



MCC INDONESIA CONTROL OF CORRUPTION PROJECT

MCC ICCP

QUARTERLY REPORT NO. 1

APRIL – JUNE 2007



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Mr. Paul Simonett
Ms. Kusumastuti
USAID/Indonesia MCC Threshold Office
Jakarta

July 13, 2007

Reference: MCC ICCP Quarterly Report #1

Dear Mr. Simonett and Ms. Kusumastuti:

It is my pleasure to submit the MCC ICCP team's Quarterly Report #1 to USAID. We look forward to continued and accelerated progress in subsequent quarters.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Tinsler', is written over a light blue circular stamp.

Douglas Tinsler
Acting Chief of Party
MCC ICCP

ACRONYMS

Bapepam-LK	Indonesia Capital Market and Financial Institution Supervisory Administration
Bappenas	Ministry for National Development Planning
CIDA	Canadian International Development Agency
COP	Chief of party
CPI	Corruption Perception Index
CTR	Cash transaction report
FPCC	Crime Prevention Project (USAID)
GOI	Government of Indonesia
ICCP	Indonesia Control of Corruption Project
ICITAP	International Criminal Investigative Training Assistance Program
ICT	Information & communications technology
IN-ACCE	Indonesia Anti-Corruption and Commercial Courts Project (USAID)
KPK	Corruption Eradication Commission
KYC	“Know Your Customer” campaign
LDF	Legal Development Facility Project (AusAID)
LEIP	Indonesia Institute for Independent Judiciary
MCC	Millennium Challenge Corporation
MOU	Memorandum of understanding
MTI	Indonesian Society for Transparency
NBFI	Non-bank financial institution
NGO	Nongovernmental organization
PPATK	Indonesian Financial Intelligence Unit
RFP	Request for proposals
SC	Supreme Court
SOW	Statement of work
STR	Suspicious transaction report
TAMF	Technical Assistance Management Facility Project (AusAID)
TCP	Threshold Country Plan
TI-I	Transparency International – Indonesia
USAID	United States Agency for International Development



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EXECUTIVE SUMMARY

Chemonics International signed the contract for the Millennium Corporation Challenge Threshold Program Indonesia Control of Corruption Project (MCC ICCP) on April 11, 2007. The objective of MCC ICCP is to assist the Government of Indonesia (GOI) with four project components aimed at reducing corruption in the judicial sector: 1) implement administrative and financial reforms with the Supreme Court; 2) help the Indonesian Financial Intelligence Unit (PPATK) to increase monitoring of reports concerned with money laundering and introduce a “Know Your Customer” program with non-banking financial institutions; 3) assist the Corruption Eradication Commission with courtroom monitoring and use of anti-corruption indicators; and 4) introduce e-government procurement in five provinces.

During the first quarter, there has been progress toward achieving the defined objectives in all four tasks of MCC ICCP, as well as with public communication, a cross-cutting activity impacting all four tasks.

I. PROGRESS ON PROJECT WORK PLAN COMPONENTS

USAID awarded Chemonics International the MCC Indonesia Control of Corruption Project contract on April 10, 2007 and the contract was signed on April 11, 2007. The project start-up team mobilized and began activities within 72 hours. Within the first month, a start-up workshop was held to prepare the MCC ICCP work plan.

During the first quarter Chemonics submitted several required deliverables including the final revised work plan, which included the project monitoring plan for review pending approval on May 11, 2007 and submitted the performance monitoring plan on May 13 within the timelines required by the MCC ICCP contract. The gender assessment and grants manual were also submitted to USAID for review. The grants manual was approved by USAID on June 19, 2007 while the gender assessment was sent to MCC ICCP on June 25, 2007 with a request for revisions.

During the first quarter of implementation, the following has been accomplished:

- Developing working relationships with key personnel of supported agencies
- Educating supported agency personnel on the goals and objectives of the MCC ICCP
- Assessing current status of supported agency program capacity and technology capabilities
- Developing training programs and materials
- Established a financial reporting system by activity as requested by USAID

These accomplishments will be discussed in more detail below within the task reports.

A. TASK 1: JUDICIAL REFORM

SCOPE OF WORK

Judicial sector reform activities constitute the largest component of MCC ICCP. Three activities to improve Indonesian court administration will be implemented focusing on:

- Training all levels of judicial and court personnel on judicial ethics and wealth reporting
- Institutionalizing systems for human resources, financial, asset, and information management of court resources
- Installation of systems, procedures, and training to ensure public access to court decisions and other relevant information.

Starting in April, we met on numerous occasions with the Reform Team of the Supreme Court to refine expectations from the project and modes of working with the Supreme Court. These discussions, in consultation with USAID, helped both the Court and the MCC ICCP adjust approaches to technical assistance. The importance of having experienced court administration subject area specialist consultants for short-term technical assistance was recognized and ways to overcome language barriers and confidentiality issues at the Court were resolved. The MCC ICCP Indonesian technical experts will serve as the first interface with the Court, with the consultants meeting Court staff when appropriate to have an in-depth purely technical discussion with a qualified interpreter. A member of the Reform Team will be invited to meetings with the Court. Pre-meeting agenda will be provided in Bahasa Indonesia to the Court. Finally, relevant final outputs from the consultants will be produced in Bahasa Indonesia for greater utilization by the Court.

Regarding expectations, the Court expressed a desire to modify 3 of the 11 activities planned for Task 1. The first was to have a more substantive training on the Supreme Court Judicial Code of Conduct, made public at the Annual Meeting of the Supreme Court in late April. We undertook an extensive analysis with the Supreme Court Training Bureau as to what could be accomplished under the MCC ICCP contract which had originally planned for a shorter one-day training program. By the end of the quarter the Court had accepted the basic principles of a full two-day, highly interactive training and that fewer judges (i.e., reduced from 6,000 to 2,000) could be trained under this new scenario.

The second activity, asset management, was discussed at length with the Deputy Chief Justice for Administration, the Planning Bureau, and the Equipment Bureau as the way it is implemented impacts several ongoing processes and reform efforts within the Court. It became apparent that the original plan for this activity was no longer relevant to the Court's needs. The original plan was to provide an empirically robust representative sample physical inventory of the Court and work on an electronic inventory management system. Several scenarios were developed at the Court's request regarding verification of current inventories already done or almost completed by the Court, providing a new counting of the Court

physical assets, and devising ways to provide the Court with several “model court” inventories that would help with both inventory management and budgeting. By the end of the quarter, these discussions were still underway with MCC ICCP project staff and consultants.

The third activity under review, publishing decisions of the Supreme Court, presented challenges to the Court regarding the physical security of decisions leaving the Court to be typed and then scanned for online publication. Another issue involved the types of decisions that could be published under a pending policy on Supreme Court publications. Finally, the Court determined that the typing of cases needed to be undertaken only by the specialized clerk/typists currently employed by the Court. Several scenarios to address these concerns were developed with HukumOnline, a private firm owned by PT Justika Siar Publika, which would serve as a subcontractor to MCC ICCP. These scenarios involved scanning only final Court decisions on topics that fit the proposed publication policy, providing a time/efficiency study of current typing and editing practices and processes to help determine how the current backlog of cases could be reduced and eliminated, and then providing appropriate training to these staff. These scenarios were still under review by the Court at the end of the first quarter.

Indonesian Partners. We had extensive discussions with four potential subcontractors that had been named in the Chemonics proposal to USAID, the Indonesian Society for Transparency (MTI), the Indonesian Institute for an Independent Judiciary (LEIP), HukumOnline, and the Center for Indonesian Law and Policy Studies.

The first, MTI, had made a comprehensive commitment to work on 8 of the 11 Task 1 judicial reform activities. After delving further into the expectations of the Court on each activity, it was mutually agreed by MTI and MCC ICCP that MTI should focus on Job Descriptions (Activity 1c), the Court Personnel Staffing Assessment (Activity 1d), and Budget (Activity 2a) for the time being. These discussions were enriched by the short-term subject area specialist consultants, Ms. Myra Shiplett (human resources) and Mr. Joseph Bobek (budgeting). Draft scopes of work were actively being developed by the end of June.

Likewise, LEIP soon determined that Developing Public Complaint Procedures (Activity 3b) fit best into their areas of interest and experience and an outline for a scope of work was developed. As well, we determined there was a need to provide short-term subject area consultant specialists with credible “deep” background beyond what is provided by the MCC ICCP technical staff and other subcontractors. As well, the immediate impact of a short-term consultant’s work needed to be quickly reviewed so that future assignments could be adjusted to better implement the activity. Discussions with the Court on the implementation of MCC ICCP activities made us appreciate the complexity of the Court’s organization, the comprehensive nature of ongoing Court reforms, and the profundity of impact that the activities implemented by MCC ICCP could have on the Court’s overall reform effort if done with sensitivity. As a result of these realizations, a scope of work was being developed as the quarter closed for LEIP to provide such research and analytic services to the MCC ICCP.

Finally, a scope of work was developed for HukumOnline as described above for Publishing Supreme Court Decisions (Activity 3a).

