,000, approved on 21 July 2000; TA 3472-INO: *Governance Audit of the Public Prosecution Service of Indonesia*, for 1,000,000, approved on 21 July 2000.

⁵ World Bank: Indonesia: *Country Financial Accountability Assessment*, April 2001.

investigative and a prosecuting function, thus creating a potential conflict of interest within the organization.

5. Reform of Indonesia's internal audit system will require a fundamental review of existing laws, regulations and organizational structures. Such a reform will need to tackle both the systemic problems of the current system including issues of organizational structure and overlap between the external audit carried out by the Supreme Audit Institution (BPK), and by the Government internal audit body (BPKP). At present ADB supports the BPKP.⁶ But audit reform will also need to address training and capacity-building needs at the level of individual ministries, agencies, and provincial/local authorities. The present TA should be viewed against that background and is intended to deal with a specific issue within the existing mandate of MSRI-IG, namely to increase its capacity to deter, detect, and investigate cases of fraud and corruption.

6. MSRI is one of the largest ministries in terms of budget as well as in terms of number of infrastructure projects that involve substantial procurement of goods, works, and services, which are particularly subject to fraud and corruption. In addition, its operations will clearly be affected by the ongoing decentralization. MSRI-IG is therefore an appropriate choice for ADB's assistance. Both the former minister and the inspector general of MSRI have requested ADB's assistance to strengthen the capacity of the MSRI-IG. The new minister has endorsed this request, and the fact that there is a strong leadership commitment in place is another reason for ADB to choose MSRI for this assistance. This TA should be seen as a first step and, if successful, it may lead to similar initiatives in other government departments. The TA will thus contribute to improved internal auditing on the institutional level as a part of the necessary reform of the whole audit system.

7. The strengthening of MSRI-IG within its current mandate (described in Appendix 2), is a priority within MSRI, but at the same time this TA is part of a larger reform program within the Ministry. MSRI intends to develop and establish a policy and strategic plan for the implementation of good governance, undertake a public information program, support the development of a research and development agency, initiate certification of auditors by external agencies, undertake training and fact-finding study visits, upgrade facilities, and strengthen external accountability mechanisms. As part of its good governance program, MSRI has identified the need for a comprehensive review of its operational policies and procedures, especially in the light of the ongoing decentralization. Decentralization has the potential to improve accountability on the regional and local levels, but such an improvement requires introduction of effective mechanisms for financial control and accountability. Such a review will thus involve complex legal issues, especially when reviewing policies and procedures for project implementation and for dealing with allegations of fraud and corruption.

8. MSRI proposes that its program initiatives for improving governance should be fundamental and sustainable in nature as opposed to symptomatic. The reform measures should be applied gradually in order to lead to sustainable results. Due to the complexity of the task, MSRI does not expect to have good governance standards fully implemented until 2004.

⁶ TA Loan 1620-INO: *Capacity Building for Financial Governance*.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

9. The goal of the TA is to improve governance within MSRI through an IG performing effectively and in accordance with accepted international standards. The immediate objective is to help MSRI-IG to be appropriately equipped and to become able to deter, detect, and investigate fraud and corruption in MSRI projects and to initiate prosecution of alleged perpetrators.

B. Methodology and Key Activities

10. The scope of the TA is to assist MSRI-IG by (i) reviewing regulations and procedures; (ii) designing and implementing new policies, new incentive structures, and new procedural guidelines and manuals; and (iii) assessing training needs and designing and implementing relevant training programs, designing a training manual, and disseminating information on new procedures and requirements to external stakeholders.

11. Relevant government regulations guiding MSRI operations, and MSRI regulations, guidelines, and procedures will be reviewed to identify any inconsistencies and conflicts that may prevent effective implementation and audit of MSRI projects. New versions of the regulations will be drafted for MSRI to promulgate or, in the case of government regulations, to submit to the Government for action.

12. A new MSRI-specific internal audit policy will be developed and new procedural guidelines (an operational manual) for conducting investigations of allegations of fraud and corruption by MSRI-IG will be prepared and approved by MSRI. The policy will include introduction of mechanisms to facilitate the making of complaints, such as hotlines, guarantees of anonymity, rewards, etc. The procedural guidelines will include basic investigation techniques and will provide guidance on reporting investigation findings. The procedural guidelines will be in both English and Bahasa Indonesia.

