THE STATUS OF INDONESIA'S E-PROCUREMENT

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ABSTRACT

E-procurement is an important intrument to prevent corruption in goods and services procurement budget. Indonesia has been implementing the e-procurement project since 2008 based on Presidential Decree. President has stipulating annual order (presidential instruction) has to be obey by all ministries and local governments to procure their budget through r-procurement mechanism. However, untill 2012 fiscal year, this research found that only around 10.26% of central government institution procurement budget, including ministries and 21,10% of local government procurement budget did procure through e-procurement method. This research concluded that regulation, leadership and procurement intitution are challanging factors to make "status quo" e-procurement.

Keyword: regulation, procurement, e-procurement, corruption, procurement budget

INTRODUCTION

Corruption is one of the main problems in some countries, including Indonesia. Many cases of corruption which occurrin the institutions of Indonesia's government are derive from the procurement of goods and services. One way to prevent corruption is the use of ICT in government sectors, namely e-procurement. The Korean Government is known for its progress in encouraging e-procurement. Korea launched national e-procurement systems on September 30, 2002. The adoption of e-procurement systems in the central government of Korea has been acknowledged by United Nation for Public Administration in 2003 as a best practice. Government e-Procurement Systems (GePS) is a portal site providing information on public procurement and it is also an application service provider of public procurement. GePS advances procurement service by reducing paperwork and red tape, expanding the range of commodity selection, and standardizing services. Government-wide support, including the President's support, had a crucial role for the adoption of GePS in South Korea. High capacity of information technology and institutional collaboration among public agencies and other foundations are elements for the successful establishment of GePS (Seong and Lee, 2008)

This research is very important for Indonesia in order to decrease the corruption in the procurement of goods and services. In 2008, the Indonesian government created **INAPROC** in order to deliver goods and services procurement electronically. In five years, there have been increasing numbers of e-procurement instruments: the number of system providers went from 11 in 2008 to 491 in 2012; service providers went from 3 in 2009 to 43 in 2012; provincial coverage increased

from 9 in 2008 to 33 in 2012 and user agencies increased from 11 to 731 user agencies in between 2008 and 2012. This trend was followed by the number of tenders issued through e-procurement. In 2008, there were only 33 tenders and this number increased to 119.797 in 2012. INAPROC claimed that there was a savings of 10,89% in 2012.

My research is on public management, urban governance, strategic planning and e-government. This study is a follow-up study to look at the institutional support for the development of e-procurement in Korea as shown in the previous studies. The success of the application of e-proc in Korea can serve as a lesson for Indonesia, a country that has implemented e-proc since 2008. This research position has become very important in the academic world, mainly for public administration and for governance studies. How the government organizations make changes to institutions and value to apply ICT. Some investigations on e-procurement have been done before, but there have not been research specifically on e-procurement.

The research focused on the policy and regulation as well as institutional e-procurement in Indonesia by using South Korea as a benchmark as a successful developing country. Until now only a small amount of research about Indonesian e-procurement has been done. Kodar (2010) found that the implementation of e-procurement at Yogyakarta Municipality in 2009 was visible but not accountable. Nightishaba, et al (2012) found that committee and the procurement of goods and services providers to the implementation of e-proc system have a difference in perception between the users of e-procurement supplier of goods/services and the procurement committee.

Utama (2009) found in the experience of Yogyakarta city that strong leadership, underlying laws/regulations/policies, available resources (human, budget, infrastructure), as well as changes in management had an influence on the smooth process of implementing e-procurement. Nevertheless there are also some other factors involved, such as influential support from legislators, the benefits of the application, and guidance from the central government. There are all factors affecting the implementation of e-proc, in addition to the commitment that comes from implementing elements.

The research done by some researchers above is insufficient to figure out e-procurement implementation in Indonesia since it was launched in 2008. This study is a continuation of my previous research that discusses the influence of leadership in the implementation of the strategic plan in the government sector, including both local governments and the national government. My interest is to see how the factors affect the e-procurement institution, how they affect the leadership, and how they affect the implementation of e-procurement policy in Indonesia. Thus, through this research I want to strengthen my scientific knowledge in the field of public organizations, especially in Asian countries, and to contribute to the body of knowledge of the public organization theory.

The Committee for the Monitoring of Local Autonomy found that only 62% of the kabupaten/kota level has implemented e-procurement in different levels of implementation. The

Executive Director of the Committee Monitoring the implementation of Regional Autonomy (KPPOD) Robert Endi Jaweng says that the situation is not in accordance with Regulation No. 54/2010. According to him, the regulation requires the entire K/L/D/I [Ministries/Agencies/units of Work Device region/other Institutions] to be already implementing e-procurement at the end of 2012 at the latest. 'Even in the Moluccas, all districts/cities do not have e-procurement. In West Papua 9% [Kabupaten/Kota that are implementing e-procurement], whereas in the provincial level has not been implemented it yet, ' he explained to business, on Sunday (7/10/2012).

But yet, the study of e-procurement very seldom connects e-procurement with political dynamics. J. Gordon Murray (2007) said that research on the importance of the interplays between politicians and procurement managers is challenging in public procurement. Basically the politicians have to be responsible to their voters. Philip, et al (2007) recognized that politicians were likely to be held accountable for the public procurement although "the missing link" of good governance reflecting democracy in procurement processes was not explored. In other words, few researchers explored these ideas in procurement. Although the procurement manager acts as an agent for the chosen or unchosen politician, there was no political dimension to the procurement research. Sourdry (2007), in his research, found that in making procurement decisions, procurement managers often get intimidation from the politicians, and in the absence of effective control mechanism officials are likely to involve some personal preferences, derived from their primary interests, career prospects, social contacts, monetary reward or merely aversion to effort.

In addition, Gordon (2007) said that there is always a bias in the study of empirical e-procurement research. The researchers do not address the market shaping, contestability, and shared services. The literature also has a weakness in the saming of e-procurement process in the private sector and the public sector. The public sector has a lot of political interests compared with the private sector. Another weakness in previous studies was that the e-procurement strategy focused on the operational procurement as opposed to strategic procurement decision making. Thus, it is reasonable that corruption in the case of goods and services procurement in Indonesia started from the planning through the actuating done by the politician, even though the e-procurement has been done. There are more opportunities for corruption in the planning process, for instance ministers, politicians, or senior officers may plan the unwanted project for their private interests (Neupane, et al, 2012). The Party of the Functional Groups has the most cadres who have committed acts of corruption (13 cadres), followed by Democratic Party with 7 cadres.Research problems will be answer in this research is to what extend the procurement policy, intitution and regulation, system of e-procurement in Indonesia?

THEORETICAL REVIEW

E-procurement is an important aspect of e-government that is related to government and to the private sector. The literature related to e-procurement

implementation and operation is reviewed, including five main themes: impact on cost efficiency; the impact on the form and nature of supplier transaction; e-procurement system implementation; broader IT infrastructure issues and the behavioral and relational impact of e-procurement (Croom and Jones, 2005). All researcher referenced here define "procurement" as encompassing acquisition, contracting, buying, renting, leasing, and purchasing, and includes functions such as requirements determination and all phases of contract administration (Thai, 2001, pp. 42–43). Snider and Rendon (2004) said that the range of relevant topics (e.g., outsourcing, privatization, public-private partnerships) and activities is also indicated by the objectives of *JoPP* and the biennial (since 2004) International Public Procurement Conference, both of which seek to "further the understanding of [public procurement's]: Functional areas, including but not limited to procurement policy, procurement strategic planning and scheduling, contract formation, contract administration, evaluation, and procurement methods and techniques; substantive areas such as government procurement laws and regulations, procurement economics and politics, and procurement ethics; and topical issues such as e-Procurement, procurement transparency, and green procurement." (International Public Procurement Conference, 2011)

E-procurement transaction structure was introduced by literature in the marketing and management industries. It is mentioned that organizations will have a range of transaction relationships with providers. For example the (*framework*) *"buy class"* Robinson, Faris, and Wind (Croom and Jones, 2005: 372) differentiate between the correlation based on frequency and the variability in the purchasing contract. The following picture is the illustration of five types of exchange used in *e-procurement* transactions.