U.S. Partners. All U.S. partners to the MCC ICCP — Blue Law, Internews Network, Urban Institute, and Partners for Democratic Change — responded to the contract signature on April 11 with alacrity. All organizations sent technical team representatives to the work planning workshop held May 31 through June 3 in Jakarta. The technical field staff provided by these partners were in place by June 15. Urban Institute placed a long-term inventory specialist in the MCC ICCP office and fielded one recurring inventory and accounting specialist, Dr. Maureen Berry, to help refine the Asset Management activity (2a) with the Court.

Additionally, four short-term subject area specialists were provided through Blue Law to conduct assessments for Human Resources activities 1b-d (job descriptions, court personnel staffing assessment, human resources management database; Ms. Myra Shiplett); Budgeting activity 2a (Mr. Joseph Bobek); Judicial Code of Conduct activity 1a (retired judge Mr. Joseph Nadeau); and Training Supreme Court Public Relations Staff activity 3c (Mr. Ron Keefover). These consultants each wrote reports which are being edited by the MCC ICCP staff in Jakarta and the United States.

PROGRESS REPORT: APRIL – JUNE 2007

Activity	Comment
<p>1a. Judicial Code of Conduct Training</p> <ul style="list-style-type: none"> • Draft pilot Training of Trainers Curriculum developed for review by the Supreme Court, including 50 “ethics scenarios,” for training 2,000 judges • August 2007 dates confirmed as available with Court for first two rounds of Code of Conduct pilot TOT, with 36 judges per session • The Technical Preparation of the two Code of Conduct Training Pilot Projects are in progress 	<p>The Court requested that the number of judges trained in ethics should be 2000 for a two-day training; a request to modify the MCC ICCP contract will be submitted to USAID by Chemonics as soon as is possible.</p>
<p>1b. Wealth Reporting</p> <ul style="list-style-type: none"> • Meetings held with KPK and Court on how wealth reporting was currently conducted within the Court and determination made of the level of monitoring desired by the Court in the human resource database. 	<p>It was agreed that further discussion was needed on how MCC ICCP would work with the Court to insert a feature in the human resource database, and include a discussion of wealth reporting in the Judicial Code of Conduct training, for instance.</p>
<p>1c. – 1d. Job Descriptions/Staffing Assessment</p> <ul style="list-style-type: none"> • Conducted in-depth review of Indonesian Judiciary’s effort to implement the “Blueprint for Reform of the Supreme Court” • Initiated business process mapping of Court human resources system, and review of associated human 	

Activity	Comment
<p>resources legislation and other data sources. Discussed issues with relevant Court and donor contacts involved with judicial sector institutional reform</p> <ul style="list-style-type: none"> • Did a rapid analysis of the Supreme Court organization structure to understand the dimensions of the work/case process; this is needed to identify optimal staffing structure 	
<p>2a. Budget/Financial</p> <ul style="list-style-type: none"> • Initiated business process mapping of current judicial budget formulation, justification and execution and expenditure process including discussion within the judiciary and with involved donors and contractors, including the USAID-funded IN-ACCE project 	<p>Consultant Joseph Bobek sent key requested questions related to the Ministry of Finance processes and how these link with the Supreme Court budget processes; these questions need to be answered before he returns to Indonesia in the Fall.</p>
<p>2b. Asset Management</p> <ul style="list-style-type: none"> • Asset verification and management program initiated with the Supreme Court involving 100 percent physical asset check at 160 courts and a random sampling of assets at 665 courts • Preparation of inventory verification strategy and training plans under preparation and design of court asset management system in process 	<p>The Court requested that the scope of the asset management activity be changed; a request to modify the MCC ICCP contract will be submitted to USAID by Chemonics during July 2007.</p>
<p>3. Enhancing Court Transparency</p> <p>1a. Publishing Supreme Court Decisions</p> <ul style="list-style-type: none"> • Draft scope of work for fixed-price subcontract finalized with subcontractor HukumOnline to publish selected final Supreme Court decisions and conduct a time/efficiency study of the court clerk/typists to see how backlog can be reduced <p>1b. Public Complaint System</p> <ul style="list-style-type: none"> • Discussions held with potential subcontractor LEIP for an assessment of the current public complaints system used at the Court <p>1c. Training of Public Relations Staff</p> <ul style="list-style-type: none"> • Assessment of Supreme Court public relations training needs began with the consultancy of Mr. Ron Keefover <p>1d. Public Access to Court Information</p> <ul style="list-style-type: none"> • Draft scope of work for fixed-price subcontract finalized with subcontractor HukumOnline to assess the Supreme Court Web site capabilities 	<p>Head of Supreme Court Information unit (and other partners) traveled to Australia on a comparative observation trip on June 24. This travel temporarily slowed progress on this activity during this quarter.</p>

Activity	Comment
<ul style="list-style-type: none"> Preliminary meetings held with appropriate representatives from the Supreme Court and various Jakarta media outlets regarding development of television shows 	

Expected Activities: July – September 2007

See also Annex A: Table 1 for activity milestones and indicators.

Activity	Comment
<p>1a. Judicial Code of Conduct Ethics Training</p> <ul style="list-style-type: none"> Work with Supreme Court to select and train facilitators for August 2007 pilot Training of Trainers course. Work with Court on criteria for selection of judges for first two rounds of training Organize materials for training manual Conduct initial two pilot TOT training sessions Arrange media program coverage and press releases Organize and implement Training of Trainers program for 100 trainers (80 Supreme Court/20 other courts) 150 judges attend September 2007 ethics training courses 	<p>Media coverage is subject to approval by the Supreme Court</p>
<p>1b. Wealth Reporting</p> <ul style="list-style-type: none"> Identify with Court the positions to receive wealth reporting training Work with KPK in modifying wealth reporting form with senior Court personnel Work with KPK and Court on how improvement of wealth reporting for Court can occur given MCC ICCP contract 	<p>The Court needs to identify which staff should receive add-on wealth reporting training in other MCC ICCP trainings (judicial code of conduct, human resource database training, budgeting database training)</p>
<p>1c – 1d. Job Descriptions/Asset Management</p> <ul style="list-style-type: none"> Complete business process mapping and analysis of court human resources system and associated human resources legislation and data sources and formulate action program for modernization of the Court’s human resources system Staffing management assessment planned and specified; subcontractor commences work Develop template for job descriptions Determine timing of 200 computers and software procurement 	<p>Contract negotiations with originally proposed contractor continue; MCC ICCP is researching other options</p>

Activity	Comment
<p>1e. Budget / Finance</p> <ul style="list-style-type: none"> • Complete the business process mapping and analysis of current judicial budget formulation, justification, execution, and expenditure process and formulate action program for modernization of the court's budgetary planning and execution process; determine timing of 200 computers and software procurement <p>Asset Management</p> <ul style="list-style-type: none"> • Identify and train 10 verification supervisors/trainers, conduct pilot study in one court and initiation of wide-scale rollout of inventory verification process, and continued development of permanent asset management system to be housed within the Supreme Court 	
<p>Enhancing Court Transparency</p> <ul style="list-style-type: none"> • Identify and prepare decisions for online publication • Complete assessment of Supreme Court public relations needs • Evaluate capacity and upgrade Supreme Court Web site • Prepare and disseminate information on the Supreme Court to broad public audience 	<p>Will rethink basis of public relations training for Supreme Court staff and identify innovative print and broadcast materials</p> <p>Production of Supreme Court overview brochures and other measures</p>

B. TASK 2: ENHANCING CAPACITY OF THE INDONESIAN FINANCIAL INTELLIGENCE UNIT

Scope of Work

Under the MCC ICCP, the Indonesian Financial Intelligence Unit (PPATK) will expand the “Know Your Customer” (KYC) campaign and suspicious transaction (STR) and cash transaction receipts (CTR) reporting process to cover four categories of non-banking financial institutions (NBFIs). The project will support PPATK’s efforts to upgrade its ability to monitor and analyze STRs and CTRs through the introduction of hardware and software enhancements and associated training. Finally, MCC ICCP will help the PPATK to monitor use of secure communication infrastructure that will be installed by ICITAP.

Many in-depth discussions were held with the PPATK regarding their need for a Know Your Customer campaign regarding the actual content of the KYC training, the public awareness activities, and work with media. It was clear that coordination with several organizations was necessary to move forward: from the Indonesian government: Bapepam-LK (Indonesia Capital Market and Financial Institution Supervisory Administration, which monitors the NBFI sector), the Australian Aid-funded Technical Assistance Management Facility (TAMF) III activity on anti-money laundering, and the USAID-funded Crime Prevention Project (FPCC) implemented by BoozAllenHamilton. This coordination greatly improved the effectiveness of our communications with PPATK.

Initially it was thought that increasing the STRs and CTRs was somewhat dependent upon a successful KYC program. Discussions with the PPATK and also Bapepam-LK indicated that the situation was more complex and required a multi-pronged approach, where the KYC campaign is but one aspect. We discussed timing and feasibility of MCC ICCP to assess the current process of STR and CTR receipt to determine where the bottlenecks and delays might be occurring. Some of this system analysis depends upon PPATK clearance and approval of MCC ICCP staff to assess the actual system, and some of it depends upon how well the current systems of PPATK operate after the organizations move during the Fall 2007.