13. For successful implementation of the TA, training and dissemination will be required on three levels. First, the training needs of all MSRI-IG auditing staff will be defined, a training program corresponding to the needs will be prepared, and relevant training will be implemented. The training program for the internal auditors of MSRI-IG will aim to make them comply with the new procedures. It will also include a segment to upgrade the presentation skills of the participants, and to assist them in effectively passing on their acquired knowledge and skills to other MSRI staff. The training program will be documented in a training manual so that repetition of the training will be possible after the TA ends. The training manual will be prepared in both English and Bahasa Indonesia.

14. Second, a training program targeting MSRI management and departments involved in MSRI projects will be prepared and implemented. A short training module for all concerned project directors, managers, and MSRI project staff will be prepared and implemented through training sessions led by MSRI-IG auditors. The purpose of this training will be to cause other MSRI staff to understand and accept the new standards as well as to get their commitment to comply with relevant regulations, guidelines, and procedures and with reporting requirements. Participants in this training program will include all MSRI directors, managers, and staff involved in MSRI projects as well as project team leaders and other project staff.

15. Third, relevant information will be disseminated to external stakeholders. To make the new standards and procedures known and accepted among stakeholders such as companies likely to participate in bids for goods, works, or services or companies already in contractual relationships with MSRI, disseminating activities targeting such stakeholders will be launched. Activities can include general information products, seminars, and advertisements. Also non-government organizations (NGOs) and media with an interest in the field and that act as “watchdogs” will be regarded as stakeholders. One credible NGO will be sub-contracted to help with the dissemination, especially to other NGOs and to the media.

16. Immediately following the completion of the training program, one of the international consultants, the forensic accountant/investigation expert, will continue to work in MSRI-IG for six months to provide “hands-on” advice to auditors investigating potential cases of fraud and corruption. Guidance on investigation techniques; reporting of investigation findings; and, where relevant, preparation for prosecution by the Office of the Attorney General will be provided by the resident advisor.

17. To assist MSRI-IG in achieving its objectives, information and communication technology (ICT) facilities will be provided. Subject to the recommendations of the consultants, these may comprise a server and a local area network with an “off-the-shelf” but secure database and, if funding permits, a small model for internet based procurement (e-procurement) that should include, as a minimum, a procurement bulletin board for MSRI. With the Government proposing to set up a National Public Procurement Office (NPPO) responsible for procurement policy and standards, the data contained in any MSRI procurement bulletin board should be capable of being uploaded to a national bulletin board operated by NPPO. The consultants will provide training in setting up the secure database and any e-procurement model.

C. Cost and Financing

18. The total cost of the TA is estimated at \$800,000, of which \$625,000 will be provided by ADB, on a grant basis, from the Asian Currency Crisis Support Facility (ACCSF), financed by the Government of Japan. ADB will finance all the \$511,000 foreign exchange cost and \$114,000 equivalent of the local currency cost of the TA. The Government will provide the remaining \$175,000 equivalent to finance the local currency cost of counterpart staff, office facilities, workshops, and administrative support. The detailed cost estimates and financing plan for the TA are shown in Appendix 3.

D. Implementation Arrangements

19. The Executing Agency of the TA will be the MSRI. The immediate counterpart will be the inspector general. Counterpart staff will be sourced primarily from MSRI-IG. For smooth implementation of the TA and to assist ADB in providing administrative and quality control, MSRI will

- (i) appoint, at its expense, a TA project manager/coordinator (preferably from MSRI-IG);
- (ii) make available all the data and information relevant to the TA;
- (iii) provide office accommodation for the consultant team;
- (iv) provide sufficient administrative support including translations and interpretation; and
- (v) provide sufficient technical support.

20. Approximately 25 person-months of consulting services will be required over an implementation period of 9 calendar months. The input is estimated to be 12 person-months of international consultants and 13 person-months of domestic consultants. The consultants will be engaged through a firm in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements on the engagement of domestic consultants. In addition, a credible NGO will be sub-contracted to help with the dissemination of the TA's outputs. The TA is expected to commence in January 2002 and to be completed by the end of September 2002. The terms of reference for the consultant team are in Appendix 4. The terms of reference for the sub-contracted NGO will be prepared by the consultant team for approval by ADB and MSRI-IG. ICT facilities under the TA will be procured by the recruited consulting team in accordance with ADB's *Guidelines for Procurement*, subject to approval of the recommendations in the inception report.

