

THE GOVERNMENT PROCUREMENT SYSTEM REFORM IN INDONESIA

By

Feni Damayanti

THESIS

**Submitted to
KDI School of Public Policy and Management
In partial fulfillment of the requirements
for the degree of**

MASTER OF PUBLIC POLICY

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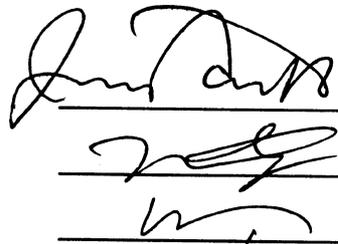
MASTER OF PUBLIC POLICY

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ABSTRACT

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Reform of public procurement in Indonesia is one way to prevent and combat corrupt practices in public sector. This reform effort is the government's responses to national and international community's demands for effective and efficient Indonesian public procurement performance. Control of corrupt practices will improve the quality of public service for the people.

Implementation of e-procurement has proven to be an effective tool to create transparency, reduce the cost of the procurement process, create a healthy climate of competition, and minimize the occurrence of corrupt practices in procurement. However, the implementation of e-procurement is not enough to eradicate corrupt practices in the procurement sector, given that corruption in Indonesia has become a part of the culture. It takes a comprehensive policy and strategy that includes aspects of regulation, institutions, processes, monitoring and law enforcement. Thus, the procurement reform is the broad dimensions of reform as it relates to reforming in the bureaucracy and law enforcement. These reform measures will not succeed without strong commitment from the Indonesian government to create good and clean government in the procurement sector through the establishment of various policies, strategy and practical programs that support the realization of these efforts.

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CHAPTER 1

INTRODUCTION

1.1. Background

The government procurement of goods / services is public activities that have an important role in governance and development. In the National Medium Term Development Plan (RPJM) 2004-2009, the government procurement as development priorities had took placed in eradication corruption policies and acceleration of bureaucratic reforms to encourage the achievement of governance performance and accountability.

Provision for the procurement process starting from planning, procurement, contract execution and payment, delivery and utilization, and maintenance contained in Presidential Decree Number 80 Year of 2003 concerning Guidelines of Government Procurement Goods/Services, emphasizing that the procurement system conducted under the principles, ethics and norms of the government procurement that must be obeyed by the user and the provider of goods/services. Human resources involved in this activity is the civil servants (bureaucracy) and private sectors, which working with a high level of interaction and having a significant amount of work in terms of economically and socially to improve the better quality of service delivery and infrastructure development. In Procurement Bulletin (2010) mentioned that the number of government purchases through the procurement of goods/services an average of 30% - 40 percent of the budget (MOF, 2009), where each institution, in both central and local governments carry out those activities. The value of this work requires professionalism of human resources involved, from bureaucracy and private

sector that will produce an effective, efficient, non-discriminatory (fair), fair competition and accountable manner in the procurement processes.

Unfortunately, the procurement that had economic and social potential has not yet been fully implemented. In fact that, many deviation and discretion in the procurement sector leads to state's financial loss, injuring the attitude of professionalism and create moral hazard in society. According to the data from the Corruption Eradication Commission (KPK, 2009) —about 70% of corruption cases that they are handled comes from the procurement sector which has the value approximately \$ 76.5 Million. This fact indicates that the procurement activity is an area that is very susceptible to corruption, collusion and nepotism. Vulnerability and risk of corruption, collusion and nepotism can occur in any procurement process as a consequence of weaknesses in existing regulations, inefficiency in procurement process (practices), lack of clarity in the provision of rewards and punishments as well as ineffectiveness in controlling and monitoring system. Another thing that can be seen as an act of corruption is the existence of human errors in these activities due to the weaknesses of human resource capability.

Significance of state financial losses in the procurement as a consequence of corruption must be avoided even abolished through the implementation of the reforming agenda in the procurement system which accordance to the principles of good governance, fair and healthy competition, encouraging on small businesses, and protection and empowerment of domestic production for the national economic development.

1.2. Statement of the Problem

The government procurement system is government activities that carry out by three people minimum with a varying amount of budgets. The presence of deviation such as bribery, abuse of power, the price mark-ups, and nepotism are a fraction of corrupt behavior in procurement of goods / services that have become a culture in the Indonesian bureaucracy. This was clarified by Corruption Perception Index which Indonesia was ranked 111 in 2009 (Transparency International, 2009). Although the trend shown an increase in the CPI ranks of Indonesia from year to year, but corrupt behavior does not change significantly, and state financial losses still occur.

The corruption practices in the procurement sector can be caused by several weaknesses as described in the table below

Table 1
Weaknesses in the Procurement Sector

No.	Factors	Description
1.	Weaknesses in a Regulation	<p>a. Many procedures in the procurement regulation those are vulnerable to corruption, collusion and nepotism;</p> <p>b. The sanctions does not arranged clearly and firmly in the existing legislation (which are procedures that be corruption categorized, which do not; elsewhere in these procedures are included in the domain of administrative law and which are classified in a special criminal law), giving rise to differences perception in the legal facts between the actors of procurement, the disagree parties and law</p>

No.	Factors	Description
		<p>enforcement officials;</p> <p>c. The absence of a proportional incentive with merit system in existing regulation, particularly for the procurement committee who have worked in accordance with the procurement principles, ethics and norms, so that they are better to corruption to improve the welfare of their life;</p>
2.	Process Deviation	<p>a. Pressure from the authorities and local businessmen, especially in regional areas that lead to procurement committee should conduct a deviation from existing regulations</p> <p>b. Training system that is not based on competence, so that the quality of graduates is low and causes a lot of human errors in the procurement of goods / services;</p> <p>c. Intentionally acts by individual with aim to have higher standard of living.</p>
3.	Weaknesses in the Punishment and Monitoring System	<p>a. Low criminal punishment for corrupt in the procurement thus reducing the deterrent effect;</p> <p>b. Weaknesses in administrative sanctions for the procurement officers who violating rules and lack of commitment of the monitoring officer for preventing and combating corrupt practices;</p> <p>c. Weaknesses in the public monitoring of</p>

No.	Factors	Description
		the procurement process due to indifference to most of the community towards the issue of corruption.

According to the above problems, this study will be focus on efforts to reform the government procurement as a part of eradication corruption policy and national bureaucracy reforms to improve the welfare of society and strengthen the national economy.

1.3. Purposes of Study

Purposes of this study are to find the current problems of the government procurement system and also its current reform efforts in Indonesia, which focusing on:

- a. Evaluating the current procurement regulation in Indonesia.
- b. Evaluating why the current procurement process loaded with the corruption, collusion and nepotism.
- c. Assessing the current reform efforts of the Indonesian procurement system.

1.4. Research Questions

Based on the problems and objectives to be achieved, then the research question for this study is: what are the strategies to be implemented in the public procurement reform with aim to combating corruption acts?

To encourage that research question, it is necessary to have some supporting research question as follows:

- a. What are the weaknesses in the procurement regulation?
- b. Why the procurement process loaded with corruption, collusion and nepotism?
- c. How to prevent errors and deviation forms, which cause national financial losses (corruption, collusion and nepotism) in the procurement process?
- d. What kind of the monitoring tools that can be effective if applied in the procurement process?

1.5. Limitation and Delimitation

Limitations

This study only examines the current problems of the Indonesian procurement system and the efforts to reform it. Many key informants will be needed that related with the procurement system. However, due to time, data availability, and budget constrains — it is impossible to reach that.

Delimitations

This study provides general features on the government procurement system reforms in Indonesia and also an open-ended process for further study depends on the strategic environments such as an international procurement regulation.

1.6. Thesis Statement

The government procurement system in Indonesia is needed to be reformed, both in terms of policies and the procedures, human resource development in

managing procurement, and also the procurement monitoring and controlling system.

1.7. Significance

This study provides current problems of the government procurement system and the reform efforts as one of the national eradication corruption agendas and the bureaucracy reform in Indonesia.

1.8. Predicted Result

The output of this study will be the improvement strategy of the procurement system reform.

1.9. Research Methods

This study uses qualitative methods to explain social phenomena that cannot be analyzed by using quantitative methods (Massofa, 2008, Para. 1).

Data Sources

Data collected through various regulations, policies, and other supporting documents relating to the procurement system. Resources from other institutions such as research institutes, international and national organizations, and also non government organizations (OECD, the World Bank, USAID, LGSP, Transparency International, Indonesia Procurement Watch, KPK, etc.) are used to review the previous related studies. Other sources such as website, textbooks and document published are used as a complement of the study.

Locus

National Public Procurement Agency (LKPP) as the procurement policy development institutions will be the locus of this research project.

Data Analysis

This study use the qualitative data that supported by some of quantitative data, such as Indonesian CPI score improvement, the number of graduates in the procurement certification exam, and the comparison countries. As Morse and Field (1995) noted that "qualitative analysis is the process of matching the data together, how to make vague to be real, connecting the result with a cause. " (qtd. In Rahmiwati, 2008, para 2). So, this study tries to connecting the current reform efforts with the corruption level in the Indonesian procurement system.

Moreover, this study will be analyzed with several processes, like Morse and Field (1995) explain, that is:

a. Understanding

Understanding is the process of analyzing "what happened" by describing the events such as the policy, records, reports, and news.

b. Synthesis

Synthesis is the filtering of data and incorporate activities so as to find what is "special" about an event and what variety and scope.

c. Theoretical

Form of the data selection system and develop an alternative explanation of events and then maintain this explanation to determine whether its "fit" with the data or not.

d. Recon textual

Recon textual is a further development of theory and in a context.

CHAPTER 2

THEORETICAL FRAMEWORK

2.1. Theoretical Review

Public procurement is the one of the important sector on the government tasks and functions performance. This activity arises because of the need for goods or services, ranging from procurement of office supplies, hospital supplies: bed sheets, mattresses, patient intake, etc.; gear of war for military agencies, school supplies, building roads, highways, electricity power, etc., as well as consulting services in engineering, financial, legal or other consulting functions. These activities requires a phase in it process, such as planning, programming, budgeting, procurement, contract execution and payment, delivery of the completed work, utilization and maintenance as well. All these stages conducted without considering the principles of efficiency, transparency, fair competition, and fairness (not discriminatory). In addition, the regulations governing public procurement are also considered to have a lot of weaknesses that could encourage corruption. Therefore, reforms in the public procurement of goods and services become an urgent and significance to do.

Definition and General Policy of the Government Procurement

In the Presidential Decree Number 80 Year of 2003 Article 1 (one) and Paragraph 1 (one), the government procurement of goods / services are defined as activities of government procurement of goods / services that are funded by APBN / APBD (state/local budget), whether conducted by self-managed or implemented by providers goods / services.

Whereas for the scope of its activities, Transparency International (2006) identifies that "the public procurement of goods / services cover all procurement contracts between the government (ministries, state enterprises, and other state institutions), and the companies (whether the state owned or private) and even individual". Thus, government procurement activities must be conducted with regard to general policy stipulated in Presidential Decree 80/2003 Article 4 (fourth) as follows:

1. Increasing use of domestic production, design and national engineering which the goal are to expand employment and develop domestic industries in order to improve the competitiveness of goods / services of domestic products in international trade;
2. Increase the participation of small businesses including small cooperatives and community groups in the procurement of goods / services;
3. Simplify rules and procedures to accelerate the process of decision making in the procurement of goods / services;
4. Increase the professionalism, independence and responsibility the user of goods / services, the committee / procurement officials, and providers of goods / services;
5. Increase state revenue through taxation sector;
6. Develop the participation of the national enterprise;
7. Requires the implementation of the selection of goods / services performed in the territory of the Republic of Indonesia;
8. Requires the publicity announced the procurement of goods / services plans except the procurement of goods / services which are confidential at the beginning of each budget execution to the public.

Ethics, Norms and Principles in the Procurement of Goods/Services

The philosophy of government procurement is "an effort to obtain the desired goods and services are conducted based on a logical and systematic thinking (the system of thought), following the prevailing norms and ethics, based on the method and the standard procurement process" (Sutedi 2008, 3). Thus, the implementation of government procurement should be done by following of ethics, norms and principles applicable, which are set out in Article 3 (third) and 5 (fifth) of Presidential Decree 80/2003. The ethics of government procurement are as follows:

- 1) Carry out tasks in an orderly manner, accompanied by a sense of responsibility to achieve the smoothness and accuracy of target achievement of the objectives of procurement of goods / services;
- 2) Working professionally and independently based on honesty, as well as protecting the procurement documents that should not be disclosed to prevent the occurrence of deviations in the procurement of goods / services;
- 3) Not influence each other either directly or indirectly to prevent and avoid unfair competition;
- 4) Receive and be responsible for all decisions adopted in accordance with agreements between the parties;
- 5) Avoid and prevent conflicts of interest of the parties involved, directly or indirectly in the process of procurement of goods / services;
- 6) Avoid and prevent wastage and leakage of state finances in the procurement of goods / services;
- 7) Avoid and prevent abuse of power and/or collusion in order to gain personal, group or other party directly or indirectly detrimental to the state; and

8) Not accept, do not offer or promise to give or accept gifts, rewards be anything to anyone who is known or reasonably be expected related to the procurement of goods / services.

In addition, the norms applicable in government procurement consist of written and unwritten norms. Written norms are norms, which are operational (rules, guidelines, instructions, etc.), while the unwritten norms are norms, which are ideal (nature, philosophy, ethics and professionalism). Meanwhile, the implementation of government procurement should contain the basic principles of procurement that is practiced nationally and internationally, namely:

1. Efficient, it means that procurement of goods / services should be sought by using the limited funds and resources to achieve the target set in the shortest possible time and accountable;
2. Effective, means the procurement of goods / services must comply with the requirements specification and can provide maximum benefits in accordance with the target set;
3. Open and competitive, it means that procurement of goods / services must be open to providers of goods / services that meet the requirements and is done through fair competition among providers of goods / services that are equitable and meet the requirements / criteria based on rules and clear and transparent procedures;
4. Transparent, meaning all the provisions and information regarding procurement of goods / services, including technical requirements of procurement administration, evaluation procedure, the results of the evaluation, determination of the prospective provider of goods / services, are

open to participants of goods / services that are interested in and for the wider community in general;

5. Fair / non-discriminatory means providing equal treatment to all prospective providers of goods / services and do not lead to give advantage to certain parties, by and or for any reason;
6. Accountable, means must achieve target both physical, financial or benefits for the smooth implementation of the common tasks of government and public service in accordance with the principles and provisions that apply in the procurement of goods / services.

For enhancing integrity in public procurement, the OECD Principles (OECD 2009) provide the guidance to policy makers who involving four (4) pillar:

1. Transparency
2. Good management
3. Prevention of misconduct, compliance and monitoring
4. Accountability and control.

Strategic Environment Changes

Public procurement system in Indonesia is conducted in each government institution, both center and local government, which means that public procurement has a decentralization system. Each government institution had their own committee bidding/Commitment Officials and working based on their own needed in accordance to the public services. This is reinforced by regulations that exist as a legal framework for the implementation of the procurement system (Presidential Decree 80/2003 Article 1), which states that users of the goods / services are the head of office / work unit / project leader /

head of project / budget users regional / officials who identified as a job owner is responsible for the procurement of goods / services' execution within the working unit / project.

The reason for this decentralized system clearly can be understood in the implementation of procurement actions; given Indonesia is a vast country that a scattered archipelago and a big population. By giving authority to each institution to carry out the procurement, means it will be easier to identify the quantity and type of goods / services required in their respective institutions.

In the other hands, the decentralized system generated a lot of problems in terms of effectiveness, efficiency, and corruption, as well as problem in the monitoring of the public procurement system. In addition, in line with regional autonomy policy, which gives the large opportunity for local governments to manage their own regions in terms of financial management and development, also created a unique phenomenon in which the corruption has been spread out not only in the central government, but also in the local government and even most occurred. According to Study of Center for Anti-Corruption (PUKAT) University of Gadjah Mada, 2008 which mentions that 73 percent of cases handled by the KPK are corruption in the local government with the misuse of local budget (APBD) about 87 cases, mark-up in the procurement budget and bribery of 16 cases and 13 cases, respectively. It fits with MacLean-Abaroa, Parris and Klitgaard mention in *Corrupt Cities* (2000, 24) which argue that:

“Local governments are susceptible to systemic corruption. Compared with national governments, municipal administrative systems are usually weaker. Pay scales for professionals are lower, leading on average to lower-quality personnel. The substance and style of city management are

changing in ways that promise better governance but simultaneously offer more opportunities for corruption.”

Meanwhile, an integrated centralized system based on Information and Communication Technology (ICT), known as e-procurement has been proven to successfully making the public procurement clean from corruption as it has been implemented in Singapore and South Korea. As disclosed by OECD (1997) in Sigma Policy Briefs which state: “A public procurement system needs to be properly maintained and supervised by the central agency or public procurement office, and by the professional network of local offices, to ensure that it:

- continues to achieve good value for money in public expenditure;
- adapts to changes in a country’s public administration and territorial system;
- remains fair, open, and transparent;
- Is effective in providing, and being perceived as providing, an impartial complaint review process;
- Addresses problems of fraud and corruption through effective mechanisms for prevention and detection; and
- Takes account of information on international best practices, such as “benchmarking” techniques, which compare the performance of different procurement entities.”