Once the assessment is done, we will be able to procure the necessary hardware and software needed to enhance the capacity of the system to receive online STR and CTR reports and make recommendations of how receipt procedures might be improved with these enhancements.

The type of training deemed appropriate for the NBFI was reviewed in depth as there are several different options and we wanted to avoid overlap with the TAMF project.

Initially, PPATK asked MCC ICCP to look at five NBFI industry sectors, all of which would require additional training or a new focus on KYC as per other training programs. These are:

- Capital market intermediaries
- Insurance companies

- Leasing/finance companies
- Mutual funds/pensions
- Money changers/money transmission providers

As well, we acknowledged that any training developed should: build upon the success of the previous public awareness campaign for the Bank of Indonesia's KYC program; be tailored to the special needs of NBFIs, and involve Bapapam-LK (Indonesia Capital Market and Financial Institution Supervisory Administration) as appropriate given its role as the supervisory agency over NBFIs. We determined that the MCC ICCP commitment is a train the trainers session, which would allow the PPATK to focus on six regional training sessions. Any training materials developed by MCC ICCP would incorporate the lessons learned from the Bank of Indonesia's KYC program and international best practices.

Discussions with PPATK also detailed how anti-money laundering is relatively new compared with the experience of banks; that NBFIs tend to be small and lack the staffing resources available to banks; and as importantly, they tend to have a more personal relationship with their customers. For these reasons we determined with PPATK that the benefits of KYC to NBFIs have to be emphasized, where effective KYC and reporting reduces the likelihood of administrative penalties for non-compliance. Evidence from other countries also suggests that NBFIs with effective programs tend to be more stable and profitable. KYC in the NBFIs sector enhances the reputation of business within Indonesia and in international transactions and relations. For customers the KYC program means less risk for ID theft and fraud. If the NBFIs is not subject to penalties and is more profitable, this would mean a lower cost for the consumer and greater returns on investments.

Extensive discussions were also held regarding experience with public awareness campaigns and public service announcements using various media (radio, TV, print). By the end of the Quarter, we are considering with PPATK a public awareness campaign, a television program, and public service type publicity.

Finally, the discussions were held with ICITAP and PPATK regarding the appropriate point at which we could begin discussing how a monitoring system should be developed for the specialized equipment being supplied by ICITAP. Good lines of communication were established and we expect further development once ICITAP has completed its work with PPATK.

Progress Report: April – June 2007

Activity	Comment
<p>Education campaign</p> <ul style="list-style-type: none"> • Extensive MCC ICCP interchange with PPATK and Bapepam-LK on project scope and work plan • Obtained copies of previous KYC public awareness 	<p>The Australian-funded TAMF project is sponsoring related training programs for NBFIs. We will attend some of these to</p>

Activity	Comment
<p>campaign with Indonesian banks</p> <ul style="list-style-type: none"> Discussed options for training, public awareness content, and timing and began development of training materials 	<p>ensure minimal duplication of effort and overlap and to identify gaps where MCC ICCP can have most impact.</p>
<p>Increasing Online Receipt of STRs and CTRs</p> <ul style="list-style-type: none"> Met with Information Technology (IT) staff at PPAATK to discuss and define system constraints Reviewed process and forms for receiving and processing STRs/CTRs Prepared and discussed design specifications IT expert hired for MCC ICCP team Non-disclosure agreements were signed at the very end of June 	<p>The inability of PPAATK to handle the processing of STRs/CTRs may be attributable in large part to the input capabilities of staff and to the complexity of the forms, apart from the capacity of the electronic data system.</p> <p>Non-disclosure agreements were executed by MCC ICCP team in late June; prior to this no hands-on assessment could be made of the IT system regarding STRs and CTRs.</p>
<p>Monitoring Secure Communications Equipment</p> <ul style="list-style-type: none"> Met with IT staff at PPAATK Met with ICITAP staff Arranged meeting between ICITAP, PPAATK, Police, Transnational Crime Unit, KPK, and Attorney General regarding communications issues ICITAP will procure and install equipment exclusively ICITAP to provide benchmarks and status to MCC ICCP for monitoring use of communications equipment 	<p>According to the information provided to us by ICITAP staff, the equipment is being specified and discussions are ongoing as to installation and implementation.</p>

Expected Activities: July – September 2007

See also Annex A: Table 1 for activity milestones and indicators.

Activity	Comment
<p>Education campaign</p> <ul style="list-style-type: none"> Further MCC ICCP interchange with PPAATK and Bapepam-LK on project scope and work plan Meet with industry representatives and other stakeholders for discussion and input into education/training campaign Develop content of public awareness campaign and training materials Begin training of trainers (to continue into following quarter) 	<p>Bapepam-LK and some of the NBFBI trade associations have been discussing a proposed “financial literacy” program that would include public awareness and training of KYC principles. The MCC ICCP team will coordinate efforts to avoid duplication and to supplement, support, and enhance each others’ efforts.</p>

Activity	Comment
<p>Increasing Online Receipt of STRs and CTRs</p> <ul style="list-style-type: none"> • Further meetings with Information Technology (IT) staff at PPATK to discuss and define system constraints • Suggest considerations for improving the process and forms for receiving and processing STRs/CTRs • Finalize design specifications • Begin equipment procurement process 	<p>PPATK has advised that installation of equipment wait until after the PPATK moves into its new office in October. The procurement process is likely to take several weeks and can be done even before the new building move-in.</p> <p>Although a redesign of the forms and process for STRs/CTRs is beyond the scope of the ICCP project, there are a number of relatively straightforward recommendations that can be made by MCC ICCP staff as to improving them.</p>
<p>Monitoring Secure Communications Equipment</p> <ul style="list-style-type: none"> • ICITAP is taking the lead for further discussions with PPATK and other relevant agencies and staff on this matter • The MCC ICCP team will be available as needed to participate in any meetings • ICITAP will procure and install equipment exclusively • ICITAP to provide benchmarks and status to MCC ICCP for monitoring use of communications equipment 	<p>It is likely that the move by PPATK to its new building in October will affect the installation/implementation of the equipment as it is unknown how the new physical infrastructure will interface with this equipment if procured and installed before the move.</p>

C. TASK 3: ENHANCING THE CAPABILITY OF THE CORRUPTION ERADICATION COMMISSION

Scope of Work

The MCC ICCP team will enhance the Corruption Eradication Commission's (KPK's) ability to generate admissible data for judicial proceedings concerning anti-corruption cases. The project will do this by purchasing five sets of mobile audiovisual equipment integrated into one system for the KPK. As well, the KPK needs to work with verifiable anti-corruption baseline data from a reliable source, such as Transparency International-Indonesia (TI-I), to gauge the direction and level of changes in the perception of corruption. The work done under the grant to TI-I will assist the KPK in focusing its assets in areas of actual corruption. The project will encourage peer-to-peer dialogue between KPK and TI-I for exchange of necessary and vital information without compromising either organization's required independence. Finally, we will also assist with monitoring use of equipment purchased by ICITAP for the KPK.

We met with the KPK several times to discuss the specifications desired for the audiovisual equipment. We also observed several courts where the existing equipment owned by the KPK was in use. Several vendors were then contacted who might be able to meet the desired specifications of the KPK. We corresponded with representatives from Court TV in the United States and with another USAID-funded project in Kazakhstan (Judicial Reform Project) that purchased similar equipment on what other options might be available. The procurement process will begin during the second quarter, with the goal of providing the equipment to the KPK by the Fall.

During this quarter MCC ICCP requested and received permission to sub-grant from USAID and produced a grants manual that was also approved. This permission and approval meant that the approval process for issuing this grant could commence once Transparency International-Indonesia provided a proposal and budget.

Meetings were held with TI-I regarding their proposal and the timeline needed to achieve it. Discussions on the proposal were delayed by a very active travel schedule by TI-I during late May and June. In addition, in meetings between the MCC ICCP team and the KPK, the KPK signaled that it wanted a change in our project's Activity 3a, Expanded Analysis of Past Data Collected by TI-I. Per the MCC ICCP SOW, data from the 2004 and 2006 Corruption Perceptions Indices were to be analyzed. However, KPK felt the 2004 data may be too dated for the practical purposes needed by the Commission. Thus, the KPK expressed a desire to work with TI-I on an analysis of the 2006 CPI data only, and then to use those data and the corresponding analysis to build a more extensive Integrity Index for 2008.

The KPK is currently completing its first Integrity Index Survey for Indonesia, based on a model developed by the Korean Anti-Corruption Commission. The Integrity Index measures the experiences of average Indonesians as they interact with government services – for

example, obtaining new identity cards or health services, paying taxes, registering children for school, and interacting with the judicial system. For 2007, this initial Integrity Survey is covering 30 GOI institutions, including the courts, Ministry of Finance, Bappenas, and KPK itself. For 2008, with the requested help from MCC ICCP and TI-I, the KPK wants to expand this survey to 40 national government institutions as well as local government institutions in Jakarta and the surrounding cities (Depok, Tangerang, Bekasi, and Bogor).