The objective of the implementation of e-procurement in the public sector is reformation process of goods and services procurement. From the various studies done based on the experience of the countries around the world, the implementation of e-procurement is to prevent or to reduce the level of corruption. Neupane, et. Al (2005). E-procurement can improve the efficiency over traditional procurement methods (Chang, 2011 and Hanna, 2010). The process of goods and services procurement electronically has obviously omitted the use of paper for the providers or the budget users. The providers just upload all documents by the existing website without coming to the office. E-procurement can also reduce the less necessary projects (Achterstraat, 2011). With e-proc, only the projects needed by the people need be sold at auction. However, this assumption is only valid in the economically advanced countries. In developing countries, many projects are proposed by politicians for their personal interests (Murray, 2007). Thai (2001) used the institutional approach and system stating that procurement is in a complex space, not in an empty space.
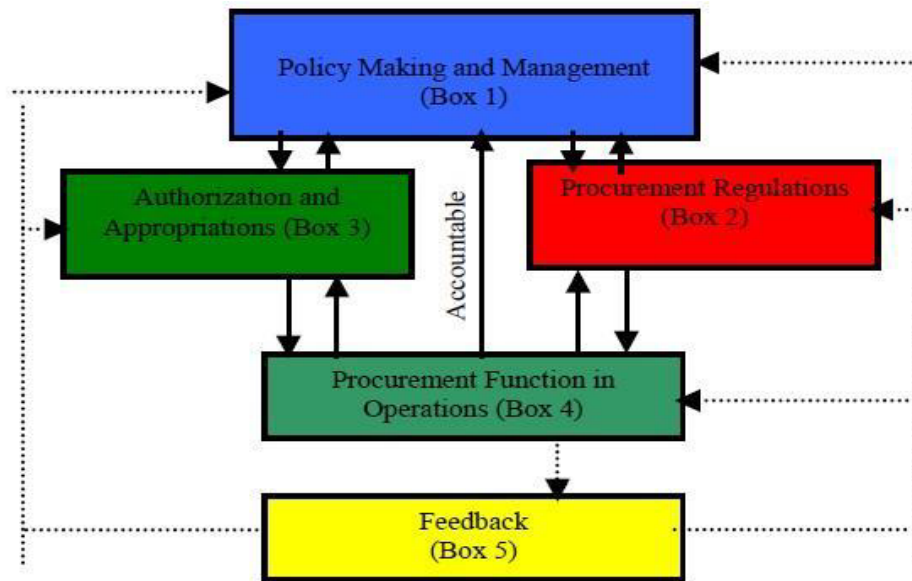
Fig.

1. Public Procurement System

Legend:
⟹ direct relationship
········ feedback and reforms/adjustments

Thai (2001) stated that procurement in a complex system (Checkland and Scholes, 1999, p. 19) or a system which works by itself (Childs, Maull, &Bennett, 1994; Childs, 1995; Dror, 1971; Kock & Murphy, 2001;Lineberry, 1977). Institutional arrangements may be organized so as to limit the opportunities for corruption, or to render such opportunities less profitable (Ogus, 2003). The government consists of an executive branch, a legislative branch, and of the implementer of e-procurement himself". Thai (2001) mentions that the executive's duties in procurement are as follows:

- To complete and to add the policy which has the form of law and the procedure of goods and services through the executive's order;
- To improve and to maintain the policy which has the form of law and the procedure of procurement;
- To decide whether the fulfillment of the needs of the program should be done by the government or given to a third party.

What has been done by the executive is certainly in the framework of setting up a policy or regulation in implementing e-procurement. Thai (2001) mentioned established *procurement policies and regulation* which work together with legislative.

Thus, Thai (2001) describes in box 2 that the next procurement system is The Policy of Procurement. Scrapper el al (2006) explained that "strong regulation in an e-procurement system was created to minimize unexpected discretion and out of the risk limit", and Thai (2001) explained that the regulation toward this procurement of goods and service is to:

Box (1) is policy and management. In democratic countries, procurement is done by an executive unit, usually a president, a prime minister, a governor, a mayor, or a regent who has reponsibility to run public procurements which may include, among others:

- Supplementing and augmenting statutory procurement policies and procedures through executive orders;
- Developing and maintaining statutory procurement policies and procedures; and
- Determining whether to meet program needs by in-house performance or by contracting out (Thai,2 001).

Decentralization or centralization are becoming important issues in e-procurement management at the national level. Coulthard and Castleman (2001) stated that a decentralized approach such as Australia's may maintain agency and line manager flexibility and authority but fails to:
• Provide adequate direction on how objectives will be achieved
• Maximize the advantages of a whole of government approach
However, centralization of procurement allows a procurement unit to determine whole of government or whole of agency purchasing patterns and to 'bundle' or aggregate these purchases and increase the purchasing power of the Government (Coulthard and Castleman, 2001). The UK Government has adopted this approach and established a central agency, the Office of Government Commerce, following the recommendations of the Gershon (1999) report. Gershon (1999 in Coulthard and Casthleman, 2001) in his review of UK civil procurement found:

- Decentralist and delegated authorities had no common framework and coherence, lacked consistency, and provided insufficient aggregation to take full advantage of the market.
- There was a clear need for a central body to provide appropriate aggregation and co-ordination. Current arrangements according to Gershon 'lacked the "clout" to lead Government procurement in the 21stCentury' (1999: 5) and
- There were no common measurement systems of procurement across government. Gershon (1999: 9) reported that 'the complete absence of any such systems is the finding that gave me the greatest concern during the course of the review'.

Currently the New Public Management (NPM) perspective has a broad perspective on procurement management systems and impacts on the internal management change. In NPM perspective, e-procurement is defined as an improvement of relationship between the government and the private sector and also community through market-based mechanisms. The NPM school of thought tends to include the supremacy of market-based procurement approaches over traditional in-house

provision belief in 'business methods' for organizing services, which normally focus upon redesign of accountability mechanisms and incentive systems (both often centered in 'performance management' systems), a desire to redesign ('re-engineer') organizational processes around the needs of service users and other stakeholders ('customers'), often through approaches such as customer relationship management (CRM), concern with the inefficiencies produced by 'political interference' in 'managerial' decisions, and the belief that professional groups and staff unions have dominated the processes of service planning and delivery to achieve their own ends, rather than for the good of their clients or for the public interest (Bovaird, 2003;).

Meanwhile Bovaird noted that the governance school of thought tends to emphasize the following concerns:

❖ public services are not designed for citizens whose holistic needs must be met, but rather for users who should accept managerial/professional views of how their narrow service needs can be met most cost-effectively

❖ new engagement levels on behalf of stakeholders, particularly those organized on single issue lines (such as environment, transport, health care, etc.)

❖ pressures toward increased transparency and freedom of information, particularly from the media and well-organized interest groups

❖ changes to authority relationships (e.g. between professionals and service users, or between service professionals and senior managers) as decisions, and the criteria on which they are based, are subject more fully to the public gaze

❖ concern that many decades of 'targeting' of public expenditure have not appeared to have brought significant gains in the 'equalities' and 'diversity' agendas

Tony Bovaird (2003) noted that implications of ICT implementation, particularly e-procurement, namely:

a. The new generation of ICT-driven reforms has interacted with a number of other important movements which have implications for organizational arrangements in the public sector.

b. ICT drivers for changes to organizational structures, processes and behaviours in public services;

c. New organizational configurations in public services;

d. The role of ICT in achieving organizational integration.