The description above can be concluded that the centralized procurement system could be better than the decentralized a system. However, the implementation of the system between the one with the other State cannot be equated, there needs to be some adjustments in accordance with the conditions of the country.

Corruption Acts

Corruption is a social phenomenon that has long existed, and today it appears to be widespread in many developed and most under-developed nations (Azfar 2002, 1). Transparency International on OECD Glossaries (2008, 23) state that: "Corruption involves behavior on the part of officials in the public sector, whether politicians or civil servants, in whom they improperly and unlawfully enriches themselves, or those close to them, by the misuse of the public power entrusted to them."

This definition is similar that Shah used (2006, 234) which argues: "Corruption is defined as the exercise of official powers against the public interest or the abuse of public office for private gains." Meanwhile, according to Law Number 31/1999 article 3 of the Corruption Eradication affirmed that every person who with the intention of enriching himself or another person or a corporation, abuse of authority/power, opportunity or means available to it because of the position or occupation that can be detrimental to the finances state. Of the entire understanding of corruption, it can be concluded that corruption is an act that violates the authority or power and detrimental to the state and/or community both material and non-material.

Based on the understanding of corruption mentioned above, there are at least two models of corruption according to Shah (2007, 236) as cited by "crime and punishment" model of Gary Becker (1968) which states that "Self-Interested public officials seek out or accept bribes as long as the expected gains from corruption exceed the expected costs (detection and punishment) associated with corrupt acts." While the second model was built by Klitgaard (1988) which said that "Corruption equals monopoly plus discretion minus

accountability.” (qtd. In Tarar, 2010, 8). Under this framework, Shah (2007, 236), in the further explanation said that “Corruption is curtailed by establishing a rule-driven government that includes strong internal controls and leaves little room for discretion by public officials.”

However, the level of public sectors corruption practice is not equal for one country to another; its depend on the history, cultures, educational background, society structure, and so on that allowing the public sectors to be corrupt. This statement strengthens the explanation of Shah (2007, 236) which state that:

“Public sector corruption as a symptom of failed governance depends on a multitude of factors, such as the quality of public sector management, the nature of accountability relations between the government and citizens, the legal framework, and the degree to which public sector processes are accompanied by transparency and dissemination of information.”

The factor which causes of corruption is depending on specific conditions of countries concerned. Therefore the approach to combating it is also different, as described by Shah (2007, 236) that “approaches that apply common policies and tools (that is, one-size-fits-all approaches) to countries in which acts of corruption and the quality of governance vary widely are likely to fail”.

Hence, policy makers must understand the causes of corruption from all of aspects of local community life such as the demography, geography and psychology aspect.

Corruption in the Procurement System

In 2002, the Center of International Crime Prevention of the United Nations Office for Drug Control and Crime Prevention (UN-ODCCP), has published the 10th Corruption Acts in the field of public procurement in the Anti-Corruption Tool-Kit (Sutedi 2008, 88-89), that are:

a. Fraud

An intentional action or behavior to deceiving another person or organization with the purpose to taking advantage for self or other.

b. Bribery

Giving in the form of money, goods, facilities and promise to do or not did something act, which will result in bringing a profit to themselves or others, which relate to the position they held at that time.

c. Embezzlement

Taking actions without right by a person who has been given the authority to supervise and take full responsibility for state property.

d. Commission

Public officials who receive something, which has value in the form of cash, stock, facilities, goods and others, as a cue to find a job or business relationship with the government.

e. Extortion

Forcing someone to pay or give money or goods, or another form, instead of a public official to do or not do something. The act can be followed by physical threats or violence.

f. Favorite

Provide different services on the grounds of family ties, political party affiliation, ethnicity, religion, and class, which is not to objective reasons such as capacity, quality, low prices and professionalism.

g. Abuse of Power

Using the authority possessed it to act impartially or favoritism to groups or individuals, while being discriminatory for any group or any other individual.

h. Insider Trading

Public transactions using a personal or family-owned company, by the opportunity and the position, he has to win government contracts.

i. Nepotism

Actions to benefit or convenience to the families, relatives and close friends by using the authority it has.

j. Illegal Contribution

It occurs when a political party or incumbent at that time they received some funds as a contribution from the results that are charged to government contracts.

The Impacts and Consequences of Corruption in the Procurement System

Purposes of the procurement of goods/services are to achieve maximization of the purchase goods / services in accordance with the required price and quality, so that to increase community satisfaction. Therefore, a good procurement system is instrumental in developing good governance.

Conversely, corruption in the procurement results in lower value of output produced and has a lower quality that does not comply with that

requirement. Thus, corruption would reduce the level of community satisfaction. In addition, corruption is a "disease" that disturbs the social business climate due to corruption would induce a high cost economy and create an unhealthy competitive environment, discriminatory and anti-transparency. Several studies also show that corruption leads to slow growth, impairs capital accumulation, and reduces the effectiveness of development aid, along with increases income inequality and poverty (Gupta, Davoodi, and Alonso-Terme, 1998)

Furthermore, Transparency International (2006, 19) identifies those aspects that are recognized as effects caused of corruption in the public procurement as follows:

a. Financial Impact

1. Expenditures not essential to the expensive cost for financing, investments, services or state income to be low because did not need permits, licenses, concessions and so forth.
2. Sub breakdown of the quality of provision or working does not match the price paid.
3. The imposition of financial obligations to the government on spending or investments that are not needed or not an economically useful is usually having very large value, and.
4. Imposition of initial repair costs to the government which is often followed by a variety of reasons for maintenance costs.

b. Economic Impact

The economic impact can be a burden to the government for the cost of implementation, maintenance, and borrowing money for investments or

expenditures that are not used properly in the interest of the state. Furthermore, the economic impact is felt high when the level of investment continues to decline due to high rates of corruption that affect future economic growth and employment.

c. Environment Impact

Corruption in procurement can lead to adverse impacts on the environment. Because the projects are done - usually - do not follow environmental standards (both national and international). As a result, the environment suffered severe damage in the long term and implies a high risk to health.

d. Impacts on Human Health and Safety

Pursuant to not meeting health standards, the risk of damage can happen to human health and safety. Corruption will lead to poor construction quality and vulnerability in the building so that raises the risk of victims.

e. Innovation Impact

Corruption makes the lack of competence which ultimately leads to lack of innovation.

f. Cultural Erosion

When public officials and businessmen doing the corruption act, then people will leave the culture of honesty with itself and create the society personality of a greedy.

g. Declining the Level of Trust to the Government

When people realize that the perpetrators of corruption in the government agencies are not to be punished, they will judge that the government cannot be trusted.

h. Loss for an Honest Company

If bidders who corrupt do not get the punishment, this will lead to an honest participant will incur a loss due to lost opportunities to do business.

i. Serious Threat to Economic Development

If the government tolerates corruption in the expenditure of goods and services and investment, and bases the selection of investments that are not based on economic development - but more for a bribe - then sooner or later the state is not able to finance their own investments. Then, the government issued a policy of inviting foreign investors with the lure of convenience facilities. This policy would stifle the development of domestic economy and the poor community as a victim.

2.2. The Prior Studies

This section aims to identify the prior studies related to the public procurement system, as was done in the current study, then will be finding the gaps that exist and will be enhanced through this study. The first review is the Indonesia Country Procurement Assessment Report by the World Bank in 2001, which examines a number of existing problems in the Indonesia's procurement system. The second study is a Snap Shot Assessment of Indonesia's Public Procurement System by the OECD in 2007.

Country Procurement Assessment Report by World Bank, 2001

The main objectives of this study are to explore and assessing the government procurement system in Indonesia, also to identify reform efforts to improve the existing system in line with internationally accepted principles. The key issues, findings and recommendations discussed as a follow:

**Table 2
CPAR Study, 2001**

Key Issues	Findings	Recommends
Legislation and Institutional Framework	<ul style="list-style-type: none"> ▪ Overlapping jurisdiction among regulations; ▪ No single agency or a central authority to lay down the procurement policy, strategy, and step; and ▪ Discourage the competition climate, either national or international provider of goods/services 	<ul style="list-style-type: none"> ▪ The availability of procurement standards at government agencies; ▪ Issuance public procurement law; ▪ Establishing a National Public Procurement Agency (NPPA); ▪ Publishing a procurement information such as procurement bulletin; and ▪ improving business competition among provider goods/services
Organization, Procedures and Practices	<ul style="list-style-type: none"> ▪ Weak capacity of tender committees, particularly at the provincial and district level; ▪ Certification system for contractors and consultants had not worked and was unreliable; ▪ Unclear time process in the procurement cycle and no standards bidding document; and ▪ Poorly evaluation criteria, improper disclosure as well as problems in bid evaluation. 	<ul style="list-style-type: none"> ▪ Revised procedures for selecting the providers; ▪ Improving the rules, criteria and procedures governing accreditation of contractors and consultants by issuing the Construction Services Industry Board (LPJK); ▪ Provide guidelines and conditions for non-competitive methods of procurement; ▪ Set out the standard bidding and contract documents; and ▪ Uniformity of procurement procedures to increase competition and minimize discretion.
Professional Capacity for Public Procurement	<ul style="list-style-type: none"> ▪ Lack of human resources procurement which contributed to the mismanagement in the procurement process 	<ul style="list-style-type: none"> ▪ Training system based on competence to support procurement administration and process

This study presents the extensive description of the public procurement system. However, there are some aspects that are not disclosed and no longer relevant

to contemporary conditions that have been and are being experienced by Indonesia. In the study does not explain how to increase competition in the public procurement by using the principle of fair competition and equality opportunity among bidders. In addition, this study also did not explain about the transparency in procurement procedures and practices, and how the principle of transparency was conducted. Furthermore, this study did not find and recommend aspects of corruption in public procurement. Therefore, the current study tries to explain all the gaps mentioned above.

Snap Shot Assessment of Indonesia's Public Procurement System by OECD, 2007

This study is an update from the Country Procurement Assessment Report above in order to determine the strengths and weakness of its current procurement system, so the assessment would use the key issues as the CPAR use with some extend in several current issues. For the legislative and regulatory framework issues, which are containing conflicts and inconsistencies as well as not accepted on international practice, and decentralization created the risk of overlapping jurisdictions and resulting in segmentation, in terms of the procurement market and the regulatory framework.

Furthermore, in the institutional framework and management capacity issues, there are weaknesses in the links between the procurement plans and the budget planning process, and the availability procurement information system needs to be better advertised, as well as limited access to the internet connectivity. In addition, for the procurement operations and market practices issue, OECD identifies the problems in absence capacity building programs for providers and, apart from the contractual relationships between user and

providers, which resulting weaknesses in the private sector (apart from weak capacity). The last issue that arises in this study is about integrity and transparency of the public procurement system, which include several weaknesses, that is:

1. Current audit structure is complex and confusing - resulting in inefficiency, high overhead costs, while being ineffective due to weak capacity;
2. Audit is carried out annually, but it can take up to one year to either respond to, or implement, the auditor's recommendations
3. Auditor capacity in the procurement sector is generally weak and they are not supported by specialists in procurement
4. Although the government is promoting anti-corruption programs, but only part of which related to public procurement
5. Mentioning about corruption acts in each stage of the procurement process.

This study focuses on capacity building for the practitioners of the procurement (tender committee and the commitment officials) and the providers / suppliers, where they reveal that the implementation of e-procurement alone is not enough to prevent acts of corruption, but institutional changes also play important role through the improvement of procurement capacity management (OECD 2007, 21). However, they do not explain the form of codes of conduct or code of ethics in the implementation of public procurement. Moreover, in this study touched on decentralizes system that has a weakness in the regulation, implementation and monitoring, but they did not recommend a better procurement system as an integrated system of centralization. The current study would try to capture this issue.

CHAPTER 3

INDONESIAN PROCUREMENT SYSTEM

3.1. Status Quo

In the history of governance and state of Indonesia, student movement events in 1998 are a new era for the changes in national life. The era of reforms promising improvements in the political life, economic, social, legal, and security dimensions. On its way, reform has spawned a number of policies, programs and activities aimed to realize good governance and improve the welfare of the community. However, in practice it is difficult to be realized because there are at least 2 (two) strategic issues are the cause. That is the country most vulnerable to corruption, collusion and nepotism, and the rule of law has not been run properly.

Government of Indonesia is like to face a "vicious circle" whereas there is no solution to the problems that arise. Public sector is always identified with the issue of corruption, inefficiency and low quality of services so that state welfare society is always disadvantaged and neglected. The performance of the government is too bureaucratic, unresponsive, ineffective and inefficient, make a government apparatus figure become low performers. All this makes the image of the institution, and its employees is very low and even negative in the community so it is possible to civil society movements demanding a succession of government occurred amid the government efforts to improve themselves.

One of the public sectors is highly vulnerable to corruption, collusion, and nepotism is the government procurement of goods / services. The level of

corruption in this field, as already discussed in Chapter I. make a lot of people assessing that the procurement is urgent areas to be addressed, either in terms of regulations, processes, human resources, monitoring, and execution of its law as a unified integral, not partial, seeing that each aspect can contribute in creating opportunities for the occurrence of corrupt practices, whether small or large, directly or indirectly.

Regulatory

A rule on government procurement is Presidential Decree No. 80/2003 concerning Guidelines of Government Procurement of Goods/Services as it has been several times amended, the latest by Presidential Regulation No. 95/2007 concerning the Seventh Amendment on Presidential Decree No. 80/2003. The regulation contains an important procedure, including general policy and basic principles of procurement best practices. In practice, many procedures are vulnerable to acts of corruption, collusion and nepotism due to the ineffectiveness of the principles of transparency and accountability in the procurement.

In addition, there are a multiple interpretations because of the unclear meaning on the clauses of the regulations that have been the cause of the occurrence of corrupt practices. Many of the cases of corruption related to the direct appointment procurement method because an officials and procurement committee misinterpreted in clause 17, which allows the procurement of goods/services using the direct appointment method. For example, procurement of rice/corn is done by direct appointment method on the reason that the time urgent related to the planting season. This is a big mistake,

because in the clause clearly stated that in certain circumstances and special circumstances, the selection of goods/services can be done with the direct appointment method of 1 (one) of goods/services. Certain circumstances and the specific circumstances referred to here is an urgent situation such as emergency handling for state defense, security and community safety, including emergency handling due to natural disasters and emergency acts for disaster prevention. This weakness could be a crack for an intentional act of corruption. This statement is strengthened by the findings of KPK, which states that 94% of corrupt procurement come from the direct appointment within a period of five (5) years (2005-2009), followed by 6% mark-ups.¹

Existing regulation also does not expressly regulate the sanctions for violations in the procurement process, so that the procurement process is left running without stick laws, which resulting corruption becomes usual to do. In clause 49 paragraph 1 of the regulation simply explained that if the parties proven to have violated the provisions and procedures in the procurement will bears to administrative sanctions, civil sanctions in the form of claims for compensation and can be processed as a criminal act. Regulation does not expressly mention the amount of sanctions to be imposed and does not contain a clear boundary between acts that violate administrative law, civil law or criminal law. However, each direct sanction stipulated in the higher rule than the procurement rule, that is for the administrative sanctions was based on Government Regulation No. 30/1980 concerning Civil Servant Discipline, and also for civil sanctions and corruption crime directly regulated in the Civil and

¹ Presented by KPK Chairman of the National Conference on Combating Corruption in Jakarta, December 12, 2009.

Crime Law, also in Prevention of Corruption Act Law. In practice, this creates confusing because of differences in the perception of the law can occur between the actors of the procurement and law enforcement officials, giving rise to other problems in the procurement system such as the low number of employees who pass the certification exam and served as a commitment officials and procurement committee positions. Their have a weak desirable to passing in the exam due to law uncertainty in the rules. It is can be explained by the data follows:

Table 3
Result of Certification Skill of Procurement Exam
2005 - 2010

No.	Years	Number of Exams	Total Participants	Number of Graduates			Total Graduate	Total Fail
				L2	L4	L5		
1	2005	356	61.411	8.624	4.243	23	12.889	48.522
2	2006	887	120.314	8.348	1.753	17	10.118	110.196
3	2007	1.242	138.468	18.360	2.539	0	20.899	117.569
4	2008	909	92.748	22.084	5.206	0	27.290	65.458
5	2009	1.130	111.197	27.842	9.805	7	37.654	73.543
6	2010*	789	67.615	17.283	6.907	26	24.216	43.399
Total		5.313	591.753	102.540	30.453	73	133.066	458.687

Source: Training Statistic - LKPP
 Augusts, 31

*2010:

The table shows that the graduation rate in the certification exam of the procurement amounted to only 22.49% of the total participant's. While the rest about 77.51% is fail. One of reason for low rate of graduation is because an intentional factor to fail by the participants, beside the indistinctness in the incentive mechanism for the commitment officials and procurement committee.