21. The consultant team will prepare, in English and in Bahasa Indonesia, an inception report, an interim report, a draft final report, and a final report. The inception report will be submitted to ADB and MSRI within the first month of the commencement of the study. It will outline the proposed work program and any apparent/likely barriers that would prevent the successful completion of the TA. It will also make recommendations as to what ICT facilities should be procured under the TA considering budgetary constraints. The interim report will be submitted upon completion of the training program. The draft final report will be submitted three weeks prior to the completion of the term of the resident advisor. Tripartite meetings among the consulting team, the Government (including MSRI), and ADB will be held two weeks after the submission of the inception, interim, and draft final reports. The final report will be submitted within one month of receipt of comments from the Government and ADB.

IV. THE PRESIDENT'S DECISION

22. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance to the Government of Indonesia, on a grant basis, in an amount not exceeding the equivalent of \$625,000 for the purpose of Strengthening the Capacity of the Ministry of Settlements and Regional Infrastructure to Combat Fraud and Corruption, and hereby reports such action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
Goal Improved governance within the Ministry of Settlement and Regional Infrastructure (MSRI) through an Inspectorate General (IG) performing effectively and in accordance with international standards	<ul style="list-style-type: none"> MSRI-IG effective in its new role 	<ul style="list-style-type: none"> New regulations approved and implemented New procedures implemented 	
Objectives MSRI-IG able and equipped to deter, detect, and investigate fraud and corruption in MSRI projects and to initiate prosecution of alleged perpetrators	<ul style="list-style-type: none"> Increased number of cases investigated each year Increased number of prosecutions initiated each year 	<ul style="list-style-type: none"> Data on number of cases 	<ul style="list-style-type: none"> Insufficient commitment from MSRI and specifically from IG management and staff Insufficient Government funding of salaries and operations Resistance to new procedures and obligations within MSRI management and departments Initiated prosecutions may not lead to anything due to lack of capacity within the judicial system MSRI agrees to take legal action against employees at all levels and contractors when warranted
Output/Activities i Review of regulations and procedures to detect inconsistencies/ conflicts preventing efficient and transparent audit of MSRI projects; new regulations prepared ii Analysis of the current capacity in fraud prevention/ detection skills of MSRI-IG; new policies and procedures for dealing with allegations of fraud and corruption prepared iii Training needs assessed, and training program for MSRI-IG	<ul style="list-style-type: none"> New policies formulated and planned for implementation by June 2002 New regulations in place and effective by end of 2002 Operational manual in place and effective by September 2002 International standards implemented and effective by 2002 Training programs for IG staff implemented by end of 2002 	<ul style="list-style-type: none"> Project monitoring system Project evaluation 	Implementation is effective <ul style="list-style-type: none"> Project managers understand and accept new procedures and obligations Training implemented at all levels and effective Changes in institutional behavior.

<p>staff in conducting fraud prevention, detection, and prosecution developed and implemented</p> <p>iv Training of other relevant MSRI staff prepared and implemented</p> <p>v Dissemination of information to external stakeholders including non-government organizations (NGOs); subcontracting of NGO to help with dissemination</p> <p>vi Provision of MSRI-IG database and MSRI procurement bulletin board and model for internet based procurement</p> <p>vii Short-term expert assistance through a resident advisor close to the Inspector General</p>	<ul style="list-style-type: none"> • Training manual prepared and implemented • MSRI-IG database on cases established 		
<p>Inputs</p> <ul style="list-style-type: none"> • International consultants • Indonesian consultants • Indonesian NGO • Information and communication technology (IT) hardware and software 	<ul style="list-style-type: none"> • 12 person-months • 13 person-months • \$15,000 • \$35,000 	<ul style="list-style-type: none"> • Implementation reports • Project accounts • Government project coordinator • “Watch-dog NGOs” and media 	<ul style="list-style-type: none"> • Corruption, Collusion, and Nepotism (KKN)