These changes are currently under discussion between the KPK and USAID and is expected to be resolved during the next quarter.

Finally, a meeting was held with the KPK, ICITAP, and USAID regarding the monitoring of equipment purchased by ICITAP. Specific responsibilities were identified as well as a timeline for MCC ICCP inputs in later quarters.

Progress Report – April to June 2007

Activity	Comment
<p>Monitoring Secure Communications Equipment</p> <ul style="list-style-type: none"> • Met with ICITAP, KPK, and USAID on role of MCC ICCP 	<p>According to the information provided to us by ICITAP staff, the equipment is being specified and discussions are ongoing as to installation and implementation</p>
<p>Court Monitoring Program</p> <ul style="list-style-type: none"> • Met with KPK staff and inspected current court monitoring equipment • Observed actual use of existing court monitoring equipment during trial • Drafted preliminary specifications for equipment 	<p>Several systems have been identified among commercial vendors. Proposed specification details are being developed for discussion and agreement with KPK staff.</p>
<p>Corruption Studies KPK + Transparency International (TI-I)</p> <ul style="list-style-type: none"> • Met with KPK and TI-I to reach agreement of survey SOW for grant to TI-I • Received USAID approval to provide a sub-grant to TI-I and received approval of Grants Manual 	<p>KPK and TI-I have proposed a change in study to include an Integrity Study in lieu of 2004 CPI review that would focus on surveying users of public services on actual experiences involving corruption rather than a general perception of corruption; awaiting USAID approval.</p>

Expected Activities: July – September 2007

See also Annex A: Table 1 for activity milestones and indicators.

Activity	Comment
<p>Monitoring Secure Communications Equipment</p> <ul style="list-style-type: none"> • ICITAP is taking the lead for further discussions with KPK and other relevant agencies and staff on this matter • The MCC ICCP team will be available as needed to participate in any meetings • ICITAP will procure and install equipment exclusively • ICITAP to provide benchmarks and status to MCC ICCP for monitoring use of communications equipment 	<p>It is likely that the move by KPK to its new building later this year will affect the installation/implementation of the equipment.</p>
<p>Court Monitoring Program</p> <ul style="list-style-type: none"> • Discuss proposed systems and equipment with KPK staff and develop final specifications • Initiate procurement for equipment • Purchase equipment and begin to assemble/install • Test equipment and begin training for use in actual court proceedings 	<p>We have identified a number of prospective vendors and the MCC ICCP should be able to issue tender notices soon to procure the equipment.</p>
<p>Corruption Studies KPK & Transparency International (TI-I)</p> <ul style="list-style-type: none"> • Continue meetings with KPK and TI-I to reach agreement of survey SOW for grant to TI-I • Meet with Korean representatives regarding Integrity Study; current KPK integrity survey is modeled after survey conducted by Korean Anti-corruption Commission • Begin analysis of previous CPI surveys • Begin development of future CPI survey, bribery study, and integrity study 	<p>KPK and TI-I have requested an Integrity Study in lieu of the 2004 CPI analysis.</p>

D. TASK 4: ELECTRONIC GOVERNMENT PROCUREMENT (e-GP)

Scope of Work

The MCC ICCP works with the Center for Public Procurement Policy at the Ministry for National Development Planning (Bappenas) to support the creation and implementation of five regional e-procurement centers, the location of which will be selected by the GOI. To establish baselines and monitor the performance of the five regional e-GP satellite centers, MCC ICCP will develop procedures for the collection and analysis of procurement data. The data collection mechanism will also help to track data related to single-source contracting, inconsistencies in the procurement processes, and suspicious or inappropriate procurement activities. Public awareness activities are expected to increase public trust and confidence in GOI efforts to reform public procurement processes.

Progress on this task was focused on advisory work with Bappenas regarding the selection of five provincial governments for the e-GP satellite centers. In April Bappenas re-evaluated the original selection of Surabaya, Kalimantan Timur, Kalimantan Tengah, Nusa Tenggara Barat, and West Java, as the requirements expected by Bappenas of the provincial governments needed to be met in a systematic way. MCC ICCP met with Bappenas numerous times to discuss the selection criteria that might be used by Bappenas to select the locations for the e-GP satellite centers.

As well, discussions were held concerning the scope of the proposed public relations campaign. By the end of the quarter, it was concluded that a national spot on TV would be appropriate to consider, given that vendors from all over the country should know about the opportunity to register online with each of the eventual five provincial governments for participation in the e-procurement vendor database. More focused work will be done with print and radio in each region once these are known.

Finally, the MCC ICCP team had an opportunity to work with the Bappenas e-GP software. To ensure full compatibility and interoperability among five e-GP satellite centers and Bappenas, the MCC ICCP team accepted Bappenas's proposal to install the e-procurement software package already developed by Bappenas in the five regional e-GP satellite centers to be selected. The existing Bappenas e-procurement system is envisioned by GOI as the system to be used by government institutions over the next 5 to 10 years. This system was also briefly reviewed by the e-GP advisor, Mr. Miroslav Alilovic in terms of monitoring capability. He concluded that more upgrades might be needed to satisfy the goals of the MCC ICCP outcomes. Further more formal analysis will take place during the next quarter.

Further discussion about additional inputs needed from MCC ICCP will commence during the second quarter.

Finally, extensive discussions took place with other donors investing in e-government within Indonesia, such as The World Bank, Asian Development Bank, AusAID, and Canadian

International Development Agency (CIDA). These discussions resulted in a better understanding of the opportunities and challenges concerning e-government procurement at the provincial level. Regular information sharing will continue with these donors throughout the life of the project.

Progress Report: April – June 2007

Activity	Comment
<p>e-GP Satellite Centers</p> <ul style="list-style-type: none"> • Bappenas has assembled a short-list of nine provincial governments interested in establishing e-GP centers. Bappenas expects to complete the selection process of five locations where e-GP satellite centers will be established by the end of July. • In June Bappenas presented its proposal for an e-procurement system to representatives from nine short-listed provincial governments. The MCC ICCP team introduced representatives from the provincial governments to the goals and scope of work of MCC ICCP. • To ensure full compatibility and interoperability among five e-GP satellite centers and Bappenas, the MCC ICCP team accepted Bappenas's proposal to install the e-procurement software package already developed by Bappenas in the five regional e-GP satellite centers to be selected. • To discuss with all relevant international donors lessons they have learned from implementation of previous and ongoing projects related to public procurement reform in Indonesia, the MCC ICCP team held preliminary meetings with the following institutions: The World Bank, Asian Development Bank, AusAID, and CIDA. 	<p>Bappenas ascertained that the required commitment from regional governments identified in the Country Threshold Plan was insufficient and therefore launched a new selection process in early April.</p> <p>All partners expressed their concerns regarding the lack of an adequate e-procurement regulatory framework at the central level (e.g., Law on Digital Signature) but still expressed their willingness to support all activities related to strengthening the Indonesian public procurement system. To avoid possible overlaps in assistance, all partners have agreed to meet quarterly.</p>
<p>Data Monitoring of e-GP Centers</p> <ul style="list-style-type: none"> • An MCC ICCP assessment of current Bappenas e-GP procurement software indicated that the system should be upgraded to be able to ensure the collection of reliable data for monitoring and reporting. 	
<p>Public Awareness Campaign</p> <ul style="list-style-type: none"> • The MCC ICCP public communication team presented to Bappenas a draft public communication/awareness implementation plan for the e-GP satellite centers, defining the goals of the campaign, target audience (general public, business community, government 	<p>Bappenas accepted MCC ICCP advice to not commence a nationwide communication campaign related to establishment of e-GP centers before final selection of the five locations where e-GP satellite centers will</p>

Activity	Comment
<p>officials, and public sector employees), communication channels, and implementation timeline.</p> <ul style="list-style-type: none"> • With feedback from Bappenas, MCC ICCP set provisional short- and medium-term target dates for public service announcements, press conferences, training of e-GP system end-users, and information sessions for key stakeholders with particular attention on vendors, should the e-GP centers be decided upon in July. • MCC ICCP will assist Bappenas in raising national awareness of e-GP potential by actively mounting an e-GP public awareness campaign in the context of implementing five regional e-GP programs. 	<p>be established.</p>

Expected Activities: July – September 2007

See also Annex A: Table 1 for activity milestones and indicators.