Application of ICT in public procurement also has important implications on organizational structures, processes, and behaviours in public services. Bovaird (2003) noted improved use of databases in the organizations. The stocks of knowledge in the organization should help both in improving the decisions which get made and in implementing decisions more consistently. Secondly, Bovaird (2003) noted that better communications in an organization improved decision-making in an organization, partly through the use of the organization's databases.

Implementation of e-procurement has been changing the

generic configurations of front offices which are to be found in public organizations. Bovaird (2003) considered six such configurations: the Inquiry Point, the Advice Point, the One Start Shop, the One Stop Shop, the Customer Account Manager, and the Customer Representative. By web-based procurement, then the inquiry point, the advice point, the one start shop, the one stop shop, the customer account manager and the customer representative are served by a website such as Korea's Korea ON-line E-Procurement System (KONEPS), which aims to establish a nationwide web-based procurement system, dealing with the whole procurement process including acquisition of all the information on the national procurement projects, procurement request, bids, contracting and payment for 37,000 public organizations and 120,000 private firms. Finally, E-procurement can affect organizational behaviour in procurement units through its ability to allow better use of databases, its ability to support better communications, and its ability to support improved decision-making, data-base management, and communication.

To date, e-procurement projects done by the executive wing are the execution of policy or regulation stipulated by executive and legislative body based on the law. Thai (2001) said that using *established procurement policies and regulation, executive* bodies try to cooperate with legislative ones. Therefore, Thai (2001) figured out on Box 2 that *e-procurement systems act as a procurement policy*. Schapper el al (2006) explained that a highly regulated procurement environment is designed to minimize discretion in circumstances considered to be at high risk from undue influence and Thai (2001) said that procurement goals and regulations specify, among other things, the following:

- Procurement organizational structure, roles and responsibilities;

- Procurement phases and process; and
- Standards of conduct.

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DISCUSSION

Procurement Policy and Regulation

Snapshop analisys (2007) on procurement in Indonesia noted that important steps in the public sector procurement legal reform process were, first,Presidential Decree (Keppres) 18/2000, which superseded a Keppres that had been inexistence, albeit with amendments, since 1994. Second, a higher level Construction Law wasenacted in 1999 which, among other aspects, governs the procurement of civil works andrelated consulting services. New directives for this Construction Law were also issued in2000. In addition, other laws, either enacted or in draft, in respect to State Finance, Treasury,Audit, and Small Scale Business all make reference to, and impact on, public procurement.17. Following the financial crisis of the late 1990s, events that provided an impetus to procurement reform process in

Indonesia were (i) its prioritization by the Consultative Groupon Indonesia (CGI) in 2000, (ii) the release of a Country Procurement Assessment Report(CPAR) for Indonesia in 2001 with some initial recommendations, and (iii) a commitment byGOI to the CGI in 2001 to create a National Public Procurement Office (NPPO). Until now,the National Development Planning Agency (Bappenas) has been responsible for procurement reform. Initially it established a steering committee, supported by a secretariatand three working groups responsible for legal and policy, institutional, and human resourcedevelopment. Stemming from this Steering Committee, and have regard to the consequencesof decentralization, Presidential Decree 80/2003 was issued as a national standard regulation(i) promoting basic principles of procurement: viz. transparency, open and fair competition,efficiency (value for money), non-discrimination, and accountability, and (ii) committing tothe future establishment of an NPPO. Over the intervening years since the promulgation of

Presidential Decree 80/2003, the National Development Planning Agency established within its organization an interim "Center for Development of Public Procurement Policy". Thi sCenter not only focused on the future establishment of an NPPO, but also became both GOI'scentral focal point and driver for ongoing public procurement reform initiatives across whatare now known as the OECD/DAC four Pillars. It is suggested that the actual stakeholders involved in public procurement are nodifferent from country to country. What is different in Indonesia is that the number and type of stakeholders has become more complex as a result of its decentralized government structure.
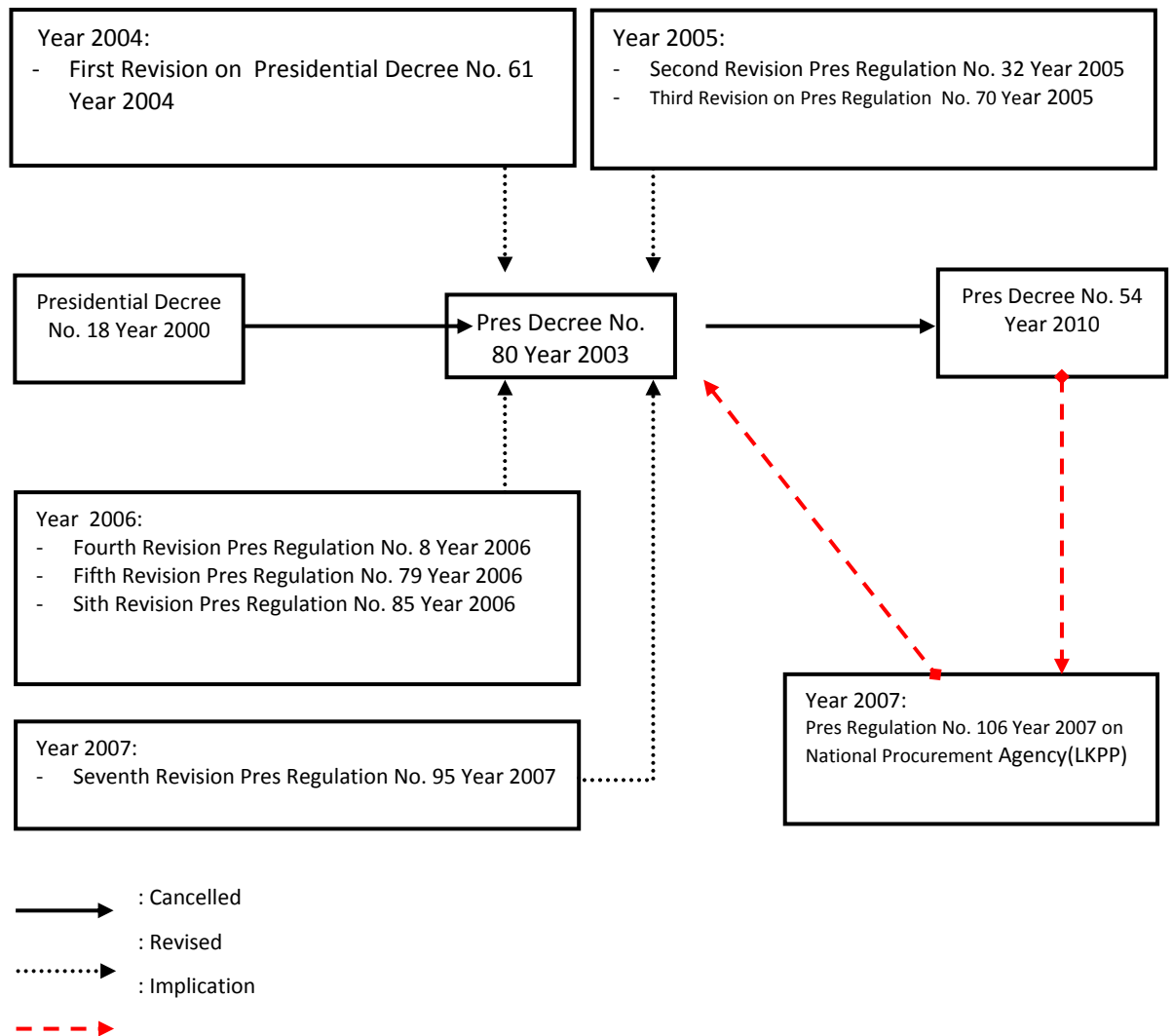
Year 2004:
- First Revision on Presidential Decree No. 61 Year 2004