CURRENT MANDATE AND PROCEDURES OF THE MSRI-IG

1. The Inspectorate General of the Ministry of Settlements and Regional Infrastructure (MSRI-IG) provides the internal audit function of MSRI, and the inspector general reports to the minister. MSRI-IG employs about 270 persons, of whom some 120 are auditing staff. MSRI-IG inspects projects selected through sampling or due to suspicion of fraud or corruption. Its auditing function is complementary to the inspection functions present in line units and at all levels of the ministry. These latter functions are to carry out the day-to-day financial control of the ministry's operations and projects.

2. After investigating a case, MSRI-IG may choose among three alternative routes, if justified by the investigation. The first route concerns civil servants only and implies pursuing a case under the relevant administrative legal framework, most importantly under procurement regulations. In this internal procedure, MSRI-IG both investigates and prosecutes. The outcome is a disciplinary action, sometimes coupled with a claim for reimbursement under civil law. The second possibility is to submit a case to the Attorney General's Office (AGO) for a procedure under criminal law. In such a case, MSRI-IG investigates and prepares for prosecution before submitting it to the AGO. The AGO assesses the case and may take it to court under criminal law, if that is the outcome of the assessment. The third route is to initiate a civil law procedure against a contract-holder or any other involved company in order to seek reimbursement. This third route can be chosen and pursued by MSRI-IG without involvement of the AGO, or it can be the outcome of the AGO's assessment. Currently MSRI-IG is pursuing a civil case using the new arbitration procedure established by a law of 1999. This is a test of the new mechanism and chosen due to the low quality of performance of traditional judicial institutions.

3. In the near future MSRI staff will be reduced from some 8000 to some 4000 due to decentralization. MSRI-IG will need to be reduced by at least half for the same reason and will audit only projects on the national level and projects implemented in more than one province. All other projects will be audited by the provincial auditing function, which should receive resources from reduced central IGs. However, due to current lack of mechanisms facilitating the physical transfer of MSRI-IG staff to the provincial auditing bodies, the decentralization of staff and auditing responsibilities is not likely to happen until after this technical assistance has been finalized. Also, the supreme audit institution (BPK), will establish branches in the provinces. Due to lack of resources, it is today only present in six provinces. The Government Audit Office (BPKP), continues to be present at the provincial level.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item		Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing (ACCSF)				
1.	Consultants Remuneration			
	a. International Consultant	312.0	0.0	312.0
	b. Domestic Consultants	0.0	62.0	62.0
	c. Subcontracted NGO	0.0	15.0	15.0
2.	International Travel	20.0	0.0	20.0
3.	Per Diems (accommodation/subsistence)	54.0	6.0	60.0
4.	Printing and Communications	10.0	20.0	30.0
5.	Office Equipment (including ICT computing hardware software)	35.0	0.0	35.0
6.	Contingencies	80.0	11.0	91.0
	Subtotal (A)	511.0	114.0	625.0
B. Government Financing				
1.	Counterpart Staff		35.0	35.0
2.	Office Facilities		55.0	55.0
3.	Workshops		60.0	60.0
4.	Administrative Support / Translations		25.0	25.0
	Subtotal (B)		175.0	175.0
	Total	511.0	289.0	800.0

ICT: Information and communication technology; NGO: non-government organization

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. CONSULTANTS

1. A qualified and experienced international consulting firm (or organization/institute or joint venture) will be recruited in accordance with ADB's *Guidelines on the Use of Consultants* to undertake the technical assistance TA. The expertise required of the international consulting staff will include internal audit and financial control, and extensive experience in preparation of guidelines on investigating fraud and corruption in accordance with international standards as well as in training related to antifraud and anticorruption. Knowledge of Indonesian internal auditing practices will be regarded as an advantage. The international consulting firm will be required to form an association with an Indonesian consulting firm. The Indonesian consulting firm will work as a team with the international consultants on all aspects of the TA. By adopting a team approach, the international consultants will provide expertise in internationally accepted best practices, while the domestic consultants will provide local knowledge.