Procurement Process

Corruption and the risks may occur in the whole process of procurement starting from procurement planning, committee formation, and qualification appraisal companies that follow the auction, until the delivery of goods services to the user. Each process can be different in levels of risk of corruption and can lead to corruption in another process. This phenomenon indicates that the existing regulation contains a number of weaknesses that provide great opportunities for growth-proliferation of corruption and other deviation. Indonesia Procurement Watch (2008) in the "Anti-Corruption Toolkit in the Procurement Sector" identifies the manifestations of corruption and deviation in every process of procurement as follows:

a) Procurement Planning

Procurement planning is an early activity in the procurement process that has a significant role in which there are details about the target, timing, quality, costs, and benefits of procurement packages of good/services for government. Manifestations of corruption that often occurs at this stage be in the form of budgeting mark-ups, procurement plans are directed, setting an unrealistic timetable, and the illusive of packaging job. Budgeting mark-up symptoms can be seen from the unit price is that not realistic and the swelling number of budget state/local, procurement plan that is directed visible to the technical specifications and criteria set in a product and certain employers. While execution time is determined to be very brief and packaging rolled into one so as few entrepreneurs are capable of performing the job.

b) Auction Committee Formation

Auction committee is the implementer of procurement that established by the competent authority and plays a major role on the course of the procurement process. All procurement activities carried out by the committee so that the factor of human resources which are honest, credible and accountable is crucial for the "black" and "whiteness" of a procurement process. Performance of the committee which in general can be a source of corruption, among others, the committee has no integrity (no honest, working without a vision, not professional, not responsible), take a side, closed (not transparent) and not independent. An example is the committee did not give correct information, unless they are bribed, worked concerning the criteria that are not standard, and can be controlled by the leader or one of the providers of goods / services.

c) Company Prequalification

Company pre-qualification is the determination of selection candidates for the Auction Company based on the administrative requirements, technical and experience. Through this selection can produce weighted bidders and professional in that field. A company that passes in this stage but did not meet the specified requirement is one indication of the occurrence of corruption, collusion and nepotism in the procurement process. The deviation from this stage can be an administrative document does not meet the requirements, administrative documents 'fake', do not legalization of documents, evaluation criteria are not appropriate, and not performed the field inspection.

d) Compilation of Bidding Documents

An activity to determine the technical and work detailed to be carried out by providers of goods/services, which consist of the scope of work, quality, quantity, size, type, time of execution and working methods of the overall work to be tendered. In doing so, officials or committee members can perform acts of corruption, collusion and nepotism by way of illusive on technical specifications and evaluation criteria, nonstandard tender documents, incomplete tender documents, and tender documents that set in or bias.

e) Auction Announcement

The announcement of the auction can be done through websites, national newspapers and/or regions, and the official notice board. Activity announcements can cause corruption if the announcement was illusive by members of the committee and associate potential winners, the announcement period is relatively short, and the announcement was made is incomplete.

f) Taking the Bidding Documents

The bidding documents are distributed to the participants must complete and free or at a cost that has been determined. In this stage of corrupt practices carried out by:

- The bidding documents are submitted are not equal (inconsistency);
- Time limited distribution documents, and
- Location-making documents hard to find.

All this is done to win one of the bidders who collude with the procurement committee.

g) Making Owner's Estimate Price

Owner's estimate is an approximate determination of the amount of work budget that will be tendered and play a role in determining the winner. In this process would be found deviation, including the description of the value of OE concealed, mark-ups and the determination of the estimated do not fit the rules. This deviation forms are done for winning one of the bidders who have been in collusion with the procurement committee.

h) Clarification/Aanwijzing

Aanwijzing is an oral explanation by the committee meeting in front of all potential participant procurement auctions. The explanation is in terms of technical and administrative, to avoid differences in perception as well as errors in the submission of its bid. The practice of corruption, collusion and nepotism that often encountered in this process is:

- Pre-bid meeting is limited to only a close group that has full information.
- Information and descriptions are limited to have the imperfect participant's bidding.

i) Submission and Opening of Bids

At this stage, the deviations that potentially occur to include the relocation of the submission of bidding documents in order to tender arrangement in which the committee has made the scenario in such a way that "no partners" participants will be late arriving, and company partner comes

early, receipt a bidding document that late arrive for the participants was a partner for corruption (in the operational guidelines, the committee may not accept documents that late), and partners act illegally by submitting fictitious documents on behalf of another bidder so that it will be found 2 (two) documents from one company offering the same and cause the document is not valid (in rule, introduction of bidding documents may only be allowed one time only).

j) Bidding Evaluation

This activity is performed to obtain validation of the offering price is right, in accordance with technical requirements that have been determined. In this stage deviation which is often carried out is:

- An evaluation criterion of disability is intended to win the candidate who dared to bribe with no small amount. As a result, poorly performing companies can pass the administrative evaluation.
- Replacement of bidding documents is done by inserting the revised document in early documents (committee can replace the bidding documents so that the partners of participants will be a winner).
- Closed and hidden evaluation makes easy the committee procurement work to arrange everything.
- Tender participants are patterned in order to collude. The indication is the number of participants who join the pre-qualification, documents in, and a graduated decrease markedly, and found half of the total participants who submit bids that are wrong and ended up staying with 2-3 participants.

k) Announcement of Potential Winners

Symptoms that often occur in this process are the public announcements that disseminated very limited (with the intention of reducing the disclaimer). Closure of the committee lasted until the late stages of the procurement process, which delayed the announcement date and do not fit (no information is covered).

l) Refutation Bidders

This activity is intended to provide an opportunity for bidders who request the clarification committee's decision regarding the order of potential winners. The deviations that may arise from that is: not the entire refutation is responded to avoid any polemic, the substance of objections is not responded (the answers prepared by the committee will be submitted by the relevant officials, do not touch the substance of the refutation), and pro forma refutation to avoid inculcation of tenders is set by assigning illusory refutation by participant partner who colluded with the committee.

m) Appointment of an Auction Winner

Letter of appointment of the winning bidder is done through the letter of appointment signed by the leader of the project. The shape deviation that often occurs in this process is:

- Letter of appointment of an incomplete where the letter was released during the refutation process is underway and supporting data does not already exist.

- Letter of appointment intentionally delayed to emerge due to waiting for kickbacks from the winners.
- Letter of appointment issued by a rush, as if there is no problem about the tender being implemented.
- Letter of appointment that is not valid where there is no date and signature, and yet have the force of law.

n) Signing Contract

This event is the last of the auction process in which the deviations that may arise:

- Signing collusif contracts as a systemically arranged neatly and complete but there is no guarantee of implementation and for the withdrawal advances, also mobilization schedule not yet existed;
- Signing of contract delayed due to the limited the financial ability of partners and tries to gain time.
- The signing of the contract is invalid due to the absence of support required or supporting data less reliable (possibly fictitious).
- The signing of the contract by another person who intended to avoid taxes and removing responsibility if law issues and claims for compensation arise in the future.

o) Amendment

Amendment is a clause regarding the contract changes due to changes in the implementation work. Pathology that often occurs in this process is:

- Amendment to protect the delay of goods/services due to the inability of providers, both technically and financially (to protect providers from foreclosures by the user of goods/services).
- Amendment to raise prices due to providers to bid at a lower price, after the win, requesting an amendment to raise the price of goods/services in accordance with the initial price (OE). In this case, the involvement of users is very large, from the beginning offered a job.
- Amendment of the volume in which the providers reducing the quality and quantity of goods so as not to suffer losses. The reason for high inflation and the dollar exchange rate differences, often used as a reason for requesting the amendment.

p) Delivery of Goods/Services to User

This activity can be done as a gradually or comprehensively. Sources of corruption in this segment are:

- The volume of work performed by the provider is different as a contract that is not supported by proper procedures.
- Quality of work is lower and different from the provisions of the technical specifications due to get a higher benefit.
- Contract change orders are intended to accommodate the fictitious volume that not easily proved. Resulting in an increase in value of contracts that advantages both parties involved in corruption.
- Delivery of goods/services fictitious.

- Accepting the job of goods/services without guarantees of a job. Consequently, if there is damage before the warranty runs out, cannot be held responsible.

Based on the above description can be concluded that the practice of corruption in the procurement process occurs because of the absence of disclosure of information (access) to the public to know the implementation of procurement conducted by the government Procurement done in secret and information known by the public is not comprehensive so that the perpetrators (the committee and providers) to implement the actions drift freely without being noticed by the public.

Accordingly, to realize the principles of transparency, efficiency and effectiveness in the procurement process, government has implemented an electronic procurement system or an e-procurement, known as Electronic Procurement Service (LPSE) through the issuance of Presidential Decree 61/2004 on Procurement of Goods and Services for Electronic Government. The Government has committed to implementing the e-procurement system across their organizations, because there was no doubt that today, e-procurement is one of the best approaches in preventing the occurrence of corrupt practices in procurement, to maximize the efficiency of the budget to 23%, need time shorter in the process (+ 16 days faster), and support a healthy investment climate due to the occurrence of healthy competition.²

² KPK Research Study in "Preventing Corruption Through e-Procurement: Review Successful Implementation of e-procurement in the government of Surabaya" in 2007.

However, only a few of the government agencies implemented e-procurement, that is from more than 500 national and local public institutions (outside of SOE), only around 124 national and local agencies that have implemented e-procurement, while the rest is still using the traditional services (e-statistic LKPP, 2010). The implementation progress of E-procurement at 2008-2010 showing contained in the following table.

Table 4
E-Procurement Implementation Progress 2008 - 2010

No.		2008	2009	2010
1.	LPSE System Provider	11	30	73
2.	LPSE Service Provider	0	3	26
	LPSE	11	33	99
3.	Provider Service Coverage	9	18	25
4.	User Agencies	20	41	124

Source: Smart Report LPSE – LKPP, 2010

Monitoring Mechanism and Law Enforcement

Monitoring system in the procurement process is regulated in clause 48 of Presidential Decree 80/2003, which divides the form of monitoring into 3 (three) parts, namely:

- Internal control units within line ministries and independent of other units, and directly responsible to the head ministries/agencies. Example: General Inspectorate (Ministry), the Inspectorate (Non-ministry Institutes), and Internal Auditor (SOE).
- Unit of external monitoring conducted by the agency which is functionally performing monitoring and auditing over activities funded by the State Budget/Local Budget. Example: BPKP (central government), Internal

Audit Agency (local government), Certified Public Accountants (SOE), and Entity Auditor (BPK).

- Society can send information or complaints regarding the procurement process and the implementation that are deviate with the regulation.

If the supervisor finding the elements of mistakes, abuses and deviation in the procurement process, then they making corrections / recommendations which can be followed up by imposing sanctions in accordance with the types of errors or deviation. For the committee or procurement officials and users of goods/services, sanctions could be imposed administrative sanctions and criminal. As for providers of goods/services, which imposed sanctions in the form of: cancellation as the winner (before the contract was signed), breach of contract (the contract has been signed or already running), or included on the blacklist, so it cannot follow the procurement process for a certain period of time in all government agencies. If there are strong indications that contain elements of corruption, then the recommendation will be given to the Police or the KPK to conduct further investigation process. Typically, the process of identifying deviations based on uneconomical, inefficient, ineffective, not obedient / orderly rules and laws.

However, monitoring mechanism cannot be run effectively, and it can be proved by the existence of the corrupt practices and Indonesia always received designation as one of the most corrupt country in the world. The survey results released by Transparency International in the Corruption Perception Index (Transparency International, 2009) showed that Indonesia ranked 111th with a score of 2.8, well below from the neighbors' countries such as Singapore (ranked 3rd, score 9.2), Brunei Darussalam (ranked 39th,

score 5.5), Malaysia (ranked 56th, score 4.5), and Thailand in the 84th position (score 3.4).

On the other hands, the function of checks and balances made by the Parliament are also blunt. It because of they are a party who engages the most in the corruption practices. This provable from the KPK data in 2008-2009, which show that members of Indonesian Center/Local Parliament is one of the main actors in the corruption cases as described below.

Table 5
Corruption Actors Positions (Data of KPK)
January 2008 - August 2009

No.	Occupation Level	Total	%
1	Parliament Members	18	18.95
2	State Commissions	2	2.11
3	Board of Governors/BI Officials	7	7.37
4	Regional Head (Governors, Regents, Mayors)	12	12.63
5	Ambassador, Consular Officials, Immigration	13	13.68
6	Echelon, Project Leader	17	17.89
7	SOE Officials	5	5.26
8	Law Enforcement Officers	1	1.05
9	Private Sector	19	20.00
10	BPK	1	1.05
	Total	95	100

Source: ICW Document, 2009

This table shows that the Parliament Members took the first place with 18.95% from the total corruption cases beside of the private sector, and it can be strong evidence to show that the monitoring function (checks and balances) done by the Parliament does not work effectively. It is clear because the Parliament which conducts monitoring activities to ensure that the government work in accordance with the existing regulations, also involved in bribery and other corrupt acts by covering the government

corruption activities. For instance, there is a several parliament member who arrested by KPK because of bribery in the procurement sector, such as Abdul Hadi Djamal in case of eastern Indonesia port development project, and Al Amin Nasution in over function of forest case.

It is the same thing with the law enforcement officers, they were actively involved in corrupt act (see table above), and can be evidenced by the data of Indonesian Corruption Watch in 2009 about the verdict of a criminal punishment to the corrupt in the General Court through the following table.

Table 6
Corruption Cases Verdict in General Court
Year of 2009

	Defendant	%
Number of Defendants	378	100
Acquittal	224	59,26
Verdict – 1 th	82	21,69
Verdict 1,1 - 2 th	23	6,08
Verdict 2,1 - 5 th	26	6,88
Verdict 5,1 - 10 th	6	1,59
Verdict > 10 th	1	0,26
Trial Verdict	16	4,23

Source: ICW Document, 2009

The table shows that the majority (59.26%) cases of the corruption verdict with an acquittal/release and is followed by a verdict of less than 1 (one) year in jail for 21.69%. While the heavy verdict of more than 10 years, only 1 (one) case. This punishment system is so flawed due to the bribe, collutif and nepotism acts which involve law enforcement agencies. Moreover, the existence of the law mafia that located in the judiciary, government agencies, non-

governmental organizations, and in the private sector, has made the Indonesian law system filled with uncertainty.

In line with this, the involvement of public attention as the outside elements the system of government is very weak. Communities are in a passive position and choose to stand outside the line of monitoring; particularly, in the procurement process. The existence of elements of NGOs that carry out monitoring functions such as Indonesia Procurement Watch and the Indonesian Corruption Watch is not enough to express all forms of deviations that occurred. Corruption can occur throughout the government; therefore, the public community should act as a watchdog in a way to report and be witnessed to the alleged corruption.

Currently, the government has sought to combat and prevent corruption, particularly in the procurement sector. One of these efforts is the establishment of a super power agency, namely, Corruption Eradication Commission (KPK) based on Law No. 30/2002 that serves to coordinate, supervise, and legal action. In addition, government also established a Task Force Combating the Mafia Law through Presidential Decree No. 37/2009 to strengthen monitoring of the acts of corruption and eradicate the mafia law practices.

3.2. Reasons for the Problem

Many weaknesses inherent in the regulation, process, punishment and monitoring system causes sector procurement remains a haven for corrupt practices. There are several important points that would be the reason for the occurrence of these conditions, specifically as table below:

Table 7

Reasons for the Problem

No.	Reasons	Description
1	Regulation	<p>a. Multiple interpretations occur as a result of the guidelines that created and set in the Local Regulations or Minister Regulation does not refer to the existing procurement rules. This happens because of lack of knowledge and experience of policy makers about the existing rules, and/or intentionally acts outside the regulations by made-up of reason with the aim to make advantage one of the partners in business, relatives, or family.</p> <p>b. No punishment system is arranged with firmly and clearly indicates the existence of weaknesses in government management (system administration) which partial and stand-alone, so that between the planning and/or managing functions and the monitoring function are not supported each other and become an ineffective instrument. In the end, these instruments cannot prevent the occurrence of leakage in the budgets, administrative error and not able to identify the existing weaknesses within the administrative system.</p>
2	Procurement	a. The existence of great potential for corrupt

No.	Reasons	Description
	Process	<p>practices in the procurement process due to the lack of implementation of the principle of transparency, although the government has made e-procurement policy. The existence of resistance attitude of the perpetrators of procurement (the committee/users and providers) causes the system is still overshadowed by corrupt practices. They attempt to integrate the procurement process electronically and traditionally which kept open the possibility of "transactions", even according to Sutedi (2008), e-procurement is not fully paperless transaction, because in addition to entering data via a portal, a provider of goods/services is also required to gives documents and other supporting data in hard copy to the committee. Thus, e-procurement is still open the opportunity of physical contact between the committee and the provider, not purely to trade electronically as e-commerce, so the rule of law agreement remains in force (p. 207).</p> <p>b. Not all government agencies implement e-procurement, especially in the remote area due</p>

No.	Reasons	Description
		<p>to the unavailability of the Internet network infrastructure as the main tool of e-procurement services. Development in the region, especially eastern Indonesia is extremely slow, even these areas often experience a power crisis. Therefore, it is very difficult for local governments, especially the eastern parts of Indonesia to implement e-procurement system.</p> <p>c. Human resources capabilities as the operator are very low in the procurement work which causes inefficiency because of mismanagement (human error in the lack of capability). Furthermore, few employees have computer skills and the internet (especially in district and city) causing information technology does not work optimally.</p> <p>d. Conflict of interest - the existence of strong pressure from the authorities (heads of agencies) and entrepreneurs who have the influence of social, cultural or religious in their respective regions (especially in local government procurement), so that the procurement committee does not work</p>

No.	Reasons	Description
		independently, transparency and honesty.
3	Monitoring and Law Enforcement	<p>a. Monitoring systems are not working effectively in procurement due to weak on the law enforcement system that happened, so there is no deterrent effect against the actors of corruption.</p> <p>b. Incentive mechanisms that are not based on merit and workload encourage the actors of procurement (committee/commitment officials/users and providers) to commit a crime of corruption, either individually or in groups.</p> <p>c. Weak in the capacity of civil society, both individually and/or institutional, and structures to perform monitoring functions due to public ignorance about the procurement process that occurs, and the negative stigma associated with law enforcement officials (bribery, physical violence and imprisonment).</p>

3.3. Obstacles to Reform

The government has made various efforts to prevent and combat corrupt practices through the issuance of a number of rules in the public procurement, one of which is the use of e-procurement in government procurement processes and sanctions blacklists for providers who cheat / corrupt. However,

that effort has yet to be said successful because corruption remains a hot issue and this is obvious from the number of cases of the corruption suspects who occurred in 2009 when the KPK recorded (Annual Report, 2009) acceptance of 616 warrants an investigation from the police and attorney; 137 requests the investigation progress; 58 spread out the case; 15 analyses; and 7 devolution. The factors that become barriers in preventing and combating corruption in the procurement sector are as follows:

1. It not yet arranged the procurement of goods/services in the form of laws. Until now, procurement is set in a presidential decree which as a formal judicial is under the law, also does not contain criminal penalties resulting in ambiguity in the implementation of the law.
2. Limited of Information and Communication Technology (ICT) infrastructure is not only an obstacle for government agencies in implementing e-procurement. Nevertheless, the constraints also for entrepreneurs, especially small business as a provider of goods/services. They have limitations to build an information network (information technology), both financial and human resources capacity. Thus, if the government is implementing e-procurement, the small business cannot be taking part in the auction, and only medium and large businesses are able to follow it. This condition is contrary to Presidential Decree 80/2003, which prioritizes the role of small businesses and small cooperative in providing the goods/services for government. The amount of unprepared ness of government and business community in implementing e-procurement, causing traditional procurement system is still done so that corruption is

also likely to occur (physical contact who takes place constantly during the procurement process among the procurement actors).