Activity	Comment
<p>e-GP Satellite Centers</p> <ul style="list-style-type: none"> • Assist Bappenas in developing criteria and selecting final five e-GP provinces to implement MCC ICCP-supported e-GP pilot program including visits to nine short-listed e-GP provinces. • Bappenas and the MCC ICCP team will establish an e-GP task force responsible for overseeing selection and implementation of e-GP centers in five participating provinces. • With Bappenas, the MCC ICCP team will assist participating provinces draft required regulations to implement e-GP centers in each participating province, including role and function of independent, community-based procurement integrity NGOs. • MCC ICCP will assist Bappenas to develop e-procurement guidelines and procedures for government officials, vendors, and community oversight groups in e-GP satellite centers. • MCC ICCP will create training curriculum on e-GP policies and procedures and initiate improvements in Bappenas e-procurement software as required. 	<p>MCC ICCP will support the selection process through creation of the list of minimum technical requirements for e-GP centers, a survey questionnaire, and assessment selection tool. Final selection of five locations will be undertaken solely by Bappenas.</p>
<p>Data Monitoring of e-GP Centers</p> <ul style="list-style-type: none"> • The MCC ICCP team will assess availability and accuracy of procurement records in five designated provinces and upgrade policy and administrative guidance and processes as required. 	

Activity	Comment
<p>Public Awareness Campaign</p> <ul style="list-style-type: none"> • With Bappenas, the MCC ICCP team will organize media events and campaigns in five participating e-GP provinces and a limited number of Jakarta-based events to raise national awareness of the emerging Bappenas-MCC ICCP creation of five provincial e-GP centers. 	

E. CROSS-CUTTING SUPPORT ACTIVITIES

Public Communications

Public Communications is a cross-cutting effort and core MCC ICCP function that affects the viability of the project's commitments in all four task areas. The project has engaged a public communications advisor (international; start date May 30, 2007) and a public communications specialist (national; start date May 12, 2007) to coordinate these efforts. The current public communications specialist will be leaving the project on July 30, 2007; a new hire will be ready to start work as early as July 16, 2007 to ensure a smooth transition. The advisor and specialist ("the unit") have liaised with all line ministries and departments that are involved in developing information structures, services, and products related to MCC ICCP, and assisted two subcontractors/consultants who are developing information strategies for the project.

We identified key opportunities and real-world hurdles to the successful implementation of MCC ICCP's public communications commitments. Partners for Democratic Change fielded Dr. Michael Morfit, an Indonesian specialist to help specify the public awareness activities for Task 4 Activity 3, e-Government Procurement and Task 2 Activity 1, Education Campaign. Dr. Morfit was instrumental in identifying the need for an overall public communications strategy for the MCC ICCP, given the prevalence of such activities in each task.

In late June, a consultant delivered a Public Communications Strategic Plan that failed to meet expectations. The public communications specialist has been tasked with rewriting this strategic plan to reflect more accurately the situation on the ground and the capacities of the line ministries and departments, and to identify local partners for the process. This valuable working document and work plan will be completed by July 30, 2007.

We also produced a two-page overview of MCC ICCP for all GOI partner agencies (English/Bahasa Indonesia) that provides an overview of the entire project, its goals, budget, and timeline.

USAID determined that the original Internews team in the MCC ICCP budget and proposal must remain dedicated to another project. In light of this, adjustments are being made; but the added time needed for recruitment of new staff has delayed progress on the development of TV, radio, and other media outputs related in particular to Tasks 1, 2, and 4. In the meantime Internews Indonesia has been advised not to dedicate in-country staff time to MCC ICCP.

Task 1: Supreme Court

During the quarter, we mapped the Supreme Court's newly created (September 2006) Department of Legal and Public Affairs (*Hukum dan Humas or H&H*) and met with its principal officers on several occasions to discuss their needs and capacities. The primary role

of the H&H is to provide information to litigants and lawyers. As a secondary function, the department head responds to questions from the media. A serving member of the Supreme Court (Pak Djoko Sarwoko) working outside H&H circles also responds to media inquiries at the request and on behalf of the Chief Justice.

At current staffing levels, H&H does not have the capacity to produce the volume and quality of public information materials required to significantly improve court transparency. Moreover, it does not engage in proactive media/public engagement. Coordination with H&H has been complicated by the departure on June 22, 2007, of the department head, several staffers, and members of the Supreme Court Judicial Reform team for a 10-day comparative study in Australia. The department head is extending his stay by two weeks and will not return to Indonesia until the end of the third week of July. Before his departure, we received approval in principle for the creation of a brochure outlining the history and operations of the Supreme Court, and enthusiastic support for the assessment of public relations training needs.

The Supreme Court has five working groups to review a wide variety of functional and administrative issues including the types of information that can and should be made public. Justice Djoko Sarwoko has agreed in principle to our proposal to create a task force to consolidate inputs from these disparate working groups and expedite the approval process.

By the end of the quarter we were assisting a U.S. consultant, Mr. Ron Keefover, tasked with producing recommendations about public relations training for Supreme Court staff, and strategies to improve the court's overall information services. The draft report will be completed by July 10, 2007.

Supervision of MCC ICCP efforts relating to the online posting of Supreme Court decisions (Activity 3a) and the creation of a Supreme Court public complaints system (Activity 3b) was handled by the Task I manager for the reporting period. Issues relating to contractor SOW will be resolved through the month of July, at which time the public communications unit will become materially involved in both these activities.

Task 2: PPATK

The unit is tasked with creating a public information campaign around PPATK's Know Your Customer campaign for NBFIs. We met with representatives of PPATK and Bapepam-LK to consider the audience and goals of such a campaign, and to seek input about the earlier successful Bank of Indonesia KYC campaign targeting the banking sector. We will seek approval from the Bank of Indonesia to use elements of their campaign for the NBFI KYC effort if appropriate.

In a joint meeting on June 23, 2007, both agencies approved our proposal to create a working group to develop public information materials and design of the KYC campaign. At the meeting it was agreed that the primary issue is identifying positive messaging relating to KYC and the competitive advantage it provides to compliant NBFI. The unit received

agreement in principle to the creation of a “certificate” or “chop” that marketing units of NFBIs can use to enhance customer awareness of their participation in KYC training and compliance with its reporting standards. Whether this initiative will be led by regulators or industry needs to be examined.

We also met informally with NBFIs representatives to hear their concerns about KYC generally and to seek insight into possible collaborations with industry advocates, representative bodies, etc.

Discussions have begun with MCC ICCP contractor Partners for Democratic Change in Washington, D.C. PDC does not have staff in Indonesia but is expected to initiate a stakeholder analysis and begin developing a broad KYC communication strategy for PPATK/Bapepam-LK in late July.

Task 3: KPK

The unit participated in several familiarization meetings with KPK; however, public information programming relating to Transparency International – Indonesia is not scheduled to begin until the first quarter of 2008.

Task 4: e-GP

Nine provinces are competing for five satellite e-GP offices. A review of local capacity and willingness to support e-GP is to be conducted by Bappenas during the month of July with proposed public disclosure of “winners” in the second week of August.

During June Bappenas indicated it has no expertise in public communications and has asked the MCC ICCP to handle development of outreach and public monitoring tools. Bappenas approved the unit’s proposed timelines and a draft work plan for the launch of a public information campaign relating to e-GP that addresses issues of audience, delivery mechanisms, and messages. Bappenas also agreed to create a working group with the MCC ICCP communications unit to coordinate issues relating to the e-GP public launch and downstream information materials with a particular view to ensuring the timely and effective approval of material content.

Media mapping of nine provinces will begin in July to ensure that we are ready to conduct simultaneous public launches in the provincial capitals of the five provinces selected for e-GP. Discussions also took place with subcontractor Partners for Democratic Change to develop SOWs for consultants responsible for conducting stakeholder analyses in the five e-procurement center locations, developing mechanisms to engage local communities in these five locations, and developing public information, outreach, and education materials.

Development of the Project Performance Monitoring Intranet

USAID approved Chemonics' request to subcontract to a U.S.-based firm, Alpha XP, to develop a Web-based collaboration suite (virtual office) with integrated performance monitoring and reporting subsystem and serve as the software system provider. The Web-based collaboration suite and integrated performance monitoring and reporting subsystem will assist MCC ICCP to track progress of activities and measure the results of activities under key indicators as per contract section F1.B. The virtual office will also allow USAID to access important project documents and performance metrics. The virtual office and integrated performance and reporting subsystem will allow for several layers of access by USAID as per USAID preference.

All activity on the Web site is recordable and will not replace or substitute required regular reporting by Chemonics International to USAID as per the project contract. As well, the recordable interactions occurring on the Web site do not replace or substitute for the regular email correspondence between the project and the CTO.

The system is based upon the functioning models developed for the USAID-funded Albania MCC Threshold and the Zambia MCC Threshold programs. Both of these projects are implemented by Chemonics International and have virtual office and/or integrated performance monitoring and reporting subsystems Web sites created through approved project funds for use by the mission and project staff. The Web site uses the same platform design as the Albania and Zambia Web sites referenced above, but required specific original programming to populate the site with the ICCP specific information. The work done for MCC ICCP is for new work on a new Web site, and did not replicate work that has already been paid for by the U.S. government through the Albania and Zambia Web sites.

The Web site is now functional. Staff training on inputting information will commence during July and the Web site will be ready for daily use by the first week of August.