Year 2005:
- Second Revision Pres Regulation No. 32 Year 2005
- Third Revision on Pres Regulation No. 70 Year 2005

Presidential Decree No. 18 Year 2000

Pres Decree No. 80 Year 2003

Pres Decree No. 54 Year 2010

Year 2006:
- Fourth Revision Pres Regulation No. 8 Year 2006
- Fifth Revision Pres Regulation No. 79 Year 2006
- Sith Revision Pres Regulation No. 85 Year 2006

Year 2007:
- Seventh Revision Pres Regulation No. 95 Year 2007

Year 2007:
Pres Regulation No. 106 Year 2007 on National Procurement Agency(LKPP)

: Cancelled

: Revised

: Implication

Fig .2. Procurement Regulation Evolution in Indonesia

Source: Darmawan, Muhammad Ali, "Reform On Procurement Of Public Goods/Services In Indonesia: A Review", *Spirit Publik*, Vol 7 No. 2, 2011

After 2008, there have been occured many regulation changes in forms of presidential regulation. However, the presidential decree had to amend into the presidential regulation as an implementation of Act 10 Year 2004 on formation of the legislation and amended again with Act No 12 Year 2011 on types and a hierarchy of regulation as follows

1. Constituion Year 1945 and its revisions;
2. Law or substitute of act;
3. Government regulation;
4. Presidential Regulations;
5. Local Act.

The regulation has changed as many as seven times by amending Presidential Decree No. 80 Year 2003, each of which occured three times in2007 and final revision done in 2007, President Regulation No. 54 Year 2010. Some fundamental changes of old regulation are: a. the standards document procurement; b. name change services in construction work; c. the new regulation about foreign grant; d. the function differentiation more clearly between the budget user / the budget authority, procurement officials (ppk), and commitment and units procurement service; e. the removal of necessity an announcement of procuring in newspapers; f. the winner decision(provider of goods and services) procurement unit. Meanwhile, the procurement phase is devided into four stages (Amiruddin:2010: 46- 47):

1. The preparation stage. At this stage covers some activities (a) planning goods and services procurement, (b) the formation of committee, (c) the establishment of a system of procurement of goods and services (d) the drafting of a schedule for procurement of goods and services (e) drafting of the own price estimates, and (e) drafting documents for procurement of goods and services. 2. Procurement process. At this stage the event includes (a) the selection of goods and service providers and (b) the determination of a supplier of goods and services. 3. Drafting of the contract. 4. The stage of the implementation of the contract

Nevertheless as a legal standing, a presidential regulation has many weaknesses in term of regulating good and services procurement. APEC Procurement Strategy (2012) noted that there are three weaknesess of the regulation, however, does not address a number of problems in Indonesia's procurement system, does not apply to all state-owned companies, particularly national oil and mining companies. The regulation is also missing interaction between the Presidential Regulation and other existing laws applicable to procurement, such as the Construction Services Law (Act No. 18/1999) and the Law on State-Owned Enterprises, is not clear since both these laws also have provisions governing procurement. Secondly, the regulation also does not contain provisions specifically authorizing civil society monitoring of procurements and thirdly the Presidential Regulation does not have a sufficiently high legal status to truly standardize the public procurement system throughout Indonesia rather a "plethora of decrees, regulations, and instructions" ranging from Ministers and provincial governors to district officials and municipal mayors "that contain conflicts and inconsistencies."M. Sayrif

(2013) also reveals same legal weaknesses on procurement regulations such as (a) a diverse and conflicting regulations at the different level government; (b) Out of date procurement regulation on limited implementation on state budget; (c) there is no room for public participation in procurement process; and (d) the limited authority of independent procurement unit in handling conflict and NPA have not authority to settle it.

As a result, the regulation implementation is less powerful. Secondly, many legal institutions (police and attorney office) have different interpretation in the field. Various cases found in some local governments that many committee of goods and services procurement resigned from their position because a frequent target of a conflict of interest and the strong pressures from the internal and external environment in the procurement process such as, at the Local Council Office of Rangkasbitung (Serang Post, 1/2/2009). The second case is the resignation thirty five members of the entire procurement committee caused by suspect decision of the Local Attorney Office on its five members in case of pedestrian project. (Tabalongpost, 13 April 2013). Panda et. Al (2012) did same study in India found that the lack of an enabling national legal procurement law has allowed interpretation o government policies by corrupt officials for vitiating public procurement process.

In Indonesia, the term "e-Government" was officially introduced to public administration through the Presidential Instruction No.6/2001 regarding Information & Communication Technology (ICT) that addressed the government of Indonesia has to use ICT to support the practices of good governance. When the State Ministry of Communications and Information was established in 2001, there was a specific national policy on e-Government stipulated on Presidential Instruction No. 3/2003 concerning National Policy on e-Government Development. In Indonesia, e-Government is required due to the following reasons: 1) to support the government change towards a democratic governance practices; 2) to support the application of authority balances between central and local government; 3) to facilitate communication between central and local governments; 4) to gain openness and transparency; and 5) transformation towards information society era.
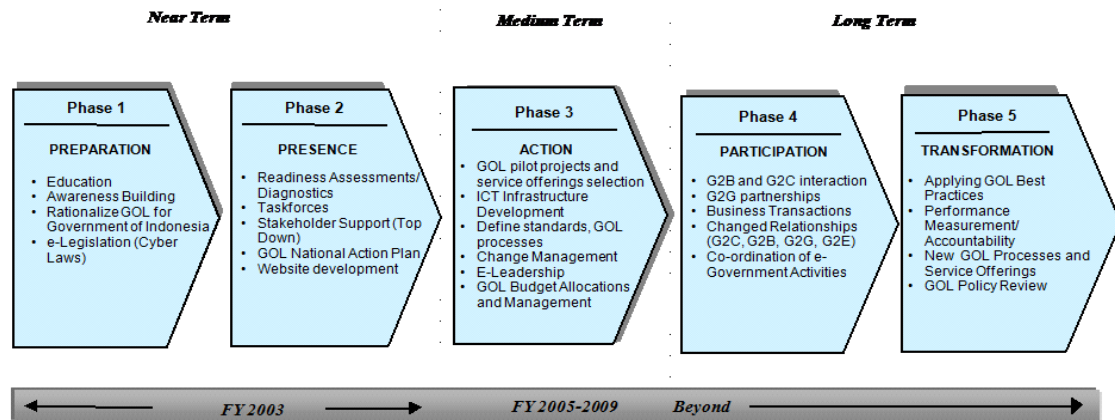
Figure 3. Indonesia's Roadmap to e-Government

The e-government project has started since 2003 based on Presidential Instruction No. 3 of 2003. Afterwards, various information and communication Minister's decision as much as ten decisions stipulate e-government program. The position of presidential instruction is legally not strong enough to run e-government program.