3. Weak commitment of the officials / procurement committee, a provider of goods / services and law enforcement officials to prevent and combat corruption. This factor is a difficult obstacle to reform as it relates to the government official's mentality that tends to be corrupt.
4. The existence of the politicization of corruption cases involving state officials so that many cases ended with a political bargain. It was a common secret, if corruption cases handled by the Parliament, then the case ends with political deals between the parties, so this is exacerbating the face of law enforcement in Indonesia.
5. The absence of mechanisms for protection of witnesses and reporting causes of civil society are afraid to complain about alleged corruption in procurement.
6. The presence of consumptive behavior that require a high income.
7. Private sector that does not want to compete fairly, not innovative and rely on protection from the government, indirectly has a role in corruption, collusion and nepotism.

CHAPTER 4

RESULTS FOR THE CURRENT REFORM EFFORTS

4.1 The Government Procurement Reform

National reform driven in 1998 have produced a number of governance reforming agenda with more democratic, transparent, accountable and efficiency principles in resources management. One of these agendas is the bureaucratic and public financial reform, whereas government procurement reform is a part of these reforms. Reform in the field of government procurement is intended to provide goods / services are affordable and has a good quality, also can be conducted with effectively and efficiently, so the results can be accounted in terms of physical, financial as well as benefits to the smooth running of government and public service duties (Presidential Decree 80/2003 Article 2).

The legal bases for implementation of the reform of the public procurement in Indonesia, instead of Presidential Decree 80/2003 are as follows:

- 1) Law Number 28 Year of 1999 about the Clean Governance and Free from Corruption, Collusion and Nepotism;
- 2) Law Number 1 Year of 2004 about State Repertory;
- 3) Law Number 14 Year of 2008 about the Openness of Public Information;
- 4) Law Number 25 Year of 2009 about Public Services;
- 5) Government Regulations Number 68 Year of 1999 about the Implementation Procedures for Public Participation in the Governance;
- 6) Government Regulations Number 29 Year of 2000 about the Implementation of Construction Services;

- 7) Government Regulations Number 38 Year of 2008 concerning Amendment to Government Regulations Number 6 Year of 2006 about the Center/Local Government Property Management; and
- 8) Presidential Instruction Number 5 Year of .2004 about the Acceleration of Corruption Eradication

Thus, there are five (5) aspects, which focus on government procurement reforms, namely, the reforming of the legislation and regulatory framework, institutional framework, procurement process and procedures, monitoring and law enforcement improvements, and also strengthening the practitioners. In Addition, one of those aspects of reform are related to reforms in other sectors, such as reforms in the field of law enforcement and eradication of corruption.

Legislation and Regulatory Framework

Government procurement reform began in 2000 with the issuance of Presidential Decree Number 18 Year of 2000 about Guidelines of Procurement of Goods / Services for Government Agencies. The regulation was seen have many weaknesses and does not provide significant contributions in driving the real economy, and less giving a role for local governments to plan and manage the procurement more flexible. Therefore, in line with the demands of the decentralization by local governments ("regional autonomy"), then the regulation is enhanced by Presidential Decree Number 80/2003 about Guidelines for Government Procurement Goods/Services.

In the process, these regulations also have amended several times as improvement of the government procurement system. The refinement described in the table below.

Table 8
Refinement of Presidential Decree No. 80/2003

No	Refinement of Rules
1	Presidential Decree No. 61/2003 about the amendment of Presidential Decree No. 80/2003 regarding the guidelines for implementation of the procurement of government
2	Presidential Regulations No. 32/2005 about the second amendment of Presidential Decree No. 80/2003 regarding the guidelines for implementation of the procurement of government
3	Presidential Regulations No. 70/2005 about the third amendment of Presidential Decree No. 80/2003 regarding the guidelines for implementation of the procurement of government
4	Presidential Regulations No. 8/2006 about the fourth amendment of Presidential Decree No. 80/2003 regarding the guidelines for implementation of the procurement of government
5	Presidential Regulations No. 79/2006 about the fifth amendment of Presidential Decree No. 80/2003 regarding the guidelines for implementation of the procurement of government
6	Presidential Regulations No. 85/2006 about the sixth amendment of Presidential Decree No. 80/2003 regarding the guidelines for implementation of the procurement of government
7	Presidential Regulations No. 95/2007 about the seventh amendment of Presidential Decree No. 80/2003 regarding the guidelines for implementation of the procurement of government

Completion of this rule relating to the procurement system (an issue of the announcement of procurement, contract execution, and procurement management), and clarify ambiguous provisions, such as in article 22 regarding the direct appointment which can be done with certain circumstances and conditions. In addition, the refinement rules are also intended to conform to the current condition of Indonesian people, like the third amendment in the Presidential Decree No. 80/2003 which governs the procurement for tsunami-affected regions, which are the Nanggroe Aceh Darussalam Province and Nias Islands, North Sumatra Province.

Moreover, the Presidential Decree No. 80/2003 and its amendments are a national regulation and guidelines to conduct public procurement by

central/local government institutional and State-Owned enterprises (SOEs). Therefore, to minimize overlapping regulations, the regulations under the Presidential Decree, such as the Regulation of the Minister / Governor / Regent / Mayor about technical guidelines on procurement, should refer to its national regulation. In addition, to strengthen harmonization between this regulation, the government makes a regulatory harmonization work program in 2011 that is on the agenda of bureaucratic reform by examining more than 9,000 regulatory ministries / regional (RKP Bappenas, 2010).

Although the procurement rules have been including the procurement process in detail, but is still considered not yet fully apply the principles of transparency and fair competition, for example, implementation of e-procurement is not a mandatory, so that does not support the prevention and eradication of corruption, as Klitgaard, Maclean-Abaroa, and Parris (2000, 129) mention that “when corruption becomes an issue, it is almost a reflex to think of new rules and laws as the solution.”

Therefore, efforts to improve public procurement regulations still continue through the issuance of Presidential Regulation No. 54/2010 about the Procurement of Goods/Services on August 6, 2010 and became effective in January, 2011. With the new rules, it is hoped all the weaknesses inherent in the existing government procurement rules can be minimized. Accordingly, to strengthen the rules on public procurement, then the government mandated in Presidential Instruction No. 1/2010 about the Acceleration of the Implementation of the National Development Priorities in 2010 for NPPA to create a public procurement law draft before the end of 2010.

According to Deputy for Strategy and Policy Development - NPPA, Agus Prabowo (2010), this law is necessary for several reasons, including the absence of sanctions for the procurement process irregularities, and there is no comprehensive procurement rule yet, although existing regulation has been amended several times. Hence, this law is expected to overcome the problems in law enforcement and partially in the procurement practices, and by Klitgaard, Maclean-Abaroa, and Parris (2000, 129) explained that “The reforms in the regulations needed to reduce arbitrary discretion, promote competition, and protect fairness and efficiency by standardizing procedures, so they are transparent, and deviations from the norm are easy to detect.”

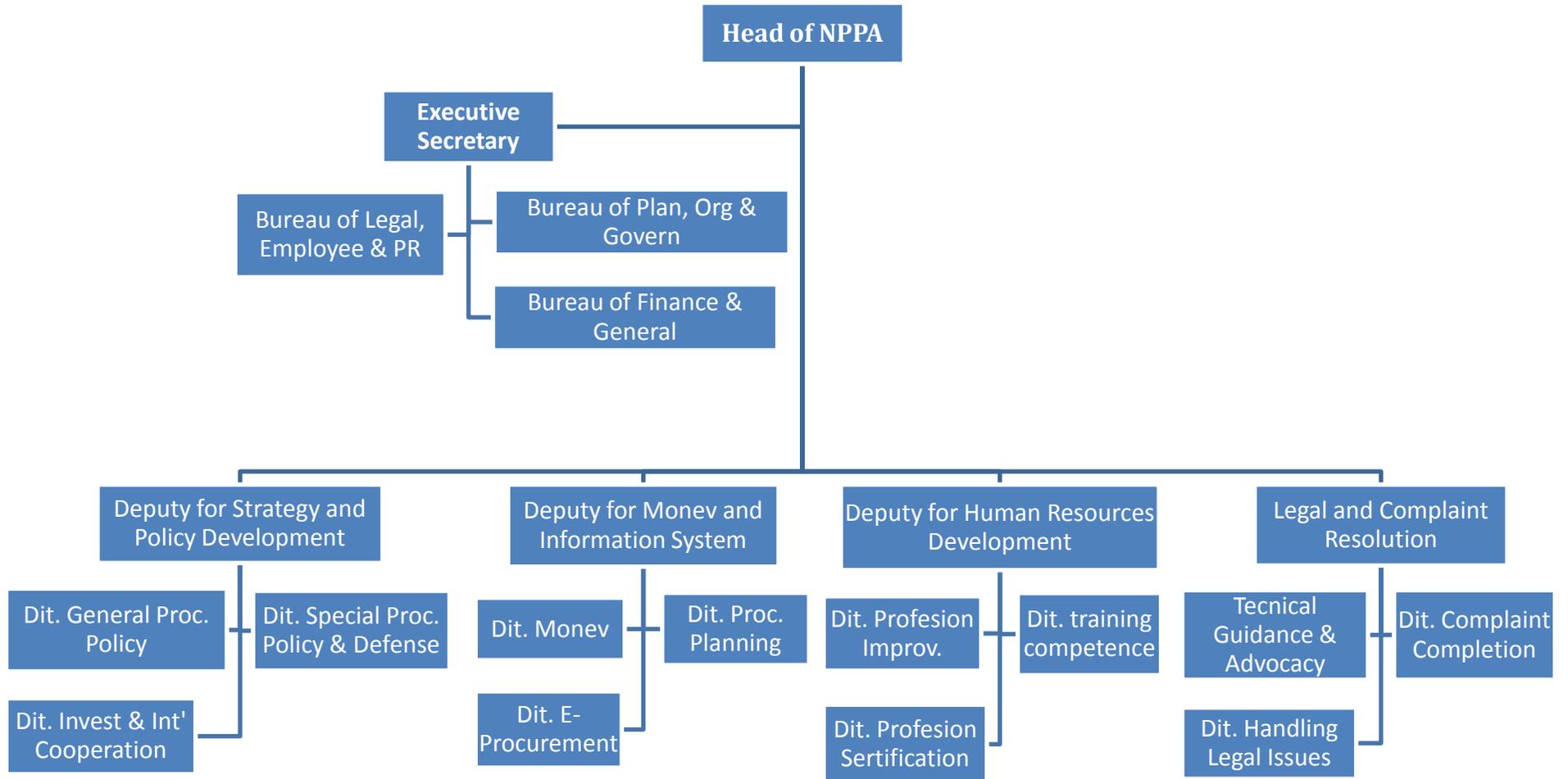
Institutional Framework

In line with the Country Procurement Assessment Report in 2001 by the World Bank, whereas one of its recommendations was the establishment of government institutions that serve as strategy and policy makers in public procurement, then the government of Indonesia established the National Public Procurement Agency (LKPP) through Presidential Decree No. 106/2007, hereinafter referred to the NPPA. The functions carried by the NPPA are as follows:

- a. Develop the strategy, policy and regulation;
- b. Conducting monitoring and evaluation, and implementing e-procurement;
- c. Strengthening the procurement practitioners; and
- d. Provide advices, recommendation and complaint resolution

The organization is led by a Head of an institution that is under and directly responsible to the President. Then, the head of NPPA would be assisted by four deputies and one executive secretary, which showing by a chart below.

**Figure 1
NPPA Organization Structure**



Source: Presidential Decree No. 106/2007

NPPA success in reforming the system of public procurement through a variety of rules within a period of three (3) years since the establishment, and it's because of the government's commitment to actualize good governance, community participation, which act as a watchdog in the areas of procurement, and the international commitments such as the Asian Development Bank (ADB) to encourage the Asia-Pacific countries to reforming the regulation and public procurement system, so in tune with international best practices.³

In addition, to better integrate the activities of public procurement in accordance with the existing rules and ensure the procurement process conducted by professional officers, the NPPA established the Procurement Anchor Unit (ULP) through the NPPA Head Rules No. 002/PRT/KA/VII/2009 about Guidelines for Procurement Anchor Unit Formation (ULP) on July 23, 2009. This unit is tended to be both of structural and non-structural in each Ministry/ Agency Non-Ministry/ State Agency Secretariat / Commission / Army / Police / SOE, and in the Provincial / District / City / Enterprises. This unit has a duty as following (Article 8 NPPA Head Rules):

- a. Carry out procurement of goods / services conducted through the auction / selection process until the signing of contracts by the User Budget (PA) / User Authorization Budget (KPA) / Commitment Official (PPK);
- b. Creating a report on the procurement process and outcome to the PA / KPA / PPK and / or reporting the performance to officials who picked them up;
- c. Implementing procurement by using information technology through the Electronic Procurement Services (e-procurement);

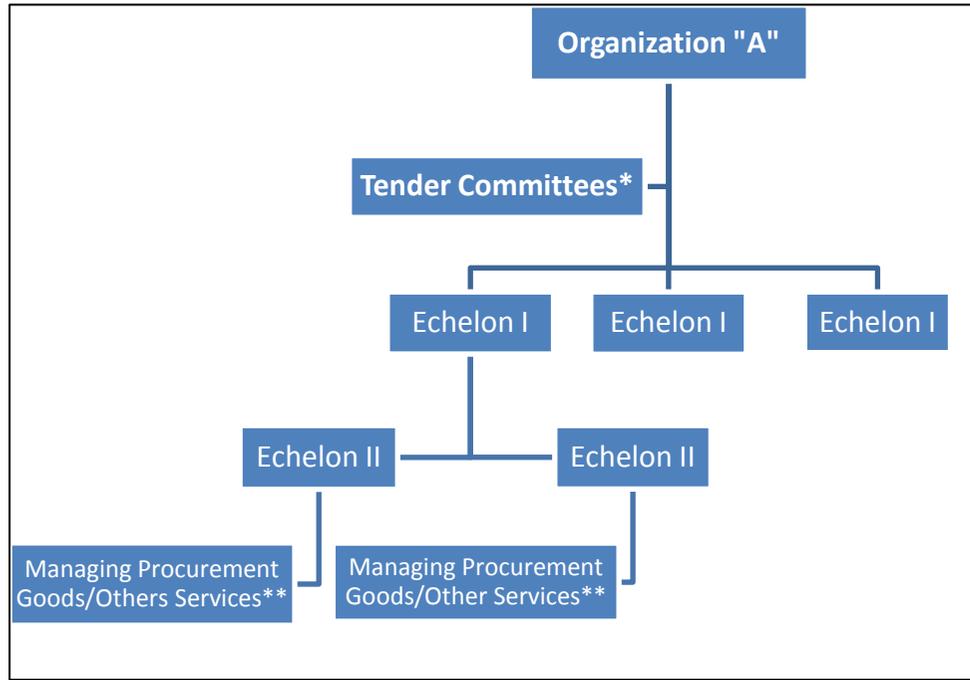
³ Director for the Central Operations Services 2- ADB, Ignatius Santoso in "Workshop on Working Group Meeting on Action Plan for the Procurement Partnership Initiative.", Jakarta, July 28, 2010.