Developing the Grants Manual

Chemonics Grants Specialist Ms. Roshana Cohen was contracted for three days in May to develop a grants manual that governs the issuance and monitoring of grants through the MCC. Specifically, the manual covers the planned grant to Transparency International-Indonesia and the grant fund to NGOs for community monitoring of e-government procurement. The manual was approved by USAID on June 19, 2007.

Gender Assessment

Chemonics Gender Specialist Ms. Clare Ye Sheng was contracted for 14 days in May to conduct a thorough gender assessment of the planned project activities. USAID provided feedback and suggestions on June 25, 2007. After this approval is received, it will be used by

the chief of party and technical staff to ensure that gender concerns are addressed and reported on as activities are implemented.

Improved Internal Communications

During the last week of April the Chemonics Communication Specialist Mr. Sean Killian developed guidelines for branding and marking, a project communications protocol, and project stationery. He made two presentations during the Work Planning and Team Building Workshop held April 30 – May 3, 2007, and one presentation to USAID where lessons learned on branding and marking from other MCC Threshold programs implemented by Chemonics (Albania, Zambia, and Paraguay) were shared.

As well, the facilitator of the Work Planning and Team Building Workshop, Chemonics Training Manager Mr. Michael Jack provided team building exercises throughout the workshop, which helped project staff who had never met each other orient themselves toward working together as a team. Of the exercise, work on roles and responsibilities and cultural differences in communications received high marks as being very helpful from participants.

In May, Chemonics Personnel Director Mr. Kevin Duffy developed a project policy manual regarding human resource practices that the project will follow. He also provided a 2.5 hour workshop for all staff on business practices based on Chemonics Code of Conduct, building off of the introduction to the Code of Conduct provided during the Work Planning and Team Building Workshop by Acting Chief of Party Dr. Sarah Tisch. Mr. Duffy met with almost all MCC ICCP staff to address any employment issues and provided an orientation to Chemonics.

In mid-June the project started reviewing the newspapers and news magazines *Kompas*, *Tempo Magazine* (English/Bahasa), *Media Indonesia*, *Rakyat Merdeka*, and *Jakarta Post* for press coverage of anti-corruption and e-procurement issues. The updates are distributed to project's field and home offices. They serve to keep the project staff and USAID informed on the larger context of the efforts undertaken by the project. These clippings will be scanned and shared as part of the project Web site.

Donor Coordination

Throughout the first quarter of MCC ICCP activities, the project team met with numerous donors and donor-funded projects working in similar fields, including USAID-funded activities. Some highlights of these discussions are presented below.

Task 1 – General. Our Task 1 team leaders met with The Asia Foundation to discuss the Foundation's work with the Supreme Court, including development of the Blueprint for Reform and the preparation of decisions for publication, among other issues. Agreement was reached to collaborate and share information going forward. Discussions were also held with personnel working with the AusAID-funded "Legal Development Facility" (LDF) project,

including through MCC ICCP's proposed subcontractor HukumOnline, which also works with LDF.

Task 1 – Judicial Code of Conduct training. Discussions took place in the early stage of the project with the EU Supreme Court Reform project on Training the Judges to get better understanding on what content they are covering in their training and the possibilities of overlaps. They, at first, promised to share their module to give us more in-depth knowledge to fill in the gaps, but to date we have not received materials or a module from them.

Task 1 – Court Human Resources Management. MCC ICCP discussed HRM issues with relevant donor contacts involved with judicial sector institutional reform.

Task 1 – Court Financial Management. MCC ICCP discussed judicial budget formulation, justification and execution issues with involved donors and contractors, including the USAID-funded IN-ACCE project.

Tasks 2 – 3. MCC ICCP met with the Australian Federal Police and the FCPP project regarding Task 2. We have maintained close cooperation with AusAID and the TAMF, which are providing support to PPATK for the KYC training. For both Task 2 and 3, we met regularly with ICITAP to monitor progress on the secure communications link and specialist equipment procurement.

Task 3 – Judicial Transparency. Regarding procurement and installation of audio and video equipment in Indonesian court rooms, MCC ICCP corresponded with representatives from Court TV in the United States and to another USAID-funded project in Kazakhstan (Judicial Reform project) that purchased similar equipment to what other options might be available.

Task 4 – EGP Centers. Extensive discussions took place with other donors investing in e-government within Indonesia, such as The World Bank, Asian Development Bank, AusAID, and CIDA. These discussions resulted in a better understanding of the opportunities and challenges concerning e-government procurement at the provincial level. Regular information sharing will continue with these donors throughout the life of the project.

II. PROJECT MONITORING AND EVALUATION

During the quarter, we completed and documented in detail all indicator parameters, processes, and protocols of data collection. Data quality reports were compiled for each indicator. Table 1 in Annex A provides the USAID-provisionally approved performance indicators. Over the next quarter Monitoring and Evaluation Specialist Mr. Aang Sutrisna will be further verifying the data assumptions behind each indicator and ensuring that the data sources are reliable.

The provisionally approved Project Monitoring Performance plan identifies the indicator definitions, disaggregating parameters, and reporting time. As well, there are data collection protocols for each indicator. These involve a detailed process and protocol on data collection for each indicator and roles and responsibilities on the data collection process. The PMP is available by request.

III. ADMINISTRATIVE, FISCAL, AND PERSONNEL ISSUES

The entire long-term expatriate staff of six persons and local technical staff of 15 have been mobilized and began implementation activities within the first quarter with the exception of the Indonesian anti-corruption expert. Chemonics has identified highly qualified individuals for this position but unfortunately none of these persons are available for full-time work. Recruitment is underway for a full-time person to fill this position in addition to a team of support staff to assist the MCC ICCP technical staff. Due to unforeseen circumstances with the chief of party included in the proposal, Chemonics requested a change in key personnel for this position. The replacement chief of party will begin work with MCC ICCP on July 15, 2007.

The project team began activities on June 18, 2007 in their permanent office space at Menara Kebon Sirih, which is conveniently located near the U.S. embassy and partner agencies. An internal Intranet Web site has been created that will allow staff to more easily collaborate and for USAID to track ongoing progress of the project. As well, a static “external” or public Web site is being designed to provide the GOI and general public with basic information about the project. This external Web site will be developed by project staff using the USAID template during the next quarter.

Staffing and Recruitment

Mr. Jonathan Simon will begin his position as chief of party on July 16, 2007. Mr. Douglas Tinsler (June 4 - July 15) and Dr. Sarah Tisch (April 11 - June 3) were acting chiefs of party during the transition and start-up period respectively.

Mr. Budi Setiwan was recruited and began working as the anti-corruption information technology specialist on June 26, 2007. Recruitment is still underway for the Indonesia anti-corruption expert. With USAID concurrence, Mr. Bambang Widjanto will serve on a part-time basis in this capacity while we continue the recruit for a full-time person. Of the 22 professional and 11 administrative staff approved by USAID for MCC ICCP, 88 percent have been hired and fielded.

Financial

The quarterly accruals for the third quarter of fiscal year 2007 (April – June 2007) were submitted to USAID on June 15, 2007. A revised budget to include Mr. Jonathan Simon as chief of party was submitted to USAID on June 29, 2007 and the mission is processing the required contract modification. In June the proposed budget was separated into the three “fundcites” requested by USAID and the final invoice for April and May was submitted for USAID review and approval.

Security Assessment and Emergency Action Plan

Chemonics Security Manager Ms. Sandra Rosenbaum undertook a thorough security assessment during May for MCC ICCP. The assessment covers the most immediate threats to all staff working on MCC ICCP and situations that would cause the project to suspend activities. The final version of this assessment was sent to USAID on July 3, 2007, and will be updated periodically.

ANNEX A: MCC Threshold Indicators

All Indicators, End Results and Baseline Data are Notional and Indicative to be Focused and Refined upon start of Implementation										
Ind. No.	Indicator Name	End Result	Baseline at 2006	FY Quarter	7 Q2	7 Q3	7 Q4	8 Q1	8 Q2-Q4	Notes
KRA 1.1 Judicial accountability mechanisms for ethical conduct strengthened										
5	MILESTONES									
5.1	2 day training modules completed									
5.2	TOT modules completed									
INDICATOR										
5	Number of judges trained on Judicial Code of Conduct	2,000	0	Target	0	72	150	600	1,178	100 judges trained as trainers Q4
				Actual						
KRA 1.2 Court's ability to perform and monitor operations improved										
7	MILESTONES									
7.1	Needs assessment completed									
7.2	New Budget procedures formulated									
7.3	Public budget format completed									
7.4	Training modules completed									
7.5	Software gap analysis complete									
7.6	TOT sessions complete									
7.7	Install computers									
7.8	Formulate budget advocacy strategies									
INDICATOR										
7	Number of court personnel trained on budget procedures	1,600	0	Target				400	1,200	
				Actual						
KRA 2.1 Compliance of non-banking financial institutions (NBFIs) with Suspicious Transaction Report (STR)/Cash Transaction Report (CTR) reporting requirements improved										
13	MILESTONES									
13.1	Design campaign									
13.2	Place TV, radio, newspaper ads									
13.3	Produce and distribute posters									
13.4	Develop TV show									
INDICATOR										
13	Percentage of STR's filed by non-bank financial institutions	10% Total Filings	3.2%	Target	3.2%	3.2%	6%	8%	10%	
				Actual						
KRA 3.2 Capacity for monitoring and preventing corruption during legal proceedings strengthened										
17	MILESTONES									
17.1	Equipment specifications agreed									
17.2	Equipment procurement complete									
INDICATOR										
17.1	Number of trials monitored (Jakarta)	180	160	Target	10	10	10	10	30	
				Actual						
17.2	Number of trials monitored (outside Jakarta)	275	0	Target	0	5	10	10	35	
				Actual						