Table 1. Policies and Guidelines on e-Government

No	Name	Number
1	National strategy and policy for e-Government development	Presidential Instruction No.3 /2003
2	Guidelines on infrastructure standard for government portal	No.55/KEP/M.KOMINFO/12/2003
3	Guidelines on management electronic document system	No.56/KEP/M.KOMINFO/12/2003
4	Guidelines on master plan e-government institution development	No.57/KEP/M.KOMINFO/12/2003
5	Guidelines on ICT training program for e-Government	No.47A/KEP/M.KOMINFO/12/2003
6	Guidelines for establishment local government website	2003
7	Guidelines for government information system network development	69A/KEP/M.KOMINFO/10/2004
8	Guidelines information system development for central-government	69A/KEP/M.KOMINFO/10/2004
9	Guidelines information system development for Province	69A/KEP/M.KOMINFO/10/2004
10	Guidelines information system development for municipality /regency	69A/KEP/M.KOMINFO/10/2004
11	Guidelines for data, information and government information system	69A/KEP/M.KOMINFO/10/2004

	organization management				
12	Guidelines for standard and service quality and application development	2004			
13	Guidelines institutionalization, authorization, and public private partnership for e-government	2004			
14	Guidelines e-government project planning and budgeting	2004			
15	Guidelines for good government and change management	2004			
16	Standard competence for e-government management	2005			
17	Blueprint e-government application for local government	2005			
18	Blueprint e-government application for central government	2005			
19	E-government interoperability framework	2005			
20	Go.id domain management for central and local government	No.28/PER/M.KOMINFO/9/2006			
21	The Electronic Information and transaction Bill	No.11/2008			
22	Draft Government Decree on e-Government	2009			

Source: Boni Pudjianto and Zo Hangjung, Understanding Factors Affecting e-Government Assimilation in Indonesia, 2012.

Looking at the pattern of the policy in Indonesia, it is seen that there is no policy consistency on the highest executive level. The president is also lack of e-leadership, it is seen from there is no policy made after the law was launched. Because of no strong supportive policy, Indonesia e-government (rank 97) based on UNPAN study in 2012 is lower compared to the neighboring countries such as Malaysia (rank 40), Thailand (rank 92) and the Pihilipines (rank 88).

Table 2. E-Government Rank 2012 in Southeast Asia

	Rank	E-Readiness Index	Web Measure Index	Human Capital Index	Infrastructure Index	E-Participation Index
Brunei	54	0.6250	0.5948	0.8253	0.4550	0.4737
Cambodia	155	0.2902	0.1895	0.5997	0.0814	0.0000

Indonesia	97	0.4949	0.4967	0.7982	0.1897	0.2105
Laos	153	0.2935	0.2157	0.5651	0.0998	0.0000
Malaysia	40	0.6703	0.7908	0.7691	0.4510	0.5000
Myanmar	160	0.2703	0.1046	0.7064	0.0000	0.0000
Philipina	88	0.5130	0.4967	0.8341	0.2082	0.2105
Singapore	10	0.8474	1.0000	0.8500	0.6923	0.9474
Thailand	92	0.5093	0.5098	0.7819	0.2361	0.3158
Timor Leste	170	0.2365	0.2157	0.4290	0.0649	0.0000

Source: UNPAN.

Furthermore President stipulated his instruction No. 17 Year 2011 about the actions of prevention and eradication on corruption in which he ordered all ministries/agencies had to use e-procurement by 75 per cent of good and service budget and all local government's good and service budget amounting to 40 percent via e-procurement. The technical provisions of the operational procurement of goods/services electronically refers to Regulation NPA No 2 Year 2010 On Electronic Procurement Service (LPSE), followed by some regulations on E-Tendering and E-Purchasing. E-Tendering is selection of listed provider of goods/services performed openly by which they offer once bid time at the allotted time. E-Purchasing is to purchase goods/services through electronic catalog system
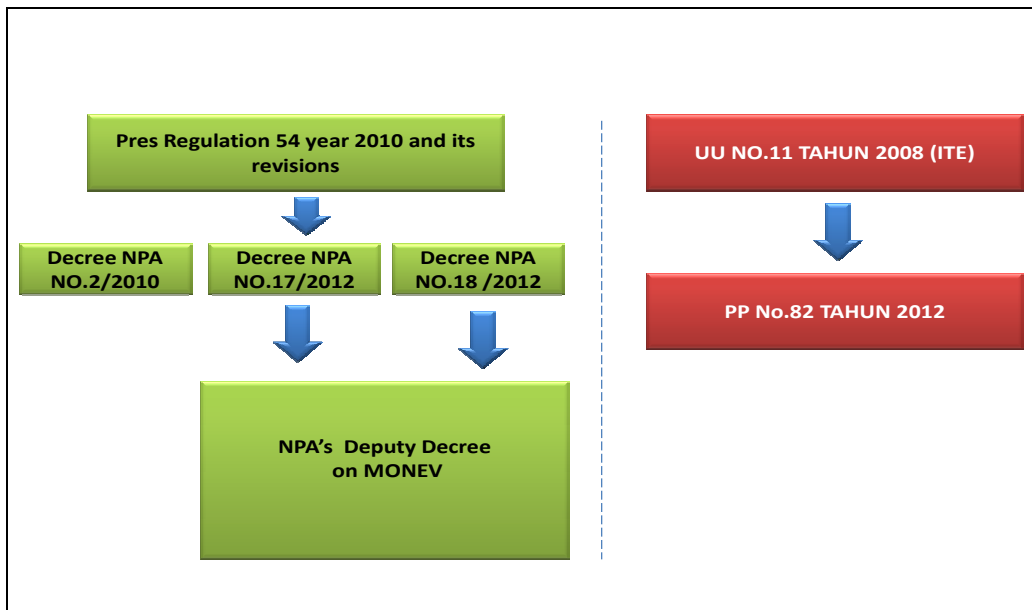

Fig. 3. E-Procurement Regulation

As shown in Fig 3, Presidential Regulation No. 54 Year 2010 and some National Procurement Agency Decrees are legal basis for e-procurement of good and service since 2008. This mean all government spending are ruled by public procurement procedures, which are defined and organized by decree issued by the Presidential Decree and Head of NPA decrees. Compared to countries that are recognized as having a sound basis for procurement activities, there are other gaps and weaknesses in the present legal framework pertaining to procurement in key areas such as company law, bankruptcy law, well-defined contract law and commercial arbitration law. Some progress has been made in improving the situation as, in 2008, Indonesia enacted a Electronical Transactional Law No. 1 Year 2008 with developing Government Regulation No. 82 Year 2012.

Annually President issues presidential instruction to implement e-procurement. For 2013, he issued a presidential instruction No. 1 Year 2013 on

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corruption eradication and prevention in which the instruction affirmed the obligation to use the e-procurement system. In fiscal year 2012, the goods and services expenditure of ministries/institutions at 100 percent and 40 percent of local government expenditure have to be use e-procurement. As a consequently, NPA Head issued Letter No. 17/KA/02/2012 on E-procurement Obligation.

• Ministries and non-ministry institutions and local government have to submit Public Procurement Plan (RUP) to NPA Portal via email rup.inaproc@lkpp.go.id no later than March 31, 2013.

• Independent Procurement Unit/Procurement Committee may carry out procurement of goods/services electronically by using the nearest LPSE

• Governor/Regent/Mayor may set up independent E-Procurement Unit (LPSE).

E-procurement project has just been implemented since 2008, with the Presidential Decree number 80, 2003, which manage goods/ service government procurement. Explicitly the Decree regulates the procurement through the e-procurement. And then with the Decree 17/2011 about the action of prevention and elimination of corruption 2012 instructed to December, all off Ministry/ Institution goods purchases must use "e-procurement" as

much as 75 %. For regional budget (APBD), 40 % of goods purchase must be "e-procurement".