B. REQUIREMENTS

1. International consultants (12 person-months)

2. The international consulting firm engaged under the TA must have expertise in internal auditing, financial control, forensic accounting, and investigation, plus extensive experience in conducting investigations of fraud and corruption cases in accordance with international standards. The international consultants should, in particular, be experienced in (i) formulating guidelines for dealing with fraud and corruption, (ii) designing an antifraud guide, and (iii) training government auditors in investigation techniques. One of the international consultants should be the team leader. The international firm will provide expertise as follows:

- (i) A public sector internal audit expert with experience as auditor/financial controller and with experience in legislation, organization, and standards for public sector internal auditing as well as in modern auditing practices and in training; and
- (ii) A forensic accountant/investigation expert with experience in investigating potential cases of corruption, fraud, collusion, and nepotism and a solid knowledge of standards for investigation as well as of modern investigation techniques and experienced in training; the forensic accountant/investigation expert will also serve as the resident advisor in the last phase of the TA to provide "hands-on" guidance on a case-by-case basis to improve investigation capacities and techniques of investigating auditors in the IG.

3. It will be an advantage if the international experts have working experience related to anti-corruption and antifraud in Asia, particularly in places where social reform and anticorruption actions have been successfully implemented, such as Hong Kong, China; Republic of South Korea; and Thailand. It will also be an advantage if the international consultants, especially the resident advisor, speak and read Bahasa Indonesia fluently.

2. Domestic Consultants (13 person months)

4. The Indonesian consulting firm will be required to (i) have substantial knowledge of the laws, regulations, guidelines, and procedures associated with the implementation of public sector projects in Indonesia; (ii) be familiar with internal auditing practices in both the public and private sectors; and (iii) have substantial experience in working with public sector line agencies in general and with MSRI in particular, including IG. The Indonesian firm will provide expertise that both mirrors and augments the international expertise as follows:

- (i) A legal specialist with experience in financial law, in public sector law relating to all aspects of project implementation, and in initiating the prosecution of alleged perpetrators of corruption, fraud, collusion, and nepotism through the Attorney General's office;
- (ii) A public sector internal audit specialist with similar experience to the international expert but in the Indonesian context;
- (iii) An investigation specialist with experience in investigating corruption, fraud, collusion, and nepotism in Indonesia, and particularly in the public sector; and
- (iv) An information and communication technology specialist to assist in recommending, procuring, and installing additional ICT facilities for MSRI-IG and training of MSRI-IG staff.

5. All of the above experts and specialists should have well documented experience of training in their respective fields of expertise as well as excellent skills in oral and written communication.

C. MAIN TASKS OF THE CONSULTING TEAM

6. The consulting team will perform the following tasks, with the international and domestic experts working together in close cooperation with MSRI counterparts. In performing the tasks and producing their outputs, the consultants should optimize the MSRI-IG counterparts as well as other IG staff to play their roles. This approach will not only ease the execution of the consulting tasks but also help MSRI-IG to reform itself simultaneously from within.

- (i) Recommend during the early stages of the TA, ICT facilities that should be procured for MSRI-IG. These could comprise a server and local area network (LAN) with an "off-the-shelf" but secure database and, if funding permits, a small internet based procurement (e-procurement) model that should include, as a minimum, a procurement bulletin board for MSRI. With the Government proposing to set up a National Public Procurement Office (NPPO) responsible for procurement policy and standards, the data contained in any MSRI procurement bulletin board should be capable of being uploaded to a national bulletin board operated by NPPO. Following approval by ADB, the consultant team will procure, install, and provide training in setting up the secure database and any e-procurement model.
- (ii) Review government regulations that affect MSRI operations, and MSRI regulations, guidelines, and procedures to identify inconsistencies and conflicts