Notes:

1. Number of existing judges to be determined
2. Baseline number of senior court officials who have submitted reports, and definition of "senior court official" to be determined
3. Exact number of courts under Supreme Court control to be determined
4. KRA = Key Area Result

ANNEX B: MCC ICCP Project Indicators

Table 1: MCC-ICCP Milestones and Results Indicators

Task	Ind. No.		End Result	Baseline	Calend.yr	Current position																					
						Quarters	2007		2007		2008		2008		2009												
						USG FY	Ap-Ju	Jl-Se	Oc-De	Ja-Mr	Ap-Ju	Jl-Se	Oc-De	Ja-Mr	Ap-Ju	Jl-Se	Oc-De	Ja-Mr									
CROSS-CUTTING																											
	1	Number of government officials receiving USG-supported anti-corruption training		0	Target	0																					
	2	Number of USG-supported anti-corruption measures implemented		0	Target	0																					
	3	Number of judges trained with USG assistance		0	Target	0																					
	4	Number of justice sector personnel that received USG training		0	Target	0																					
		Actual			Actual																						
JUDICIAL REFORM																											
	1.1a	Judicial Code of Conduct training																									
		Qualitative Milestones																									
		2 day training modules completed																									
		TOT modules completed																									
		Pilot training (2 sessions)																									
		TOT training (4 sessions - 150 participants)																									
		Quantitative Indicator																									
	5	Number of judges trained on Judicial Code of Conduct	2,000	0	Target	0	72	222	822	1,422	2,000	2,000	2,000														
		Actual			Actual																						
	1.1b	Wealth reports																									
		Qualitative Milestones																									
		Contract signed with MTI																									
		Wealth reporting training materials developed																									
		Monitoring procedures for wealth reporting compliance developed																									
		Database for wealth reporting compliance developed and baseline data collected																									
		Training of Trainers																									
		Senior Court personnel trained on wealth reporting																									
		Quantitative Indicator																									
	6	Proportion of senior personnel submitting wealth reports	100%	44%	Target																						
		Actual			Actual																						
	1.1c	Job descriptions																									
		Qualitative Milestones																									
		Job descriptions and minimum position qualification requirements for court staff positions developed																									
		Minimum performance standards for each court staff position developed																									
		Draft job description template created																									
		Job evaluation conducted																									
		Remuneration structure developed																									
	1.1d	Staffing Assessment																									
		Qualitative Milestones																									
		Court staffing assessment conducted																									
		Caseload-based judicial distribution assessment conducted																									
		Staffing plan and caseload-based judicial distribution plan developed																									
		Draft design for staffing assessment																									
	1.1e	Human Resources Database																									
		Qualitative Milestones																									
		Computer HR management database developed																									
		200 computers procured and installed to support HR database																									
		HR database training																									

Current position

Task	Ind. No.	End Result	Baseline	Calend.yr	2007	2007	2007	2008	2008	2008	2008	2009
				Quarters	Ap-Ju	Jl-Se	Oc-De	Ja-Mr	Ap-Ju	Jl-Se	Oc-De	Ja-Mr
				USG FY	2007-3	2007-4	2008-1	2008-2	2008-3	2008-4	2009-1	2009-2
1.2a	Court budget											
	Qualitative Milestones											
	Grand design of implementation plan											
	Full partner contract signed											
	Process map of budget formulation & execution											
	Recommendations to improve existing business process											
	Necessary Modification of the current automated budget system											
	Recommended changes to the SC budget advocacy program											
	Proposed procedures & formats for the public release of budget information to the public											
	Recommendations to improve budget execution											
	Process mapping of budget review & approval											
	Process map internal & external reporting											
	Recommend procedures for public release of budget											
	Discussions and recommended changes to the current restrictions on the reprogramming of funds between budget line items and program/activities											
	Design training program and curriculum											
	Assessment, training curriculum, and training materials identified above											
	Approved training material related to Budget & Finance											
	Training for 1600 court personnel on amended budget and software											
	Train Court leadership that will be responsible for the revised Judiciary budget advocacy program											
	200 computers installed and data entered											
	Publish Budget & Finance material											
	Quantitative Indicator											
7	Number of court personnel trained on budget procedures	1,600	0	Target				320	640	960	1,280	1,600
				Actual								
8	Percentage of courts implementing performance-based budgeting systems	TBD		Target								
				Actual								
1.2b	Asset inventory											
	Qualitative Milestones											
	Sign contract with sub-contractor											
	Asset verifiers trained											
	Pilot asset inventory test completed											
	Asset inventories verified											
	Court personnel trained on asset management											
	Inventory data computerized											
	Physical assets needed for effective court operations identified											
	System for asset accountability designed											
	Quantitative Indicator											
9	Percentage of asset inventories at selected courts physically verified.	100%		Target		20%	65%	100%	100%	100%	100%	100%
				Actual								
1.3a	Online publication of decisions											
	Qualitative Milestones											
	Assessment compiled and produced											
	Technical operational manual for on line publication & procedures developed											
	Standardized formats for on line SC decisions developed											
	Guidelines and standards for lower court websites developed											
	Backlogged cases digitized											
	Web application and database system requirements identified											
	Supreme Court website upgraded											
	Testing and finalizing decisions database application and website enhancements											
	Start to implement online publication											
	Quantitative Indicator											
10	No. of Supreme Court decisions accessible to the public via the Supreme Court website	20,000	2	Target				5,000	10,000	15,000	18,000	20,000
				Actual								

Current position

Task	Ind. No.	End Result	Baseline	Calend.yr	2007		2007		2008		2008		2009			
				Quarters	Ap-Ju	Jl-Se	Oc-De	Ja-Mr	Ap-Ju	Jl-Se	Oc-De	Ja-Mr	Ap-Ju	Jl-Se	Oc-De	Ja-Mr
				USG FY	2007-3	2007-4	2008-1	2008-2	2008-3	2008-4	2009-1	2009-2				
1.3b		Public Complaint system														
		Qualitative Milestones														
		Contract with subcontractors signed														
		Letter of commitment between SC/NGO signed														
		Public complaint assessment compiled and produced														
		Public complaint submission forms developed														
		Public complaint public awareness materials developed.														
		Procedures for public complaint system developed														
		Public complaint system & procedures introduced														
		Online complaint system & manual developed														
		Quantitative Indicator														
11		Percentage of courts implementing public complaint system	100%	TBD	Target			20%	50%	100%	100%	100%	100%	100%		
					Actual											
1.3c		Public Relations training														
		Qualitative Milestones														
		Training materials in Bahasa Indonesia for SC PR training built.														
		First training of SC public relations/information office staff.														
		First 'round-table' meetings between SC and the senior media representatives														
		Plan for first national TV program dedicated to SC issues complete with partnerships secured.														
		Quantitative Indicator														
12		No. of public and media inquires answered by Supreme Court PRs trainees per quarter	20	TBD	Target-p.q				20	20	20	20	20	20		
					Actual											
1.3d		Public Access Program														
		Qualitative Milestones														
		Brochure design and 50% of brochure poster materials completed														
		Brochures on procedures & fees distributed														
		Budgets & financial info available online.														
ENHANCING THE CAPACITY OF PPATK																
2.1		Know Your Customer Education campaign														
		Qualitative Milestones														
		Design campaign														
		Place TV, radio, newspaper ads														
		Produce and distribute posters														
		Develop TV show														
		Training of Non Bank Financial Institutions														
		Quantitative Indicator														
13		Percentage of Suspicious Transaction Reports filed by non-bank financial institutions	10%	3.2%	Target	3.2%	3.2%	5%	6%	7%	8%	9%	10%			
					Actual											