Institutionally, in the frame of implementing *e-procurement* then the Central Government made an institution which is called National Procurement Agency (LKPP). According to the Presidential Decree No. 54, 2010 about goods and service procurement, LKPP is a Government Institution which has the

duty of improving and formulating the policy of goods/service procurement which mentioned in the Presidential decree number 106, 2007 about National Procurement Agency (LKPP). This institution is a non department government institution (LPND) in which the level is the same as Bappenas, BPPT, LIPI or other LPND. LKPP is responsible to the President, but in performing under the coordination of National Development Planning Ministry.

But the Institution of procurement basically has many and various units suitable with the government levels. At the national level the President supervises all of ministry and non ministry institutions which are known as National Institutions. It is necessary to know that in Indonesia, besides ministries, the President also supervises non ministry institutions in the central governmet level. Under Yudoyono administration now there are 20 non ministry institutions and 31 ministries. However, in the region level there are government region from province to regency or city. The institutions involved can be seen in the table below:

Table 3. Institution Involvement in Procurement

STAKEHOLDERS IN PUBLIC PROCUREMENT	NATIONAL (CENTRAL)	PROVINCIAL	CITY	DISTRICT
Overseas Development and Donors	•			
LAWMAKERS (Politicians-Parliamentarians)	•	•	•	•
Procurement Agency	•			
ISSUER OF DECREE, INTRUCTIONS (President, Ministers, Governors, Mayors, Districts Head)	•	•	•	•
POLICY MAKER (Civil Service)	•	•	•	•
TRAINERS (Training Boards, Tertiary Educational Insitutin, Academia)	•	•		
PROCURERS/USER (Government Entitiesat all levels)	•	•	•	•
AUPPLIERS/PROVIDERS (Bussiness Community, Private Sector suppliers of good, contruction	•	•	•	•

companies, consultans, etc)				
MONITORS (Inspectorate General, Audit Office)	•	•	•	•
JUDICIAL and ADJUDICATORS (Ministry of Justice, Ombudsman, Courts, etc)	•	•		
COVERMENT ANTI-CORRUPTION AGENCIES	•	•		
BUSINESS PROFESIONAL ASSOCIATIONS (Chambers, Associations, Instituions)	•	•	•	•
PUBLIC WATCHDOGS (NGOs, Academia)	•	•	•	•
MEDIA/PRESS	•	•	•	•
THE PUBLIC	•	•	•	•

Source: Indonesia Public Procurement System, 2007.

Looking at the institutions involved in the procurement, it is fair to say that it occurs fragmentation and decentralization of procurement institutional. Each region has its authority to hold its own procurement, and there is no enforcement to implement the e-procurement. National Procurement Agency (LKKP) is an institution which is responsible for e-procurement established based on the Presidential Decree No 54, 2010.
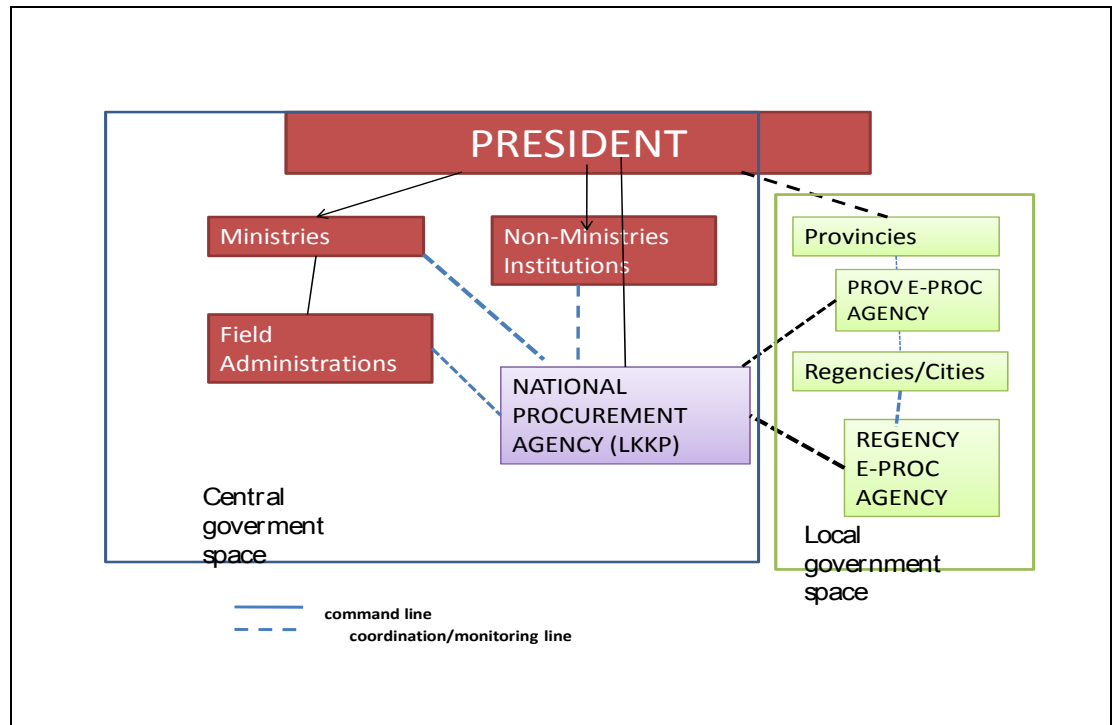
Fig. 4. Fragmented Central and Local Procurement System Within the Executive Branch

Each ministry, non ministry Institution, regional government set up their independent Procurement Service Unit which is separated from the organization units which have the budget right.. This separation function is aimed to avoid the collusion and the autonomy of the procurement process. Each Institution which is called ULP (Procurement Service Unit) is created based on Minister Decree or Head of non ministry institution and regional head. Yayan Rudianto (2011) study on legal format mentioned that based on the President Decree No. 54 – 2010, that National Procurement Agency (LKKP) is the only non department institution in Indonesia which has the authority to improve and formulate the policy of

Government goods/service procurement. The question is what is the relation of the President and National Procurement Agency with the Procurement Service Units in the ministry institution like? Furthermore Rudianto said that:

First, the relation of the President **K/L/D/I**. This relation is clear as command lines. The tasks and function in carrying out the good/service procurement in K/L/D/I is carried out by ULP. ULP is a government organization unit which functioned to carry out the goods/service procurement in K/L/D/I permanently, independent or joins the existing unit. K/L/D/I has to have ULP (Procurement Service Unit)

which is able to give service/guidance in goods/service procurement sector.

Second, the relationship between **the President and province and regency/city.** This relationship uses two mechanisms at once, which are functional mechanism and deconcentration mechanism. In the functional mechanism, the function of government goods/service is carried out by Procurement Service Unit (ULP). This relationship doesn't implicate the institutional improvement of National Procurement Agency entirely (4 deputies), but there is a possibility for the deputy which has the similarity in technical, that is Deputy of Law and Protest Solution. The level of this unit is below and responsible to the governor, the duty , function and the authority are constant, the organizational structure is integrated in the existing ULP, either

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/D/ provinc creates and independent unit or joined to the existing unit, the National Procurement Agency has just to adapt the relationship between the President and **/D/** residency/city. The relationship built based on the decentralization mechanism. The President is not as free as contacting the governor, because most of the government business which had been handled by the government has been handed over to the region (regency/city).