- d. Carry out dissemination strategies, policies, standards, systems and procedures of the government procurement;
- e. Carry out technical guidance and advocacy in the public procurement;
- f. To monitor and evaluate the entire implementation of the public procurement;
- g. Implementing human resource procurement development;
- h. Develop facilities and infrastructure supporting the implementation of procurement; and
- i. Set the provider of goods / services to commit fraud / forgery and other offenses in the Black List and report it to the NPPA.

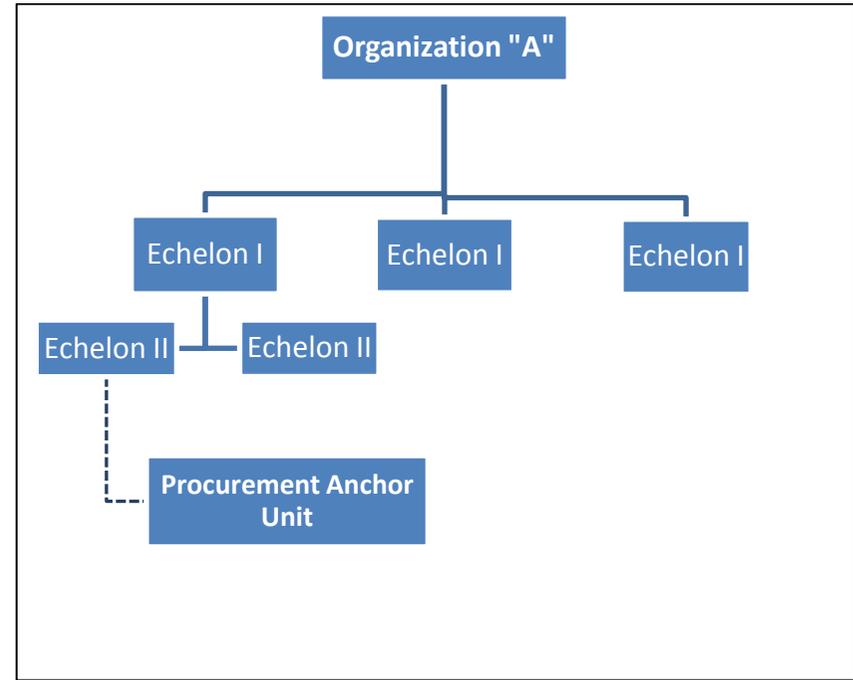
Thus, every execution of the public procurement, whether that is small, medium or large, will be conducted by PAU where previously performed by each organizational unit that requires the goods / services. This indicates that the presence of PAU is able to make the procurement process become more integrated, effective, efficient, and improve the professionalism of human resources procurement. Scheme changes in work procedures of procurement and PAU organization working procedures described as follows:

Figure 2
Changing in Unit Procurement Scheme

Before PAU Established



After PAU Established



Source: NPPA Chief Rules No. 002/PRT/KA/VII/2009

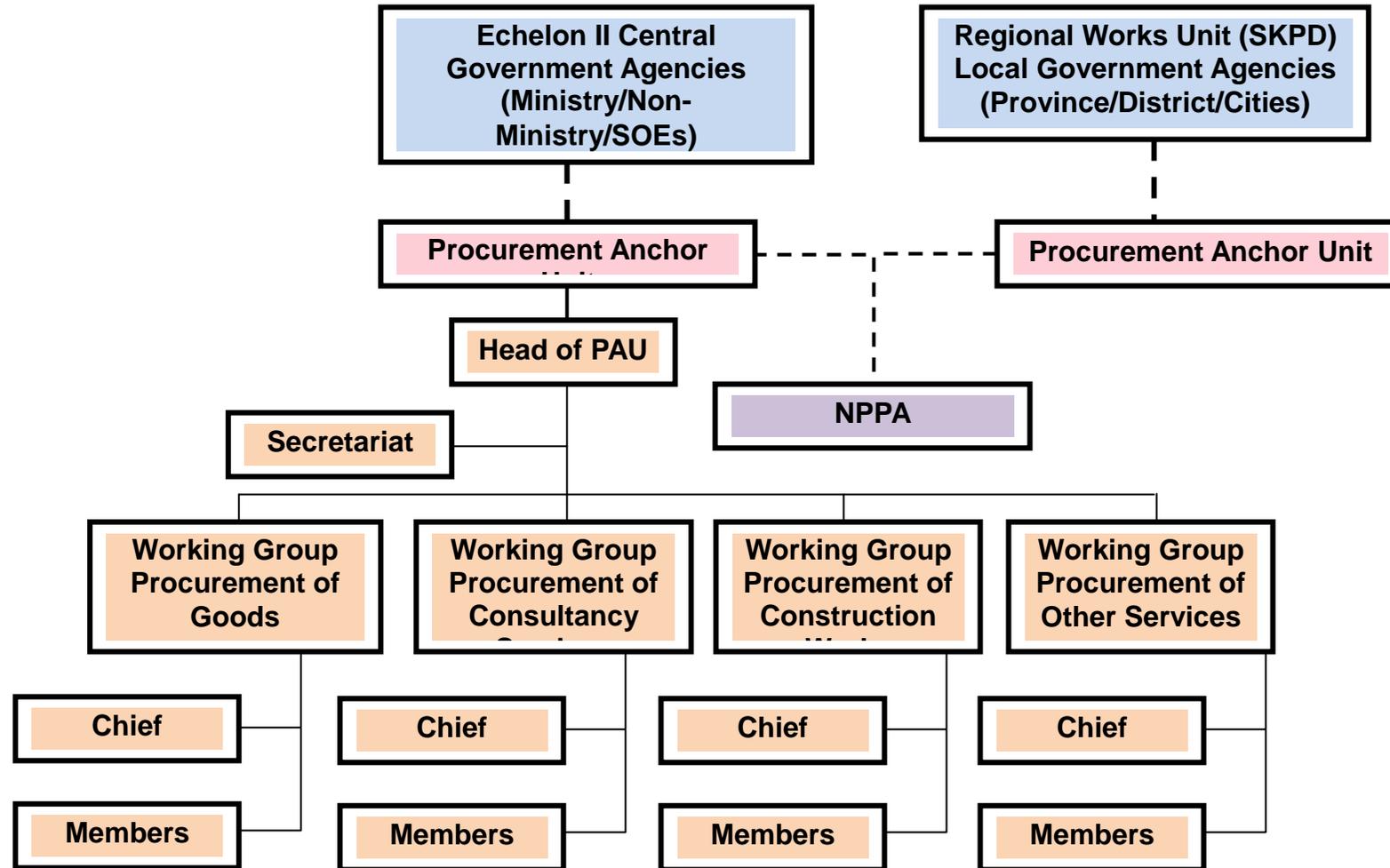
Note:

*) Tender Committees for procurement of construction works and procurement of consultancy services

***) Managing Procurement Goods/Other Services performed by each Unit in Echelon II in accordance with goods/services required, such as office stationery, caterings and seminar-kit for training participant, and printing of books/module.

---) Coordinating Line

Figure 3
Work Procedures of Procurement Anchor Unit



Source: NPPA Head Rules No. 002/PRT/KA/VII/2009 (Proceed)

According to the chart above, it is known that each of the PAU located in the central and local governments should coordinate and establish working relationships with business unit Echelon I and II in the internal work environment (for central government agencies) and with the unit work area of Province / Regency / City (for local government agencies), in which each PAU shall coordinate and establish a working relationship also with the NPPA. The working relationship between PAU Central / Local Agency with NPAA described as follows (Article 26, Paragraph 3 NPPA Head Rules):

- a. Submit the midyear report about the results of the implementation of procurement;
- b. Held a consultation in accordance with the needs, in relation to the problems faced in the procurement process;
- c. Enforcing the NPPA guidelines and instructions in terms of public procurement; and
- d. Provide input to the NPPA for the formulating of strategy and the procurement policy.

Thus, the procurement reform efforts carried out through an institutional framework with aims to managing the policies and strategies', ensuring the implementation of procurement done by the principles of procurement, implement monitoring and evaluating, and supports the corruption preventing efforts in the procurement.

Procurement Process through E-procurement

One of the goals of improving procurement regulation is to improve the process and procurement procedures to be more efficient, effective and can prevent the

occurrence of corruption. One of its improvements is the implementation of e-procurement, which are contained in the Presidential Decree 80/2003 and was reaffirmed in the new procurement regulations, as well as with the Law No. 11/2008 about Information and Electronic Transactions. This legal foundation gives strength to the government to accelerate implementation of e-procurement across central and local agencies by the year 2012 (became a mandatory).⁴

Implementation of electronic systems in public procurement has been started in 2006, whereas the Corruption Eradication Commission together with the National Development and Planning Agency, and Ministry of Communication and Information has developed an e-announcement system that contains data and information about the budget ceiling and work packages planning in respective government agencies. Then, the system is developed with integrating e-purchasing system (e-tendering) by the NPPA or known as e-procurement. In addition, the purposes of e-procurement are as follows:⁵

- a. Improving transparency and accountability;
- b. Improving market access and fair business competition;
- c. Improving the efficiency of the procurement process;
- d. Support the monitoring and audit processes; and
- e. Meet the needs of real time information access.

Based on the NPPA website, until 2010, there are 20 central institutions and 24 provincial that have implemented e-procurement with a total package of 6,169

4 NPPA Highlight “President signed the Presidential Regulation no.54/2010 about the Guidelines for Government Procurement”, August 9, 2010, Jakarta.

5 The procurement process flow chart would be described in Appendix A

and the total budget ceiling of Rp.13, 025,184,317,415. The following is a description of implementing e-procurement progress in central government.

Table 9
Implementation of E-procurement in the Central Government

No.	Electronic Procurement Service (EPS/LPSE)	Agencies	2010	
			Number of Packet	Total Budget (Rp)
1	Ministry of Finance	6	441	2.135.471.583.741
2	Ministry of Health	1	321	2.470.936.237.301
3	Ministry of Education	2	57	404.729.595.000
4	Ministry of Public Housing	1	41	601.540.000.000
5	Food and Drug Protection Agency (BPOM)	1	0	0
6	Research and Application of Technology Agency (BPPT)	1	65	508.256.329.100
7	National Land Agency (BPN)	1	9	107.052.119.000
8	National Assembly	1	13	20.391.518.000
9	NPPA (LKPP)	1	16	6.505.222.051
10	Constitutional Court	1	1	1.503.437.000
11	Kawasan Berikat Nusantara Ltd.	1	21	84.281.613.320
12	Pelayaran Nasional Indonesia Ltd.	1	1	1.325.500.000
13	State Electricity Company (PLN)	1	0	0
14	Indonesian National Police (Polri)	1	50	193.571.434.000
Total		20	1.036	6.535.564.588.513

Source: NPPA, 2010 (processed)

According to the table above, it is known that not all Ministries / Government Agency / SOE implementing e-procurement, whereas the Indonesian government has 33 ministries, four secretary of state, 4 State Agency, 23 non-ministerial government institutions, and 105 state-owned enterprises operate, so the total number of central agencies about 169, excluding state universities

and central government hospitals. Thus, only about 11.83 percent of those agencies use e-procurement.

Meanwhile, about 221 local governments' agencies are implementing e-procurement with total package of 5,133, and the total budget ceiling of Rp. 6,489,619,728,902 which indicated in the table below.

Table 10
Implementation of E-procurement in the Local Government

No.	Province	Electronic Procurement Service (EPS/LPSE)	Agencies	2010	
				Number of Packet	Total Budget (Rp)
1	Nanggroe Aceh Darussalam	2	2	63	62.087.004.500
2	Bali	3	3	265	292.689.029.077
3	Bangka Belitung	5	5	26	45.788.942.876
4	Banten	4	4	63	18.002.409.250
5	D.I. Yogyakarta	6	11	218	190.599.555.893
6	Gorontalo	1	2	200	119.184.261.400
7	Jambi	1	1	1	9.936.588.000
8	West Java	5	29	1504	2.249.695.487.603
9	Middle Java	13	43	347	602.840.139.147
10	East Java	7	16	311	301.645.928.800
11	West Kalimantan	7	7	8	4.515.845.000
12	South Kalimantan	6	15	285	240.267.214.000
13	Middle Kalimantan	2	2	155	220.965.565.984
14	East Kalimantan	4	7	222	383.748.191.100
15	Riau Archipelago	4	9	567	535.695.424.700
16	Lampung	2	3	9	8.088.500.000
17	West Nusa Tenggara	3	3	15	14.252.548.695
18	Papua	1	1	20	34.914.332.850
19	Riau	2	3	220	187.740.105.700
20	South Sulawesi	5	28	360	590.140.718.500
21	Southeast Sulawesi	1	1	0	0
22	West Sumatera	19	19	209	218.409.571.600
23	South Sumatera	2	2	6	67.810.437.000
24	North Sumatera	5	5	59	98.267.917.170
Total		110	221	5.133	6.489.619.728.902

Source: NPPA, 2010 (processed)

Based on the table above, known that only 12.97 percent of local governments that implement e-procurement from the total institution about 1,704 - which consists of 33 Province, 399 District, 98 City, and 1174 registered the Local-Owned Enterprises (outside of local universities and local government hospital). The achievement of percentage level is not much different from those in the center, and showing that this policy should be continuing through socialized and synergy with other development policies such as infrastructure development policy for the ICT networking, and apparatus human resource development policy.

Procurement reform through the implementation of e-procurement has provided great benefits for the efficiency of state finances. Data from Smart Report NPPA show that during the years 2008-2010, the implementation of e-procurement can produce efficiency of government expenditures by 12.27 percent of the budget ceiling, which provided as the table below.

Table 11
Number of Packet and Value of Auction 2008-2010

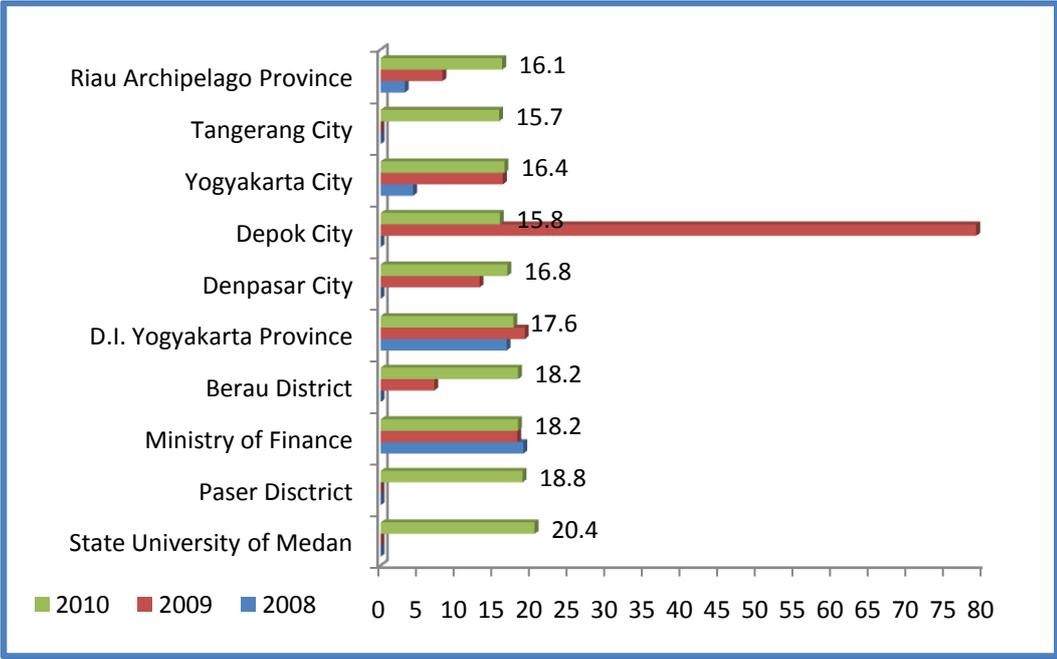
No.	Description	Value
1	Procurement Packet	8,032
2	Completed Procurement Packet	7,005
3	Budget Ceiling (Million Rupiah)	14,207,462
4	Value of Auction Results (Million Rupiah)	12,463,571
5	Difference (Million Rupiah)	1.743.214
	Percentage	12.27

Source: Smart Report EPS, NPPA 2010

In addition, e-procurement can also demonstrate the organization efficiency performance in the field of public procurement, which can produce quality goods / services in accordance with the needs at competitive prices in the

market, so that would be spurring of businesses to increase efficiency and productivity, as well compete in healthy ways. The figure below shows the 10 EPS (LPSE) with the greatest amount of efficiency during 2008-2010 (as a percentage).