Current position

Task	Ind. No.	End Result	Baseline	Calend. yr	Current position														
					2007		2007		2007		2008		2008		2009				
					Quarters	USG FY	Ap-Ju	2007-3	JI-Se	2007-4	Oc-De	2008-1	Ja-Mr	2008-2	Ap-Ju	2008-3	JI-Se	2008-4	Oc-De
2.2		Increase online report capacity																	
		Qualitative Milestones																	
		Gap assessment conducted																	
		Hardware acquired																	
		Software enhancement completed																	
		Other online receipt issues addressed																	
		Training for PPATK staff designed																	
		Quantitative Indicator																	
	14	No. of STR/CTR reports PPATK system capable of receiving per day	300 STR 10,000CTR	15 STR 1,795 CTR	Target-daily Actual														
2.3		Secure communications link																	
		Qualitative Milestones																	
		Secure communications equipment monitoring plan devised																	
		Quantitative Indicator																	
	15	No. of PPATK cases transmitted for investigation per annum	150	40	Target-p.a. Actual					150	150	150	150	150	150	150	150	150	150
	16	Number of KPK prosecutions of high ranking GOI officials related to corruption	8	2	Target-p.a. Actual					150	150	150	150	150	150	150	150	150	150
ENHANCING THE CAPACITY OF KPK																			
3.1		Special equipment acquisition																	
		Qualitative Milestones																	
		Equipment procured and installed																	
		Monitoring protocol devised and implemented																	
3.2		Trial recording equipment																	
		Qualitative Milestones																	
		Equipment specifications agreed																	
		Equipment procurement complete																	
		Quantitative Indicators																	
	17	Number of trials monitored (Jakarta)	180 p.a.	160	Target Actual	400	443	485	530	575	620	665	710						
	17	Number of trials monitored (outside Jakarta)	275 p.a.	0	Target Actual	0	0	57	126	195	264	332	401						
3.3		Transparency International statistics																	
		Qualitative Milestones																	
		Expanded analysis of data collected for the 2004 and 2006 Indonesia Corruption Perceptions Index completed <i>(This activity is proposed to be reduced to a study of 2006 CPI and the inclusion of an Integrity Study)</i>																	
		Nationwide bribery index survey of approximately 1500 respondents in 30 cities completed																	
		Expanded 2008 CPI for Indonesia completed																	
		Integrity study completed																	

Current position

Task	Ind. No.	End Result	Baseline	Calend.yr	2007	2007	2007	2008	2008	2008	2008	2009
				Quarters	Ap-Ju	Jl-Se	Oc-De	Ja-Mr	Ap-Ju	Jl-Se	Oc-De	Ja-Mr
				USG FY	2007-3	2007-4	2008-1	2008-2	2008-3	2008-4	2009-1	2009-2
E-PROCUREMENT												
4		E-GP Satellite Centers										
		Qualitative Milestones										
		Assessment & Selection Survey/Questionnaire prepared										
		Five locations where e-GP satellite centers will be established selected.										
		E-procurement software to be used in e-GP satellite centers designated.										
		Hardware and software procured and installed in e-GP satellite centers.										
		Training curriculum on e-GP policies and procedures designed.										
		E-GP system end-users trained on e-GP policies and procedures.										
		Quantitative Indicator										
		E-GP satellite centers created and implemented.	5	0	Target	0	0	0	5	5	5	5
					Actual							
		Qualitative Milestones										
		Nation-wide public announcement on GOI and ICCP incentive to combat corruption in PP area completed.										
		Assessment of the actual record keeping and data collection system in e-GP satellite centers completed.										
		Current e-GP software system upgraded for additional monitoring and data collection.										
		Oversight mechanism for the e-GP processes implemented.										
		Plan for public awareness/education campaign created.										
		Public awareness/education campaign implemented.										
		Quantitative Indicator										
18		Percentage change in cost of a basket of selected goods and services procured through e-GP procurement system in five procurement provinces	-10%	TBD	Target						-3%	-7%
					Actual							-10%
19		Percentage of procurement processes undertaken by electronic means	TBD	TBD	Target							
					Actual							
20		Percentage of public procurements awarded sole source in targeted provinces	TBD	TBD	Target							
					Actual							
21		Number of registered e-GP vendors	TBD	TBD	Target							
					Actual							

ANNEX C. Performance Monitoring Plan

Indonesia Control Of Corruption Project Performance Monitoring Plan (PMP)						
Figure 1. Country Level Indicators						
Performance Indicator	Baseline Year	Baseline Value	2007 Target	2007 Results	2008 Target	2008 Results
<i>Country Level</i>						
1. Corruption Perception Index *	2005	2.2			3.8	
2. Control of Corruption Indicator (Raw Score) **	2004	-0.9			-0.25	
3. Undocumented extra payment or bribes connected with getting favorable judicial results ***	2005	3.3			3.8	
4. The extent to which the judicial/legal system is affected by corruption *	2005	3.8			3.4	
5. The pervasiveness of money laundering through banks ***	2005	3.6			4.1	
6. The pervasiveness of money laundering through non-banks chanel ***	2005	4.1			4.5	
7. The prosecution and conviction of corrupt officials score ****	2006	2.82			3	
8. Undocumented extra payment or bribes connected with the awarding of public contracts ***	2005	3.4			3.9	
9. The extent of favoritism by government officials when deciding upon policies and contracts ***	2005	3.7			4.2	
Notes on data source :						
* Transparency International						
** World Bank Institute						
*** Global Competitiveness Report						
**** Freedom House, Countries at the Crossroads						

Figure 2.a. PIR 1 Indicators						
Performance Indicator	Baseline Year	Baseline Value	2007 Target	2007 Results	2008 Target	2008 Results
<i>Project Intermediate Result 1. Transparency and accountability within judiciary court system improved and corruption reduced</i>						
1. Number of government officials receiving USG-supported anti-corruption training	2006					
2. Number of USG-supported anti-corruption measures implemented	2006	9				
3. Number of judges trained with USG assistance	2006	0	222		2,000	
4. Number of justice sector personnel that received USG training	2006	0	TBD		TBD	
5. Percentage of judges trained on judicial ethics	2006	TBD	4%		33%	
6. Percentage of senior court officials submitting wealth reports	2006	44%	50%		100%	
7. Number of court personnel trained on budget procedures	2006	0	NA		1,600	
8. Percentage of courts implementing strategic-based budgeting systems	2006	0	NA		TBD	
9. Percentage of courts with completed physical asset inventories	2006	TBD	TBD		100%	
10. Number of Supreme Court decisions accessible to the public via the Supreme Court website	2006	2	2,800		5,000	
11. Percentage of courts implementing complaint procedures	2006	0	20%		100%	
12. Number of public and media inquires answered by Supreme Court public relations trainees	2006	TBD	TBD		TBD	

Figure 2.b. PIR 2 Indicators						
Performance Indicator	Baseline Year	Baseline Value	2007 Target	2007 Results	2008 Target	2008 Results
<i>Project Intermediate Result 2. Capacity PPATK to track money laundering in banking and non-banking financial institutions enhanced</i>						
13. Percentage of STR's filed by NBFIs	2006	3.2%	5%		10%	
14. Average number of reports PPATK STR/CTR receipt system capable of receiving per day						
- STR	2006	15	60		300	
- CTR	2006	1,795	2,000		10,000	
15. Number of PPATK cases transmitted for investigation	2006	86	100		150	

Figure 2.c. PIR 3 Indicators						
Performance Indicator	Baseline Year	Baseline Value	2007 Target	2007 Results	2008 Target	2008 Results
<i>Project Intermediate Result 3. Capability of the KPK to prevent, prosecute, and convict corrupt officials enhanced</i>						
16. Number of KPK prosecutions of high ranking GOI officials related to corruption	2006	2	4		6	
17. Number of trials monitored	2006	160	400		455	

Figure 2.d. PIR 4 Indicators						
Performance Indicator	Baseline Year	Baseline Value	2007 Target	2007 Results	2008 Target	2008 Results
<i>Project Intermediate Result 4. Electronic Government Procurement (e-GP) System expanded to improve accountability and transparency in awarding public contracts at the provincial level</i>						
18. Percentage change in cost of a basket of selected goods and services procured through e-GP	2006	0%	NA		-10%	
19. Percentage of procurement processes undertaken by electronic means	2006	0%	NA		TBD	
20. Percentage of public procurements awarded sole source in targeted provinces	2006	NA	NA		TBD	
21. Number of registered e-GP vendors	2006	NA	NA		TBD	

ANNEX D: DOCUMENTS AVAILABLE UPON REQUEST

General Project

1. Communications Protocol (April 2007)
2. Security Assessment and Emergency Action Planning (June 2007)
3. Gender Assessment (May 2007)
4. MCC ICCP Personnel Policy Handbook (June 2007)
5. Draft Work Plan and Performance Monitoring Plan (May 2007)

Judicial Reform

1. Ms. Myra Shiplett Consultant Report
2. Mr. Joseph Bobeck Consultant Report
3. Mr. Joseph Nadeau Consultant Report
4. Mr. Ron Keefover Consultant Report
5. PowerPoint Presentation of Human Resources Activities (1c and 1e)
6. PowerPoint Presentation of Budgeting Activity (2a)
7. Draft Curriculum for Pilot Judicial Code of Conduct Training

Enhancing Capacity of PPATK

1. PowerPoint Presentation of Work Plan for Activities with PPATK

Electronic Government Procurement

1. PowerPoint Presentation of Work Plan for e-Government Procurement Centers
2. PowerPoint Presentation of Proposed Public Awareness and Media Activities
3. Survey Assessment of Provincial Governments (English and Bahasa)
4. Assessor's Tool (English and Bahasa)
5. Selection of Five Provinces Timeline