- that prevent MSRI from providing efficient and transparent project management and auditing.
- (iii) Redraft such MSRI regulations and submit them to MSRI for promulgation or further submission, and flag government regulations affecting MSRI operations due to conflicts for future consideration by the Government in a wider context.
 - (iv) Assess the current capacity for fraud prevention/detection skills of MSRI-IG, i.e., a problem analysis.
 - (v) Design, propose, and support the implementation of new policies and procedures to enable MSRI-IG to undertake efficient investigations and initiation of prosecution, and to effectively deal with allegations of fraud and corruption.
 - (vi) Prepare an MSRI-IG operational manual including procedural guidelines, and assist in its implementation.
 - (vii) Assess the training needs of MSRI-IG staff and other concerned staff of MSRI, and design and implement relevant training programs including (a) a training program for the auditing staff of IG including preparation of a training manual; (b) a training program targeting all management and other staff involved in MSRI projects; and (c) seminars to disseminate information on new standards and procedures to all concerned stakeholders, including non-government organizations (NGOs) and media with an interest in the field.
 - (viii) Prepare terms of reference for an NGO to be subcontracted by the consultant team to help with dissemination, especially to other NGOs and the media. After the Asian Development Bank (ADB) and MSRI-IG approval of both the terms of reference and the selection of the NGO, the consultant team will subcontract to the approved NGO.
 - (ix) Disseminate information on new procedures through publicity campaigns and information products and/or other activities targeting external stakeholders such as companies likely to bid for contracts and companies already in contractual relationships with MSRI and NGOs.
 - (x) Provide shortterm expert assistance through an international resident advisor close to the inspector general.
 - (xi) Provide TA reports to MSRI and ADB as specified to be reviewed at tripartite meetings and revised as required.

D. Duties

7. In implementing the above tasks, the consulting team will cooperate with NGOs, universities, associations, and other community-based organizations to elicit and enhance broad support from all stakeholders. The consultant team will

- (i) liaise with the Project Manager/ Coordinator of the MSRI-IG to ensure the timely setup of the office facilities and administrative support, the venue for the workshops, and other planned activities for the participants;
- (ii) present to MSRI and ADB for approval recommendations for procurement of additional IT facilities for MSRI-IG and, following ADB approval, procure and install such facilities and provide MSRI-IG staff with adequate training in its use;
- (iii) present to MSRI and ADB for approval all training materials, training manuals, and the operational manual including procedural guidelines and all revisions thereto;

- (iv) ensure the timely and competent translation of the procedural guidelines, training materials, and training manuals;
- (v) revise and finalize the procedural guidelines and the training manuals, as necessary; and
- (vi) report on the overall accomplishments of the TA, including an assessment of the trained MSRI auditors' capability to provide training.

E. Deliverables

The following will be produced by the consultants:

- (i) an inception report within one month outlining the proposed work program, recommendations for procurement of additional ICT facilities for MSRI-IG, and any apparent/likely barriers to prevent the successful completion of the TA; the report should be submitted in both English and Bahasa Indonesia;
- (ii) a report on the ability of IG to investigate and prosecute alleged cases of fraud and corruption including a thorough problem analysis of existing operational policies and procedures identifying any inconsistencies/conflicts in and between laws, government and MSRI regulations, and procedures that prevent efficient and transparent audit of MSRI projects; the report should be in both English and Bahasa Indonesia;
- (iii) a new policy, flagging the need for possible amendments to government legislation that impinges on the operation of MSRI, and defining required amendments to MSRI regulations, guidelines, and procedures, it should be prepared in both English and Bahasa Indonesia and submitted to MSRI for approval/promulgation;
- (iv) an operational manual including procedural guidelines for dealing with allegations of fraud, corruption, collusion, and nepotism; the final version of the operational manual should be in both English and Bahasa Indonesia and submitted to MSRI for approval;
- (v) a training program and training manual(s) to assist MSRI auditors in conducting investigations, plus a training program targeting relevant MSRI managers and staff as well as seminars to disseminate information to stakeholders including NGOs; the final version of the training manual(s) and all workshop materials should be in both English and Bahasa Indonesia;
- (vi) an operable computer database and, funding permitting, e-procurement facilities with MSRI-IG staff fully conversant in the operation thereof;
- (vii) an interim report at the completion of the training program detailing the accomplishment of deliverables to date;
- (viii) a draft final report three weeks prior to the completion of the term of the resident advisor detailing the accomplishment of deliverables under the TA, and an assessment/ evaluation of the competency of MSRI-IG; and

- (ix) the final report, taking comments from the Government and ADB into account, which should be submitted in both English and Bahasa Indonesia at the completion of the term of the resident advisor.
8. The TA is expected to commence in January 2002 and to be completed by September 2002.