Figure 4
The Most 10th Government Agencies Efficient 2008-2010



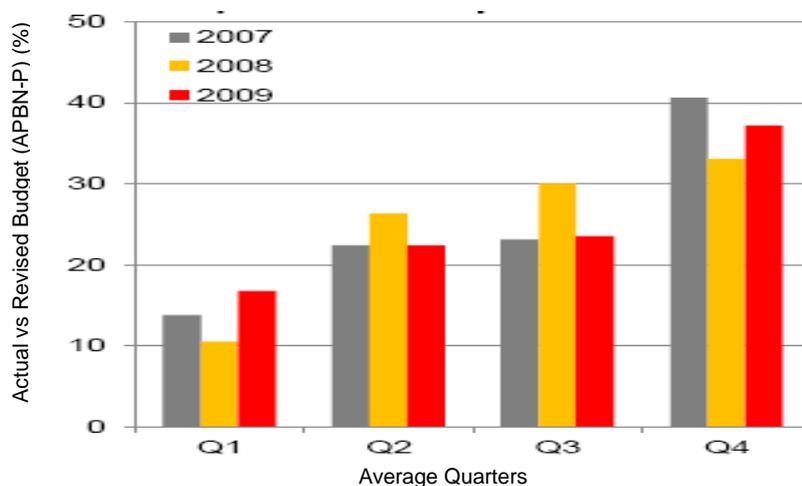
Source: Smart Report LPSE, NPPA 2010

This chart shows that in 2008, the Ministry of Finance is the most efficient central agencies in spending goods/services through e-procurement, and continued to show consistency in 2009 and 2010. As for local agencies, Depok City has recorded an efficiency of 78.9 percent in 2009 and 15.8 percent in 2010. Meanwhile, the Special Province of Yogyakarta gained great benefits from implementing e-procurement with keeping record the efficiency an average of about 17.8 percent during 2008-2010.

Furthermore, to accelerate the procurement process which known to be very bureaucratic, the government introduced the simple auction method and direct

procurement that already have a well known price list, such as GSO car prices, hotel and office rental. Simple auction is a method for selecting the provider of goods and other services for the job are not complex and highest value about Rp.200, 000, 000. (two hundred million rupiah). In addition, to support the budget absorption performance, the procurement process can be performed after the work plan and budget of the Ministry / Agency / Region approved by the Parliament, which is stipulated in the new regulations. Previously, the procurement process can be performed prior to the budget document approved and resulted in increased budget absorption of the procurement in the fourth quarter, which makes a budget procurement not maximize, both in terms of output and the budget absorption, as shown in the figure below.

Figure 5
Absorption of the Center Government Budget



Source: Bappenas, 2010

The above figure shows that in the first quarter of the fiscal year, the percentage of budget absorption reach about 10-18 percent, and increasing in the next quarter, whereas the last quarter (Q4) is the highest phase of budget absorption by 30-40 percent. With the new procurement rules, the expected

percentage of the absorption budget performance will achieve a balanced level of each quarter.

Meanwhile, the efforts to overcome problems of information networks, communication, and technology across the region performed through the infrastructure development in 2011 with the agenda to strengthen the domestic virtual inter-connectivity (Indonesia connected) through Telecommunications Access Services Program in 33,259 villages, Internet Program in 5,748 districts/city, and Community Access Point in 222 districts.⁶

Therefore, the reform efforts in the procurement process are still being conducted by the government in the form of dissemination, advocacy and facilitation of e-procurement to all government agencies.

Monitoring and Law Enforcement Improvement

To overcome the weaknesses in the procurement monitoring and evaluating system, and hereinafter called "M & E", NPPA will strengthen an accountability and transparency through the formatting the general guidelines of procurement monitoring and evaluating, build a modern auditing, and investigative techniques. General guidelines for procurement monitoring and evaluation is structured to provide guidance and direction for each line in the Ministry / Institution / Local Government about the monitoring and evaluating reporting mechanisms for implementation of the government procurement.⁷ Monitoring mechanism at the central level obtained from the consolidated report by the Procurement Committee (PAU) to Commitment Officials (PPK), which then reported to the Budget User (KPA). Of the KPA, the report submitted to the

6 Presented in Financial Memorandum and Government Budget/RAPBN 2011 Press Conference by Ministry of National Development Planning/Bappenas, Jakarta, August 2010.

7 Director of Monitoring and Evaluating NPPA - Nasyit Umar, 2009, NPPA Stacking Guidelines for Procurement Monitoring and Evaluating, NPPA Press Release Website, Jakarta, August 15, 2009

Ministry / Agency as well as to the Directorate of Monitoring-Evaluation NPPA as periodically (semester). As for the procurement monitoring mechanism at the local level preceded by Procurement Committee (PAU) and reports to PPK. Furthermore, by the PPK, the report submitted to the KPA to be forwarded to the PA (Regional / Agency), and so reported to the Directorate of Monitoring-Evaluation NPPA periodically as well. While for the procurement evaluation reports mechanism source from monitoring data, which obtained by the Directorate of Monitoring-Evaluation of NPPA, sent to the four deputies NPPA to get feedback, suggestions, and input as an initial evaluation. After receiving feedback, suggestions, and input, the Directorate of Monitoring-Evaluation NPPA forwarded to the Deputy of Monitoring, Evaluation and Development of Information Systems to Head of NPPA in the form of the evaluation report. After that, head of NPPA provides the final evaluation / final delivered back to the Ministry/Agency as an improvement material for procurement implementation respectively.

In addition, to strengthen auditing as part of the monitoring system, then the government tries to make new breakthroughs in line with the implementation of e-procurement through e-auditing, which is a tool of the auditor to audit the procurement package is tendered through the EPS. E-audit development was conducted since 2009 in which the NPPA in cooperation with the BPKP (module in EPS) for internal users and external auditors. The e-audit characteristics are as follows: ⁸

8 NPPA Website, 2009. E-Procurement Improvement, para. E-Audit, <http://www.lkpp.go.id>

a. PPK, the Procurement Committee and the Provider of Goods / Services, interact directly with information technology tools in the process of electronic government procurement.

b. Auditors no longer have to manually audit, but electronically with the tool.

Hence, modernization in the procurement auditing system is expected to ensure accountability and transparency in the procurement field which in turn allows the auditor to conduct an audit during the procurement process (on the spot / real time), or after the procurement process (post audit). Facilities owned by the e-Audit can also support the performance of auditors in performing their duties, that is:

a. Enable auditors to perform audit functions normally, but not limited to, comparing the data/certain information with another data / information.

b. Allows auditors retrieve data from the EPS database, then store them in a specific database for audit purposes, entering data from the field to the database, and perform functions as commonly an audit activity.

c. Allow for collaboration work between the auditors with the auditee in the audit process, so that some things that not clearly will be communicated and documented.

d. Allows auditors to submit summary and audit results information, which is important followed by the auditee. Some of the summary is as follows:

1. Government Procurement Audit Results Findings (Number, Code Findings, Findings Name, Findings Description, Findings Value, Criteria, Causes, Effects);

2. Recommendation (No., Code of Recommendations, Recommendation Name, Recommendation Description);

- 3. Object Response;
- 4. The other thing to note (Number, Description).
- e. Allows the auditee to submit follow-up audit results so that auditors can monitor the follow-up of audit findings.
- f. Allows the presentation of summary matters related to the audit for the next procurement policy interests and for the sake of increasing the capacity of the auditor.
- g. E-Audit can store the auditor data which using EPS for the interests of tracking and improving the capacity of the auditor. Some of those data are:
 - Code / name of the audit institution;
 - 1. Code / name of the institution / work unit being audited;
 - 2. Package name to be audited;
 - 3. The identity of the letter task (number, date);
 - 4. The audit team (ID, name, roles);
 - 5. Audit Date (start date, completion date); and
- 6. The scope of the audit

Other efforts undertaken in order to an arrangement the framework of the external and internal control system is by the publication of Law No. 15/2006 about the Financial Audit Board (BPK) along with its implementing regulations, and Government Regulation No. 60/2008 about the Internal Control System of the Government, so that the synergy of the implementation of external and internal controlling function can be realized to increase the capacity and accountability performance of government agencies, as an effort to optimize the eradication of corruption. Under the regulation, the external inspection authority held by BPK, while internal control government officials have a role to ensure

the implementation of internal control systems in the government agencies. Nowadays, BPK has had representative offices in all provinces of the previous which only 5 representative offices and recruiting more than 5,000 new auditors. One aspect that stands out in relation to the BPK's role in combating corruption is BPK must be reporting to law enforcement agencies no later than one (1) month since the discovery of a strong indication of the existence of corruption in the inspection process [of Article 8 paragraph (3) of Law no. 15/2006].

Furthermore, based on the Middle Term Development Planning / Development Plan 2010-2014 (II.8-10), efforts to strengthen the supervisory capacity is also done by improving surveillance procedures, improving the quantity and quality supervision officials, improved follow-up on assessments / audits result, and increased participation community in monitoring aspect. In connection with this effort, has been reorganized supervision capacity in the monitoring/controlling agencies at the central level, 30 Bawasda provinces, and 20 Bawasda district / city, and increasing the quality of auditors in the form of scholarships to 650 staffs in inspectorate general of the ministry's and inspectorate (Bawasda) provincial and district / city to attend the S-1 and S-2 in majoring in the Governmental Accounting / State Financial Control at 36 universities in Indonesia. Meanwhile, to ensure that controlling management can run with optimal, and then BPKP have evaluated the APIP reports of each government institution. The number of APIP reports that have been evaluated is 94% of the total number of government agencies. The percentage of the controlling results (TLHP) which has been follow up reached 32, 96% for the APIP and 83, 27% for BPKP. Then, the percentage of public complaints (Dumas) channeled that can be acted upon by the APIP is 25%. Public complaint is one of supervision

instruments which are constantly being developed to increase transparency and public accountability. However, those monitoring tools cannot operate effectively without any improvement in the law enforcement system. Therefore, the government put the law enforcement reforms in the public procurement is a part of nationwide law enforcement reforms.

The law enforcement improvement efforts in the field of combating corruption cannot be separated from the reforms undertaken in the judiciary, one of which is the establishment of the Anti-corruption Court which is under the General Court. This court is authorized to investigate and adjudicate corruption prosecutions brought by the KPK (Act No. 30/2002, Chapter VII, and Article 53). Both the performance of legal and judicial institutions are able to contribute positively as an effort to combat and prevent corruption that can be shown by the recapitulation data of the reception improvement for Warrant the Commencement of Investigation (SPDP), the period of January to December 15, 2009 at KPK Annual Report (2009.16) as follows:

1) New SPDP received until December 15, 2009

Institutions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Attorney	35	35	49	20	53	13	77	53	54	42	26	41	528
Police	12	9	12	3	8	5	9	6	2	11	7	4	88
Total	47	54	61	23	61	18	86	59	56	53	53	45	616

2) Old SPDP until December 15, 2009

Institutions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Attorney	-	3	5	5	83	211	3	6	3	-	48	7	374
Police	-	2	5	2	32	139	4	1	3	6	87	7	278
Total	-	5	10	7	115	340	7	7	6	6	105	14	652

Based on the KPK Annual Report 2009, coordination and supervision activities carried out in the form of: (a) 137 requests the investigation improvement

conducted by the attorney and police, (b) 58 showing case, (c) 15 analysis, and (d) 7 devolution. Those activities summaries per month as follows:

**Table 12
KPK Coordination and Supervision Activities 2009**

Month	The Answers of Develop & Investigation Demand	Show Cases	Analysi s	Devolution	Total
Jan	-	-	-	-	0
Feb	4	2	-	-	6
March	8	-	5	1	14
April	11	-	1	-	12
May	16	20	3	-	39
June	15	20	4	-	39
July	21	-	-	-	21
August	17	-	1	-	18
Sep	7	-	1	2	10
Oct	23	1	-	1	24
Nov	7	12	-	4	23
Dec	8	3	-	-	11
Total	137	58	15	7	217

In prosecution activities, KPK and the Anti-corruption Court performance during 2009 based on KPK Annual Report, 2009 are described in the following table:

**Table 13
KPK and Corruption Court Performances 2009**

Activities	Number of Cases	Information
Decision of First Instance	35	35% are procurement cases
The Appeal Stage	- 21 cases has been decided - 6 cases were in the process of examination	19.05% are procurement cases
Cassation Stage	- 14 cases has been decided - 6 cases were in the process of examination	35.71% are procurement cases
Permanent Legal Force Cases (Inkracht van bewijsde)	34	35.29% are procurement cases

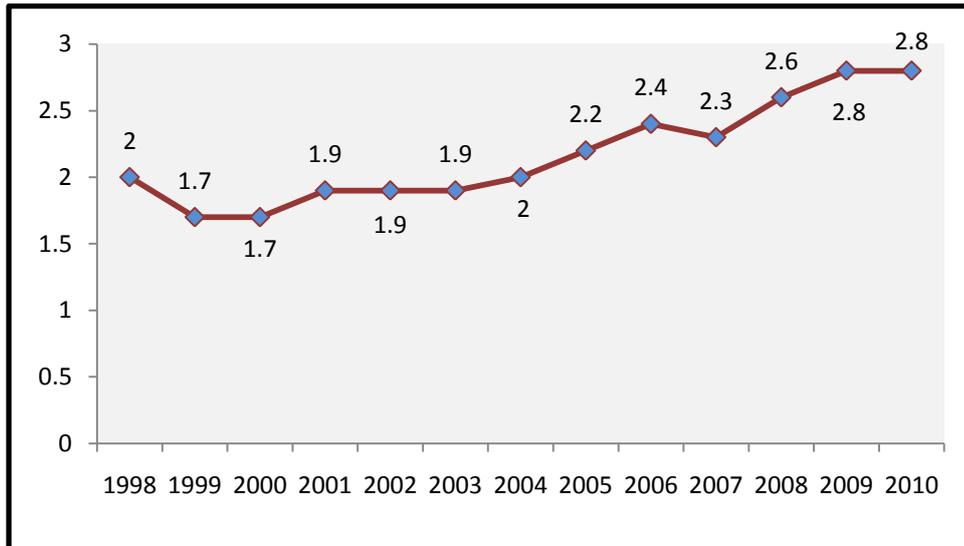
The table shows that an average of 35 percent of cases handled by the KPK in the Corruption Court is derived from public sector procurement. If added with procurement corruption cases handled by the Police through general and

special courts, then the total percentage of procurement corruption cases can be even greater.

In addition, efforts to accelerate the handling of the prosecution case, implemented through the Quick Win program which aims to rebuild public trust to the Attorney General in the relatively quick time. The program focused on accelerating the handling of criminal cases and criminal public corruption, online information systems handling criminal cases of corruption, public complaint's facility on the website, and online information systems handling complaints report. Quick Win program has been conducted since September 2008, at four pilot agencies, which are; the High Attorney of Jakarta, Banten High Attorney, the South Jakarta District Attorney and the Tangerang High Attorney (RPJM 2010-2014, II-8.4).

The reforming efforts in this law institution have shown tangible results in realizing the implementation of a clean government and free from corruption acts. This can be seen from several indicators, such as Indonesia Corruption Perception Index (CPI) published by Transparency International and accountability of state finance management by government agencies. Although the Indonesian corruption index is still below 5.0, but increased levels from 1999 until 2010, is commendable given the corruption in Indonesia has been severely (see figure 7).

Figure 6
Indonesian CPI Score Improvement



Source: Transparency International, 2010 (proceed)

In 1999, Indonesia's corruption index is only 1.7 and in 2009 had reached 2.8. This score was associated with law enforcement measures in combating corruption, and an effort to improve the image of law enforcement is hampered in 2010 with CPI score of achievement is similar to 2009 (2.8). This is probably caused by the emergence of several "big cases" of corruption, such an effort weakening authority of the KPK (KPK official's criminalization case and the KPK Law Revision), Century Bank bailout cases, and law mafia case as well as the tax mafia case.

Meanwhile, increasing accountability of financial state management can be seen from the BPK opinion on the government financial statements. Although BPK is still showing a disclaimer opinion from year to year over the government's financial statements, but the ability of both central and local government to present financial reports since 2005 have shown significant progress in the history of the state organization of financial management practices (see table below).

Table 14
Improvement of BPK Opinions on the Financial Statement of
Ministries/Agencies 2006 - 2008

Item	2006		2007		2008	
	Number of M/A	%	Number of M/A	%	Number of M/A	%
1. Unqualified (WTP)	7	8.75	16	19.75	35	42.17
2. Reasonable with the Exception of (WDP)	37	53.75	31	38.27	30	36.14
3. Not Giving an Opinion (TMP)	36	45.00	33	40.74	18	21.69
4. Not Reasonable (TW)	0	0.00	1	1.23	0	0.00
Total	80	100	81	100	83	100

Source: Summary of First Semester Examination Results 2009, the BPK-RI

According to the table above, unqualified opinion (WTP) for ministries / agencies shows an increase of more than 100 percent from 2006 until 2008. On the other hand, opinions to WDP showed a decrease of 18.92 percent, and opinion for the TMP decreased by 50 percent. Meanwhile, not reasonable opinion does not show significant changes, which is indicating that the financial statements performance of the ministries / agencies towards the direction of improvement.

In addition, the improvements of BPK opinion on local government financial reports also indicate the good direction, although not significant like the central agency which showed by the table below.