The Planning Development Agency did a review study on procurement or e-procurement institutions at both central level and local level as an implication of decentralization model of Presidential Decree No 54 Year 2010. There are found of four model procurement independent units in ministries and local government

Table 4. Independent Procurement Unit Model in Indonesia

	Model 1 (annual set up and non permanent)	Model 2 (Permanent and not independent unit)	Model 3 (Permanent and not independent unit)	Model 4 (Permanent and independent unit)
Organisation	Ministry of Industry	Ministry of Creative Industry and Tourism, Jogjakarta City,Luwu Timur Regency, Cimahi City	Public Work Ministry, West Java Province, Surabaya city	Anti Corruption Agency, Finance Ministry, Industry Ministry
Status	Ad hoc	Permanent	Permanent	Permanent
Function	Autonomy	Not independent unit)	Link to current unit	Independent unit and echelon
Head	Non staff	Non staff	Staff	Staff
Team	Non Team Unit staff	Non Team Unit staff	Team unit staff	Team Unit Staff

Model I is ad hoc model formed every year. Position of the procurement unit in organization is a self-contained unit and the ad hoc Secretariat under the General Secretariat/Secretariat of the region. Head of the Unit and Secretariat staff is not derived from the structural unit and functions related to the procurement of goods/services. The members of procurement team are staff officials at the structural unit. They may come from several other structural unit which also has duty to do in their respective work units. Ministry of Indutry uses this model.

Model II is permanent procurement unit. Position of the unit in organization is self-contained units under Minister/head of Agency/General Secretariat/head of secretariat of local government related to the procurement of goods/services. However, the head of the Secretariat and the unit is not derived from the other structural work unit. The member of procurement team is staff in the structural unit. Similar to the Model I, Model II's head, Secretariat, and Member are also derived from some other structural unit that also has a duty of implementing function in their respective work units. This model is adopted by Ministry of Tourism and the Creative Economy, the city of Yogyakarta, and East Luwu Regency.

Model III is permanent procurement unit. Position of the unit in organization structure is the structural work units

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that have duty in procurement function. Head's unit and Secretariat are staff personel in structural work units. While, the procurement team members are recruited from personnel of respective structural units. West Java province, Ministry of public works, Cimahi City Government and Surabaya City Government currently adopt this model.

Model IV is permanent procurement unit. The status of unit is independent that has permanent head, seceratriat, staff and procurement unit. This model is adopted by the Anti-Corruption Agency and the Ministry of Finance.

E-Procurement System

To accelarate e-procurement implementation in Indonesia, the Government established the procurement service institution called independent e-procurement unit (LPSE). This unit is actually a work unit formed by the Ministry/Institution/College/State-Owned Enterprises and local governments to serve the Independent Procurement Unit (ULP) which will implement the procurement electronically. For the procurement unit has no capacity to establishe e-procurement unit, they can joint to become an user of the nearest e-procurement unit.
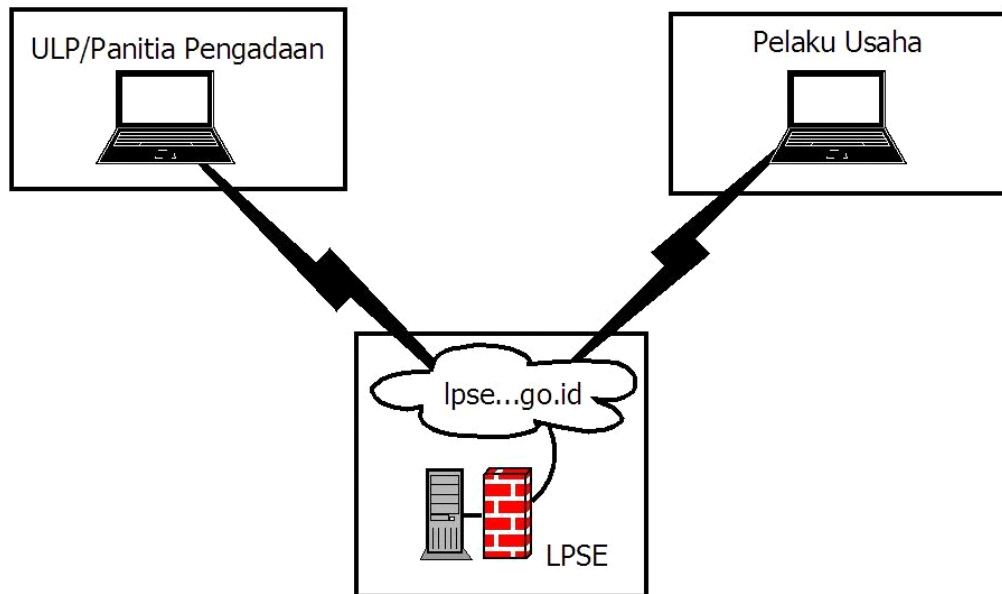
Fig.5. LPSE

Sumber: http://www.lkpp.go.id

E-procurement unit (LPSE) developed by the Centre for Policy of Good and Service Procurement, the National Planning Agency in 2006 in accordance with Presidential Instruction No. 5 Year 2004 on Accelerating Corruption Eradication. E-procurement is becoming one of the important programs and under the coordination of Bappenas. In early implementation of 2007, ths method has been done electronically by Bappenas and the Ministry of National Education. At that time there was a new server e-procurement unit residing in Jakarta with the address www.pengadaannasional-bappenas.go.id which is managed by Bappenas.

In 2010, the NPA has developed an NPA Digital certificates (OSD) collaborated with the Code State Institute. This system embodies the concept of a Public Key Infrastructure (IKP) that its development has started since 2009 and expected to be implemented gradually in 2010. Through the application of OSD, every provider of goods/services will have a digital certificate that can be used to do the bidding document security

The independent e-procurement model brings consequences many scattered and fragmented e-procurement units. Providers must first register in each auction to follow at e-procurement of NPA. In Jakarta, for example, a provider will register and verify in e-procurement unit of Ministry of Finance or Ministry of Education or National Police Office, and Ministry of Health. In 2010 LKPP developed the aggregation system through INAPROC which allows providers simply to register and verify at one e-procurement unit that they can

follow auctions across all e-procurement units. This system implementation did gradually starting from the City of Yogyakarta and provincial e-Procurement unit.

NPA currently manages and limited monitors three types e-procurement namely e-procurement (LPSE) system provider, e-procurement (LPSE) service provider, and autonomous e-procurement (LPSE).

a. The Provider LPSE has System LPSE organizations such as on the letter b, and have, managing and maintaining the hardware which is not limited to network devices and servers that have installed Electronic Procurement System (SPSE). As for the other functions above which is the task of the field system administration information, this type also LPSE carry out other functions, e.g.: 1) socialization to PPK/Procurement Committee and goods/services Providers; 2) training to the Procurement Committee and PPK/goods/services Providers; 3) serve the PPK/Procurement Committee to get the access code 4). verifying the document (Deed, SIUP, TDP, a business license compliance field, ID CARD owner and/or Director of the company, etc.), goods/services providers who previously have done registration to obtain an access code online; and other functions. With this the applicant LPSE will have its own Web address, e.g. the applicant derives

Dengan LPSE ini maka pemohon akan memiliki alamat *website* sendiri, misal: Pemohon berasal dari Pemkot Tulungagung maka alamat *website* adalah www.lpse.kotatulungangung.go.id

b. **LPSE** *ServiceProvider*
The Service Provider LPSE manage non owned web-LPSE server that has installed SPSE such as Tasikmalaya City Government website with the address www.lpse.jabarprov.go.id (this address belongs to LPSE West Java province).

c. Autonomous E-procurement (LPSE) is belong to autonomous agency.

Until 2013 there are 1176 e-procurement independent units throughout Indonesia which consists of 543 e-procurement system provider, 40 e-procurement service provider and 583 autonomous e-procurement serving 33 provinces and 731 agencies. By reviewing the trend of increasing number of e-procurement units, only 11 units established in 2008, 63 units in 2009, 274 units in 2010, an increase of approximately 300% longer than 630 units in 2011, and the number of being twice fold in 2013. In one hand, the increasing number of independent e-procurement unit may show simply be exhilarating, but in other hand from aspects of management led to the crucial control and monitoring problem. But, the crucial problem is faced that span of control on how to control 1176 e-

procurement independent unit managed in fragmented and autonomous manner. However, current system for Indonesia is the most feasible considering the vastness of the area with a limited infrastructure of information and communication technology.