Table 15
Improvement of BPK Opinions on the Financial Statement of
Local Government 2006 - 2008

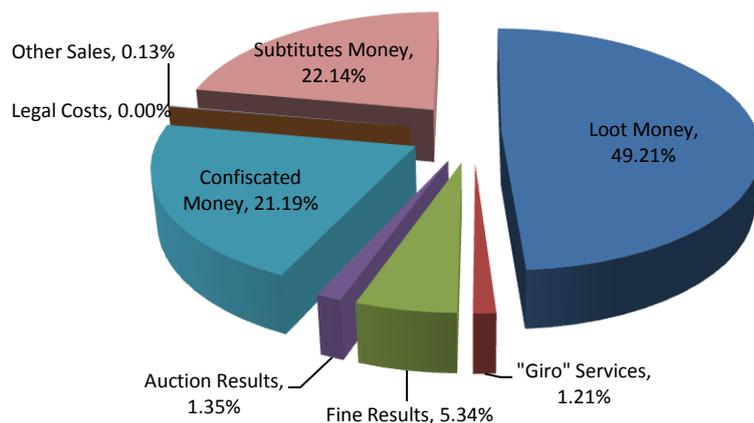
Item	2006		2007		2008	
	Number of LG	%	Number of LG	%	Number of LG	%
5. Unqualified (WTP)	3	0.65	4	0.86	8	2.73
6. Reasonable with the Exception of (WDP)	326	70.41	283	60.60	217	74.06
7. Not Giving an Opinion (TMP)	106	22.89	122	26.12	47	16.04
8. Not Reasonable (TW)	28	6.05	58	12.42	21	7.17
Total	463	100	466	100	293	100

Source: Summary of Semester Examination Results (IHPS) I, 2009, the BPK-RI. *) Data as of July 31, 2009. Semester II, 2009 data not yet published.

The data above shows that efforts to improve accountability on local governments have increased, though slow and not significant. However, this is a positive signal for the development of transparency and public accountability in the financial state management sector, including public procurement management.

Moreover, government efforts in terms of law enforcement are not limited to the prosecution of corruption perpetrators in the form of imprisonment, but also in the form of confiscation of assets derived from corruption crime to be returned to the state. Based on the KPK Annual Report (2009, 46), explained that the amount of state losses that have been rescued and had been deposited into the Treasury at the period of January, 1 to December, 15, 2009 come from corruption cases about RP. 142,290,575,282.00 (see figure 8).

Figure 7
Return on Treasury State During 2009



Source: KPK Annual Report, 2009

Based on the above figure can be seen that a refund of corruption crime to the treasury from loot money ranks first with 49.21 percent, then followed by substitute money of 22.14 percent, 21.19 percent confiscated money, and the return of: fine results, auction results, "giro" services, and other sales by 5.34, 1.35 percent, 1.21 percent, and 12.13 percent, respectively. The purposes of these efforts are to create a deterrent effect for the perpetrators of corruption or negate the gains from corrupt activities, so that the crime of corruption is seen as a futile activity.

Accordingly, the application of black-list for companies that breaking promises in public procurement contracts, were also encouraging healthy competition climate, fair, and accountable, in addition to preventing corruption. According to data from the NPPA (2010th), there are least 76 companies / individuals 2009, which was signed in the black list with an average period of a sanction for 2 (two) years.

To more reinforce the step of corruption prevention and eradication, Indonesia has been ratified the UNCAC (United Nation Convention against Corruption) by

Law Number 7 Year of 2006. The important provision of the convention includes: the prevention, repression, legislation, and bribery in the public sector, rescue assets, international cooperation and the reporting mechanism. This convention ratification shows that the Government of Indonesia has a strong commitment to improving the image of Indonesia in the international political area. As the implementation of the UNCAC context, Government of Indonesia has been arranging the National Strategy and Action Plan for Combating Corruption 2010 – 2025, which comprehensively will become the main reference for the eradication of corruption at both the national and regional levels, in line with the UNCAC.

In addition, the role of civil society as a watchdog over the governance became increasingly significant, in line with government policies that open wide space for the community to participate in the development process, as practiced by several nongovernmental organizations, including: Indonesia Corruption Watch, Indonesia Procurement Watch, and Transparency International - Indonesia.

They have a role as facilitator, advisor and initiator of community participation to combat corruption, particularly in the field of public procurement, and fight for citizen's rights in obtaining a better quality of public service, as results of studies conducted by Farhan, Yuna (2006, v) in "The role of the Coalition of NGOs in Combating Corruption in Indonesia" with a case study of corruption in the General Election Commission, which states that the Coalition of NGOs (FITRA, FORMAPPI, LBH Jakarta, IPW, and KIPP Indonesia) has success to accumulate a number of procurement deviation documents in the Election Commission (KPU), and it is an initial evidence for the KPK to uncover the case further. In the advocacy that he did, coalitions of NGOs use external control

through the public opinion in the mass media in the form of public discussion and press conference, as well as do the pressures to Parliament, KPK and the BPK to follow up its report.

Strengthening the capacity of civil society was also encouraged by the Law No. 13/2006 about Protection of Witnesses and Victims, as part of the handling of corruption and human rights violations. Under the Law, the government has established a Witness and Victim Protection Agency (LPSK), which aims to maximize the role of people in the law enforcement process, and not just limited to the submission of the report, but also actively participating as a witness in the court.

Strengthening the Practitioners

Strengthening the capacity of procurement practitioners, especially for the Procurement Committee and Commitment Officials (PPK) carried out through procurement training. In the procurement training, there is certification exams procurement expertise which is used as a basis to determining the qualifications of procurement staff, and divided into three (3) categories based on the range of values of graduation, which can be seen in the table below.

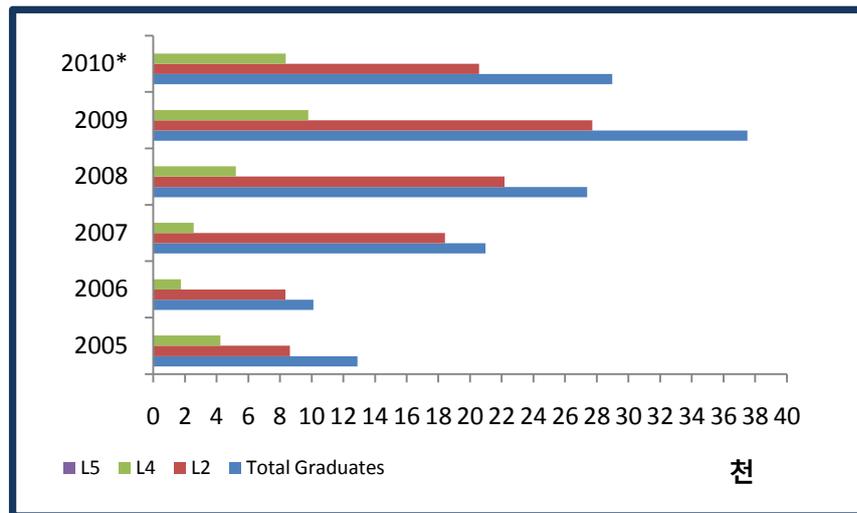
**Table 16
Procurement Certification Exam Graduates Category**

Certification Levels	Validity	The Net Grade Requirement
L2 With Exam Back	2 Year	55% - 65% 141 – 168
L4 Without Exam Back	4 Year	>65% - 85% 169 – 219
L5 Without Exam Back	5 Year	>85% - 100% 220 - 255

So far, the training has produced 137,846 procurement experts who have graduated from 2005 - October 2010 as shown in the chart below.

Figure 8

Number of Graduates in the Procurement Certification Exam



Source: NPPA statistics, 2010 (proceed)

Note: *) October, 2010

Based on the above chart, the largest number of graduates of the certification exam is in 2009, which reach 37,504 graduates with the category about 27,707 L2 graduates; L4 - 9790; and L5 about 7 graduates. Meanwhile, 2006 was the smallest graduate year, about 10,118 graduates with the composition of 8,348 L2 graduates; 1752 - L4, and 17 - L5 graduates. The numbers of graduates are spread across various agencies, both central and local levels with the following composition:

Table 17
Certified Procurement Staff According to Agency

Agency	L2	L4	L5	Total	%
Central	38.803	12.182	32	51.017	37.01
Province	16.824	5.101	12	21.937	15.91
District/City	46.539	13.533	29	60.101	43.60
Other*	3.690	1.097	4	4.791	3.40
Total	105.856	31.913	77	137.846	100

Source: NPPA Statistics, 2010

Note: *) SOEs,

University/Private Company

Based on the table, district / city had the largest total graduation exam with 60,101 graduates or 43.60 percent. This is understandable because Indonesia

has 497 district / city, requires a lot of procurement practitioners. Meanwhile, there were 51,017 graduates of the central agencies or 37.01 percent which scattered in Ministries, Commission, Committee, Agency, and a number of other state institutions. As for the provincial governments of 33 provinces, there were 21,937 graduates or 15.91 percent, and for other agencies such as SOEs, University and Private Company, there are 4,791 graduates or 3.40 percent.

To create a credible procurement personnel and professional in their duties, then efforts to improve the training system still continues, such as, *first*, with the enforcement the provision of minimum standards training for the basic level (NPPA, 2010) which consists of:

1. Training Room: sufficient room to accommodate 50 participants and is equipped with air conditioning / fan;
2. Criteria for Participants: Minimum education Diploma 3;
3. Number of Participants: maximum 50 people per room training;
4. Training Facility: LCD projector, computer / Laptop, Flip-chart, Markers, Paper;
5. Training Time: at least 3 days, preferably 5 days in line with NPPA training standards;
6. Training Curriculum: curriculum that was created by NPPA;
7. Facilitators/Teachers: Certified Training of Trainers of the NPPA;
8. Materials / Training Materials: Presidential Decree No. 80/2003 book and its amendments, for each participant (minimum requirement).

Second, building the certification exam system based on computer, which started in March, 2010 and have aims to expand access to officials who will be assigned as Commitment Officials (PPK) / Procurement Committee / Member

of PAU and does not have a certificate; reduce operational costs such as exam material reduplication cost and labor cost, and expedite the certification process in which participants can find out the results of direct examination (on the spot), and delivery of certificates of one hour after the announcement of exam results. Accordingly, the credibility of the provider of procurement and goods / services can be seen through the implementation of integrity pacts were introduced by Transparency International (TI) since 1990. In general, the Integrity Pact (PI) is a binding written agreement not to give, receive, bribes, gifts, either directly or through intermediaries-between all parties involved, especially involved in the procurement of goods and public services, and promised to keep every process in a transparent manner, and make business transactions between the bidder / contractor to be fairer, non-discriminatory, transparent and accountable. This will lead efforts to prevent corruption in procurement.

Sustainability of public procurement reform in Indonesia is still continuing to support the realization of good governance and clean government, such as the signing of technical assistance between Indonesian government with the Asian Development Bank on December 31, 2010 (NPPA Highlights, 2010), with the aim of increase transparency and efficiency in public procurement process through activities such as institutional development, capacity building of professional procurement personnel, public awareness, and capacity building of the procurement system.

4.2. Assessment on Government Procurement Reform Efforts

This subsection describes an assessment of procurement reform efforts, which so far undertaken by government, although reforming agenda is still on the way,

as described in subsection 4.1. This fact indicates that the assessment could not be conducted by the overall framework and final. However, this study tries to provide general assessment concerning performance achievement that success in implemented.

Reform of the procurement regulations had been implemented by doing a 10 (ten) time's improvement over the past 10 (ten) years (see table 6). The dynamic of this change on one side is good for the improvement of the procurement system in accordance with international standards and the development of the strategic environment. However, from the state administration sided, this is a form of lack of human resources capability, which resulting inefficiency as section 3.2 mention about because the changes are not made in the overall framework. In the other hand, the procurement regulation in the form of laws still on the process and has not been published.

Meanwhile, the institutional reform in the procurement institution has successfully created a number of important steps in the Indonesian procurement policy and strategy. Successfully NPPA as a functional institution has made Indonesian procurement goods/services more transparent, equitable, effective, efficient, and professionalism on procurement actors. However, NPPA broad authority feared will lead to generate discretion and other individual negative acts because of zero checks and balances mechanism on the NPPA performance.

As for reforms in the procurement process through e-procurement, the government of Indonesia through the NPPA has successfully implemented e-procurement at central and local government institutions (see table 7 and 8). Although not yet all agencies implementing e-procurement because it is

hampered by the availability of ICT infrastructure, but this step is a turning point for efforts to achieve transparency of governance.

Meanwhile, reforms in procurement monitoring and law enforcement cannot be said a success, considering the public procurement is a still prone field to corruption as the data shown in Table11 (page75). Successfully in the law enforcement aspect at the public procurement so relies on law enforcement reforms itself. On the other hand, the external monitoring tools such as society supervision, especially NGOs in the field of public procurement and corruption, has been the success to be a watchdog for each procurement process, like Indonesian Procurement Watch and Indonesian Corruption Watch, which is consistent reporting the suspected corruption in the government projects.

To strengthen the capacity of procurement actors, NPPA has been successfully improving procurement actors' related with the development policies, strategies, and steps as showed in figure 9 and table 15. This capacity building conducted through procurement training, which ended with the certification exam of the procurement.

4.3. Implementation Strategy on Procurement Reform

So as an Indonesian procurement system reform agenda runs suitable with its purposes, then implementation strategy is needed that was in line with a national development planning agenda. Its implementation strategy described as follows:

Strengthening Public Procurement Program

The government of Indonesia has set a stabilization program of public procurement as a first priority (subprogram) of national development program 2010 under bureaucracy and governance reform according to Presidential Instruction No. 1/2010 about the Acceleration of the Implementation of the National Development Priorities in 2010. In the stabilization program, there are 2 (two) of priority activities, namely strengthening procurement regulation and the establishment of a new Electronic Procurement Service in the Ministry/Agency/Regional government with the coordination of NPPA.

In the strengthening of laws and regulations concerning procurement, NPPA has prepared the procurement law draft as an umbrella law that is more extensive and comprehensive, such as the regulation of procurement through the mechanism of financing / foreign grants and financing from SOE, and setting sanctions more forceful on the public procurement process. The position of it draft bill has been signed in 2011 Prolegnas lists and waiting for discussion by the Parliament. While the formation of new LPSE intended to accelerate implementation of e-procurement within the Ministry / Agency / Regional. Thus, the objectives to be achieved from these programs were to realization of increased efficiency of government expenditures.

National Action Plan for Combating Corruption

Combating corruption in the field of public procurement refers to the National Action Plan for Combating Corruption 2010-2025 (RAN-PK 2010-2025) proclaimed by the government with the following strategies: (1) carry out preventive measures, (2) carry out strategic measures in the field of action, (3) implementing the harmonization and drafting of legislation in the field of

combating corruption and other sectors, (4) carry out rescue assets as the result of corruption; (5) enhance international cooperation in order to eradicate corruption, and (6) improve coordination in order to reporting of the implementation of combat corruption efforts. These strategies are the result of the ratification of the UNCAC by the Republic of Indonesia through Law No. 7 / 2000 which aim to continue, consolidate and improve the anti-corruption efforts and policies to have a concrete impact for welfare, sustainable development and consolidation of democracy.

ICT Infrastructure Development Program

Strategic programs in infrastructure development implemented in government work plan 2011 that promote the preparation of the ICT Fund to finance the construction of fiber optic backbone network (Presidential Instruction No.1/2010). The program is supported by a budget allocation of the Ministry / Agency for ICT, which has increased sharply about 56.4% from 2010.

Procurement Compliance Performance Indicator

NPPA has developed a Compliance Performance Indicator (CPI), which aims to assess, monitor and evaluate the conditions of procurement in real terms. The Government of Indonesia hope that CPI is one of an effective monitoring tool in the implementation of reforms that still continues.

Human Resources Development Procurement

Human resources development procurement policy and strategy that have been formulated by the NPPA are part of a comprehensive effort in the procurement

reform agenda in Indonesia. And these development policies is⁹ : (1) develop institutional framework includes policies, rules, organization and management, (2) increase the capacity of facilities, management, infrastructure developers and managers of human resources, and (3) develop the inter-agency cooperation network on national and international.

In the meantime, the strategy followed in the procurement of human resources development are: (1) develop a system to build professional careers and procurement of government, (2) develop and conduct competency-based training system procurement of goods / services of government, and (3) develop a system and held a professional certification of procurement of goods / services of an independent government with guaranteed quality. Based on human resources development policy and procurement strategy, the strategic steps that should be done by government can be shown in the table below.

Table 18
Procurement Apparatus Development Steps

No	Steps	Description
1	Profession Development	<ul style="list-style-type: none"> ▪ The formulation of competency standards and expertise qualifications ▪ The Development and Career Guidance System ▪ Human Resources Information System Development ▪ The Arrangement and Professional Ethics Coaching ▪ Procurement Professionalism: Improvement and Profession Organization ▪ Working Market Research: Needs and Working Profiles

⁹ Deputy of Human Resources Development of Procurement – NPPA, 2009. National Symposium on Human Resource Development of Procurement: Policy, Strategy and Steps, October 14, 2009, Makassar, Indonesia.