Table 5.5. The Number of Provider and Procurement Committee

	2008	2009	2010	2011	2012	2013	total
Provider	199	2503	6196	25850	67770	26054	128572
Committee	2230	3000	6500	24065	48395	44926	129116
PPK	4460	6000	13000	48130	96762	89821	258173

Source: NPA, 2013

The number of provider goods and services are listed around indonesia in 2013 around 128.572 companies served by 129,116 procurement committees and 58,173 procurement commitment makers (*PPK*). The NPA's report noted that the number of tenders that have been implemented until 2013 as much as 222,28 with amounting Rp. 403,908,634 billions to get efficiency amounting to Rp. 33,965,333 billions (10,97%).

Table 6. E-Procurement Progress Implementation

No.	Description	2008	2009	2010	2011	2012	2013	Total
1	Number of Tender	33	1.724	6.397	24.475	91.379	98.272	222.28
2	Amount of Tender Ceiling (Milion)	52.5	3.372.032	13.424.756	53.286.540	151.304.947	182.467.859	403.908.634
3	Number of Tender Awarded	33	1.72	6.37	24.076	82.737	75.487	190.423
4	Amount of Tender Ceiling Awarded (Milion)	42.898	3.137.595	12.971.803	38.163.399	131.946.811	123.290.703	309.553.209
5	Amount of Contract (Million)	36.286	2.618.650	11.585.138	33.688.791	117.922.832	109.736.179	275.587.876
6	Saving (Million)	6.612	518.945	1.386.665	4.474.608	14.023.980	13.554.524	33.965.333
7	Percentage of Saving (%)	15,41	16,54	10,69	11,72	10,63	10,99	10,97
8	Procuring Entities	101	366	1.738	1.947	4.713	19.501	28.366
9	Tender	222	991	4.49	22.056	46.383	42.913	117.055

	Committees							
10	Registered Suppliers	1.153	11.399	43.304	118.523	103.126	40.864	318.369
11	Verified Suppliers	972	9.033	34.252	81.41	67.77	26.054	219.491
12	Disqualified Suppliers	9	32	94	306	549	102	1.092
13	Blacklisted Suppliers	0	2	10	17	132	78	23

Source: www. Lkkp.co.id

Sharif (2013) also noted that institutional weaknesses of NPA are limited resources and infrastructure and limited authority when dealing with ministries and state institutions. This thesis is supported by the low level of compliance all ministries and state institution to annual President Intruction on Corruption Prevention, particularly in good and service procurement thorugh e-procurement mechanism.

Table 7. Percentage of Central Government Budget Procurement via

E-Procurement (2008-2013)

Year	E-Procurement	Budget	Percentage
2008	34,781,041,000	128,800,000,000,000	0.26
2009	1,502,245,506,769	156,600,000,000,000	9.59
2010	7,296,287,209,225	207,600,000,000,000	3.51
2011	23,497,583,533,201	373,700,000,000,000	6.28
2012	56,241,920,082,102	306,607,000,000,000	18.34
2013	31,830,812,558,981	399,107,000,000,000	7.97
Total	120,403,629,931,278	1,572,414,000,000,000	10.26

Source: NPA and State Budget, Ministry of Finance.

Of the goods and service budgets (including capital spending) from Rp. 1,572 trillion during last five years is only Rp. 120.4 trillion through e-procurement or 10.26 % and even in 2011 only worth Rp. 23 trillion or just 6.28 % of all budget. However, President stipulated at minimum target at 75% in Fiscal Year 2013. Head of NPA stated that:

Although, President Susilo Bambang Yudhoyono through the presidential instruction No. 1 Year 2013 has ordered to all ministries and state institutions have to implement e-procurement at least 75 per cent of procurement of goods and services required by electronic or e-procurement. But, the Central Government

institution's obedience is less than the local government one.

By observing the data above and statements of the Head of NPA, we can be concluded that there is no a strong political will to enforce the annual instruction as evidenced by the absence of a mechanism of sanctions to Ministers who do not obey this. Under this circumstance, therefore, it is not surprising that the budget misuse in good and service procurement is still high year to year, although the state budget is getting higher and higher. Pursuant to the Presidential Regulation, all procuring entities are required to publish procurement plans and other information on national, provincial, district, or municipal announcement boards or in the local or national print media and, as of 2012, through the Electronic Procurement Service, referred to as LPSE, at http://www.inaproc.lkpp.go.id. But each procuring entity will have its own e-procurement site and there are no standards for those sites. Moreover, e-procurement has not yet been fully implemented by all central ministries and is available only for 190 of 500 local government entities (TII, 2011).

Table 8.Percentage of Local Government Budget Procurement via E-Procurement (2008-2013)

Year	Province		%	Regency and Ciy	
	E-Procurement	Budget		E-Procurement	Budget
2008	11,885,597,000	37,844,000,000,000	0.096	5,833,225,000	126,605,000,000,000
2009	1,384,829,283,749	58,526,000,000,000	2.26	484,956,924,034	139,491,000,000,000
2010	4,720,320,860,368	53,352,400,000,000	8.85	1,408,148,321,293	123,760,000,000,000
2011	22,065,013,040,246	60,318,000,000,000	36.58	7,723,943,483,158	157,971,000,000,000
2012	46,005,546,137,971	73,838,000,000,000	62.31	48,254,801,903,406	185,831,000,000,000
2013	26,703,092,388,793	94,000,000,000,000	28.4	28,137,082,181,745	228,657,900,000,000
Total	100,890,687,308,126	377,878,400,000,000	26.69	86,014,766,038,637	962,315,900,000,000

As shown in Table 8., local government's obedience on president instruction to use e-procurement is better than the ministry and state institutions one. Provincial government procurement throughout e-procurement in 2011 reached 36.58 % and increased sharply to 62.31 % in 2012. However, the regency and city government procurement in the last five years only reached 8.84 % of the target 40 % according president instruction. And the highest proportion procurement through e-procurement occurred in fiscal year 2012 around 21.10 %.

It is fair to say Indonesia has been undergoing an important transition toward the full e-procurement over the five years. However, there is no strong political will of president to enforce his minister to obey his instruction become

the common public opinion. Economist said that SBY is like *lame duck*: "he then accused some unnamed ministers, as well as members of parliament and business people, of corruption. This was thrilling stuff: the rumbling of the tumbrels' wheels. But no heads rolled. The president then said he trusted the police and the independent anti-corruption commission to tackle graft. On to the next agenda item.It was all rather baffling, and heightened the impression of a weak and indecisive president. Few people trust the police force, which, soon after that meeting, became embroiled in yet another corruption scandal of its own. A headline in the English-language Jakarta Globe newspaper summed up a popular view: "SBY Talks Tough, but Is Anybody Listening? (Economist, August 1 2012)

In general, some opinion poll found that public satisfaction to president leadership is getting lower and lower. Lembaga Saiful Mujani Research and Consulting (SMRC0 found that only 51. 6 % of respondents satisfied to president and his cabinet. Secondly, in the last January 2013, Lingkaran Survei Indonesia (LSI) reported that the public satisfaction level to SBY leadership sharply declined into 35.91 percent. Thirdly, Indo Barometer's survey found that youth voter satisfaction to SBY-Boediono was very low at 37,8 %, whereas unsatisfied at 59, 1 %. Fourthly, in early May 2013 *Indonesian Research and Survey* (IReS) revealed that satisfaction level to SBY was only 29.8 %.

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