No	Steps	Description
2	Competence Based Training Development	<ul style="list-style-type: none"> ▪ Formulation of Policies, Guidelines, Standards, and Competency-Based Training Manual ▪ Assessment of training needs ▪ Quality control training ▪ Accreditation of training programs / training institutions ▪ The development of curricula and training modules ▪ Implementation of training for instructors ▪ The development of networking among institutions / training resources
3	Profession Certification System Development	<ul style="list-style-type: none"> ▪ Formulation of Policies, Systems, Guidelines, Standards, and Manual Competence Testing / Certification ▪ Profession Competence Exam ▪ Control of Quality Assurance of Competence /Certification ▪ Certification Management Information System

Source: NPPA, 2009

To strengthen the implementation of professional certification system development step, NPPA has issued Deputy Human Resources Development Decree No. 1/2011 about the Establishment of Skills Certification Committee on Government Procurement, and Deputy Human Resources Development Decree No. 2/2011 about of Graduation Certification Exam Level One/ Basic Threshold. This policy is made to ensure professionalism in carrying out procurement activities.

4.4. Conclusion

The government procurement reform in Indonesia is a still ongoing process to achieve the best system of procurement and in line with international best

practices. The success of procurement reform is highly depended on the other's reform agenda in Indonesia, such as bureaucracy reform and law enforcement reform.

However, so far procurement system reform in Indonesia is considered increased considerably, by using various indicators such as CPI score, government efficiency (NPPA Smart Report), OECD Snapshot Assessment 2007, and other statistical data, (e.g. number of agencies using e-procurement, and law enforcement performance).

CHAPTER 5

ANALYSIS AND DISCUSSION

5.1. Indonesian Public Procurement System

Based on the procurement reform effort that has been and is being run, there are some important points of concern in this study, so it can be used as a recommendation for the government in the next procurement reform strategy.

First point, no doubt for the public procurement system in Indonesia to implement e-procurement as a whole and complete. This is based on that e-procurement can make the procurement process more efficient (see table 9), transparent as it can be widely accessed by the public as well as to create a healthy competition climate in the business because it gives an equal opportunity to any enterprises (local, national, and international) to follow the auction process.

E-procurement is also able to minimize the occurrence of corruption by cutting bureaucratic activity that tends to be inefficient and cumbersome, although e-procurement is not the only remedy in combating corruption. While other remedies that have contribute to combat corruption is organizational behavior changing and mentality of government procurement executive officer. In this case, the successful implementation of the e-procurement system must be supported by a reliable bureaucracy, and the attitude of officials who are honest, fair and professional, as disclosed by Ware, et al. (2006, p.319) that “E-procurement can be an effective tool for reducing corruption, but it must be complemented by several institutional reforms”. So, reforming agenda in the

public procurement cannot be implemented in partially way, but should be in the comprehensive way along with another reforming agenda in Indonesia.

Second point, institutional reform with the establishment of the NPPA has made NPPA duties, functions and authorities being complex, which is as a national procurement policy makers, e-procurement development, organizer of procurement training, developer for procurement certification for procurement apparatus, and implementers of national procurement monitoring and evaluation. The broad authority of NPPA feared would lead to make discretion and other individual negative acts for its Government Officials in the procurement process because there are no checks and balances mechanism.

Third points, tools of monitoring and evaluation procurement in the internal organization of government have not been able to effectively prevent the occurrence of corrupt practices. It is inversely proportional to the external monitoring mechanism established by the society such as NGO's and other civil society. They consistently reported allegations of corruption that occurs in public procurement activities. Internal monitoring tools in the form of Compliance Performance Indicators were up to now not be used because it is still in the stage of preparation.

So, Indonesian procurement system reform is still needed to continue and build another improvement strategy until all the party who evokes in the procurement process working with the high performance, lower corruption acts, giving the best quality public service, and having national and international world recognition.

5.2. Supporting Evidence

In this section outlined the study conducted by KPK on the implementation of e-procurement in the Surabaya City, and the comparison study with the variable involving Corruption Perception Index and e-procurement in all countries in the world, as the material support of this study.

Reviewing Successful Implementation of e-procurement in the government of Surabaya (KPK, 2007)

Forerunner for implementation of e-procurement in the city of Surabaya began in early 2003 through the simultaneous auction process and only covers a pre-qualification process. The response and enthusiasm from the business world towards this program are very good with about 3,000 business entities register to the site www.lelangserentak.com.

In line with the publication of Presidential Decree Number 80 Year of 2003, in 2004 the e-procurement Surabaya has been improved with the name SePS (Surabaya e-Procurement System), and can be accessed at www.surabaya-eproc.or.id. Until the year 2007, SePS have produced the amount, the contract value and type of work as shown in the table below:

Table 19
SePS Performance

		2004	2005	2006	2007
Number of Works		719	1869	1163	359
Contract Value (Billion)		183	413	288	196
Working Types (Percent)	Construction Service	66.54	66.81	71.50	62.28
	Non-Construction Service	0.73	0.55	0.30	0.85
	Good Supply Service	20.51	11.70	10.90	22.00
	Other Services	6.84	2.97	4.00	7.71
	Consultation Service	5.37	3.27	4.30	7.14

From the volume and value of work as seen in the table above, Surabaya e-procurement system has been used by more than 3443 vendors and 43 Government Unit Work in Surabaya City

Based on this study, the results of Surabaya City e-Procurement that has been achieved are described in the following table.

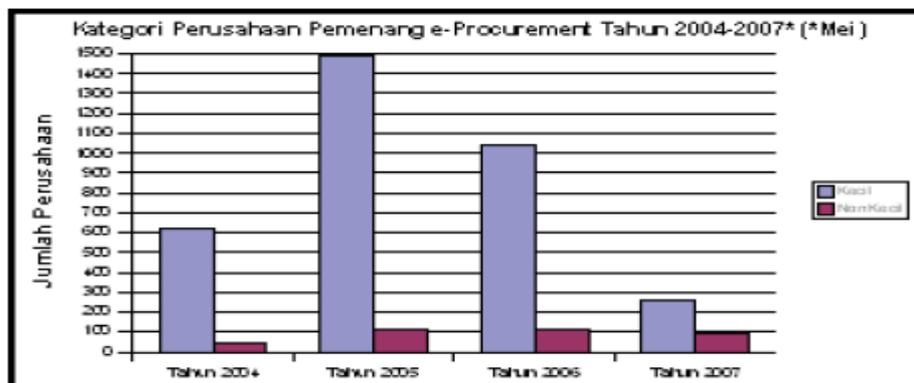
Table 20
Results for e-Procurement Output, Outcomes and Impacts

No	Output	Outcome Results	Potential Impacts
1	Number and Types of Work: 1. Number Packets of Work 2. Working Types 3. Working Qualifications	1. Maximization in the results of working packets 2. Create fair competition	1. Increasing job opportunity for small enterprises
2	Transparency in Procurement: 4. Open announcement twice per month in website 5. No limit to join 6. Registration mandatory for participant 7. Procurement socialization at the certain time to participant 8. Procurement process can be access in portal 9. Participant can access the result 10. Professional vendor	1. Society supervision in the procurement 2. Avoiding the corrupt acts 3. The accuracy of credibility of providers goods/services 4. Increasing the specification of goods/services 5. Create fair competition	1. Reducing corruption acts in the state/local financial 2. Increasing job opportunity for small enterprises
3	Good Database: 1. Names of Companies Data 2. Companies Qualifications Data (small and non-small) 3. Companies Address and Financial Data (Surabaya and Non-Surabaya) 4. Price Data and Goods Specifications update	1. The accuracy of credibility of providers goods/services 2. Society supervision in the procurement	1. Savings in the state/local financial 2. Reducing corruption acts in the state/local financial
4	Procurement Process Times Maximization: 1. Fast and Precisely in the Evaluation 2. Document Download without Presence 3. One Step of Bidding Rounds 4. Quick Response from Procurement Committee	1. Maximization in the results of working packets 2. Create fair competition	1. Reducing corruption acts in the state/local financial 2. Awareness from the society
5	Administration Quality	1. Maximization in the	1. Reducing corruption acts

No	Output	Outcome Results	Potential Impacts
	Improvement: 1. The Availability of Goods Specification Information 2. Electronic Process 3. Paperless 4. Administration Fee Savings	results of working 2. Increasing the specification qualification of goods/services 3. Create fair competition 4. Society supervision in the procurement 5. Avoiding the corrupt acts	in the state/local financial 2. Savings in the state/local financial
6	The procurement offering data accuracy : 1. IKP 2. Password for NPWP 3. Password of Bidding Account 4. Only Committee (has account) can Open Bidding	1. Avoiding the corrupt acts 2. Increasing the specification qualification of goods/services 3. the accuracy of credibility of providers goods/services 4. Create fair competition	1. Reducing corruption acts in the state/local financial 2. Savings in the state/local financial
7	Face to Face Minimization	1. Avoiding the corrupt acts 2. Create fair competition	1. Reducing corruption acts in the state/local financial

In the column above can be seen that the impact of the e-procurement implementation in Government of Surabaya City can increase job opportunities for small businesses as shown in the figure below.

Figure 9
Auction Winners Companies Category with e-procurement 2004-2007



Source: KPK Research Report, 2007

Based on the figure above shows that during the period of 3 (three) year, an average of 90% of the winning bidder procurement came from small companies. The rest about 10% is mixed between midst and big companies.

In addition, e-procurement is also able to save the state / region budget by 20-25%, besides that can reduce corruption acts. Apart from the state, saving budget as well for the bidders (companies) due to a paperless process that saves costs of the administrative process, transportation, and service delivery fees. Moreover, e-procurement can save the time process, which is from the original 36 days by conventional means, to 20 days with e-procurement.

The success of Surabaya City e-procurement is supported by the reliability of human resources in the field of ICT, particularly in the Secretariat Service e-procurement. They consist of 12 (twelve) persons, including contract workers who have a high dedication in work. Most of these human resources are graduates from local universities such as University of Technology, Institute of Technology Aditama and Institute of Technology (ITS) Surabaya. Secretariat e-procurement has obtained ISO 9001:2000 Quality Management System and ISO 27001:2005 Information Security Management Systems.

The overall positive result obtained from the application of e-procurement in Surabaya City has produced award and public trust on the performance of the Surabaya City. The manifest of its awards came from: (1) Java Pos Institute of Pro-Autonomy in Regional Category in a Leading Profile on Public Accountability on April 28, 2004; (2) e-Government Award from Warta Economy magazine in 2004, (3) Java Pos Institute of Pro-Autonomy in Regional Category in a Leading Profile on Public Accountability May 4, 2005, and (4) e-Government Award from Warta Economy Magazine in 2007 for two categories,

namely “Special Achievement Award for e-Procurement” and the “Special Achievement Award for leadership” on strong leadership from the Mayor of Surabaya to run e-Procurement (see Appendix B).

In addition, the Surabaya City e-procurement which is the prototype of a national e-procurement developed by the NPPA and a model for implementing e-procurement in 15 other agencies to cooperate in the e-Government system implementation. These 15 agencies are: East Kalimantan Province, Gorontalo Province, NTB Province, Pamekasan District, Lamongan District, Bogor City, Tabalong District, Ministry of Foreign Affairs, Ministry of Industry, Board of Rehabilitation and Reconstruction for Nanggroe Aceh Darussalam Province and Nias Island (BRR NAD-Nias), Bandung City, Batam City, Balikpapan City, Tanjung Jabung Barat District, and Denpasar City.

From the results of this study can be concluded that the many benefits derived from implementation of e-procurement in a government agency. All that can be achieved if there is a strong commitment from the leadership of the agency to implement good procurement systems.

Comparison between Countries with e-procurement and Countries without e-procurement based on Corruption Perception Index 2010

This activity aims to know the relationship between the implementation of e-procurement with the CPI Index published by Transparency International every year, although the indicator measuring the level of corruption in the CPI is not solely based on the factor of using e-procurement. However, this still can be used as a barometer of relevance between e-procurement with the corruption level based on data from Transparency International, 2010 and e-Government

Procurement of Multilateral Development Banks, 2009 through the following table:

Table 21
Comparison Countries with and without E-procurement

No	E-procurement Countries	CPI Score	CPI Rank	Countries Without E-procurement	CPI Score	CPI Rank
1	Denmark	9.3	1	Barbados	7.8	17
2	New Zealand	9.3	1	Qatar	7.7	19
3	Singapore	9.3	1	Uruguay	6.9	24
4	Finland	9.2	4	France	6.8	25
5	Sweden	9.2	4	United Arab Emirates	6.3	28
6	Canada	8.9	6	Israel	6.1	30
7	Netherlands	8.8	7	Botswana	5.8	33
8	Australia	8.7	8	Puerto Rico	5.8	33
9	Switzerland	8.7	8	Taiwan	5.8	33
10	Norway	8.6	10	Bhutan	5.7	36
11	Iceland	8.5	11	Brunei	5.5	38
12	Luxembourg	8.5	11	Mauritius	5.4	39
13	Hong Kong	8.4	13	Costa Rica	5.3	41
14	Ireland	8.0	14	Oman	5.3	41
15	Austria	7.9	15	Dominica	5.2	44
16	Germany	7.9	15	Cape Verde	5.1	45
17	Japan	7.8	17	Macau	5.0	46
18	United Kingdom	7.6	20	Bahrain	4.9	48
19	Chile	7.2	21	Seychelles	4.8	49
20	Belgium	7.1	22	Saudi Arabia	4.7	50
21	United States	7.1	22	Kuwait	4.5	54
22	Estonia	6.5	26	South Africa	4.5	54
23	Slovenia	6.4	27	Malaysia	4.4	56
24	Cyprus	6.3	28	Namibia	4.4	56
25	Spain	6.1	30	FYR Macedonia	4.1	62
26	Portugal	6.0	32	Samoa	4.1	62
27	Malta	5.6	37	Rwanda	4.0	66
28	Korea (South)	5.4	39	Cuba	3.7	69
29	Poland	5.3	41	Montenegro	3.7	69
30	Lithuania	5.0	46	El Salvador	3.6	73
31	Hungary	4.7	50	Trinidad and Tobago	3.6	73
32	Jordan	4.7	50	Vanuatu	3.6	73
33	Czech Republic	4.6	53	Colombia	3.5	78
34	Turkey	4.4	56	Lesotho	3.5	78
35	Latvia	4.3	59	Peru	3.5	78
36	Slovakia	4.3	59	Serbia	3.5	78
37	Tunisia	4.3	59	Malawi	3.4	85
38	Croatia	4.1	62	Albania	3.3	87
39	Ghana	4.1	62	Jamaica	3.3	87
40	Italy	3.9	67	Liberia	3.3	87
41	Georgia	3.8	68	Bosnia and Herzegovina	3.2	91

No	E-procurement Countries	CPI Score	CPI Rank	Countries Without E-procurement	CPI Score	CPI Rank
42	Brazil	3.7	69	Djibouti	3.2	91
43	Romania	3.7	69	Gambia	3.2	91
44	Bulgaria	3.6	73	Kiribati	3.2	91
45	Panama	3.6	73	Swaziland	3.2	91
46	China	3.5	78	Burkina Faso	3.1	98
47	Greece	3.5	78	Dominican Republic	3.0	101
48	Thailand	3.5	78	Sao Tome and Principe	3.0	101
49	Morocco	3.4	85	Tonga	3.0	101
50	India	3.3	87	Moldova	2.9	105
51	Guatemala	3.2	91	Benin	2.8	110
52	Egypt	3.1	98	Bolivia	2.8	110
53	Mexico	3.1	98	Gabon	2.8	110
54	Zambia	3.0	101	Kosovo	2.8	110
55	Algeria	2.9	105	Solomon Islands	2.8	110
56	Argentina	2.9	105	Ethiopia	2.7	116
57	Kazakhstan	2.9	105	Guyana	2.7	116
58	Senegal	2.9	105	Mali	2.7	116
59	Indonesia	2.8	111	Mozambique	2.7	116
60	Mongolia	2.7	116	Armenia	2.6	123
61	Tanzania	2.7	116	Eritrea	2.6	123
62	Vietnam	2.7	116	Madagascar	2.6	123
63	Lebanon	2.5	127	Niger	2.6	123
64	Syria	2.5	127	Belarus	2.5	127
65	Uganda	2.5	127	Ecuador	2.5	127
66	Azerbaijan	2.4	134	Nicaragua	2.5	127
67	Bangladesh	2.4	134	Timor-Leste	2.5	127
68	Philippines	2.4	134	Honduras	2.4	134
69	Pakistan	2.3	143	Nigeria	2.4	134
70	Cameroon	2.2	146	Sierra Leone	2.4	134
71	Nepal	2.2	146	Togo	2.4	134
72	Cambodia	2.1	154	Ukraine	2.4	134
73	Kenya	2.1	154	Zimbabwe	2.4	134
74	Russia	2.1	154	Maldives	2.3	143
75	-	-	-	Mauritania	2.3	143
76	-	-	-	Côte d'Ivoire	2.2	146
77	-	-	-	Haiti	2.2	146
78	-	-	-	Iran	2.2	146
79	-	-	-	Libya	2.2	146
80	-	-	-	Paraguay	2.2	146
81	-	-	-	Yemen	2.2	146
82	-	-	-	Central African Republic	2.1	154
83	-	-	-	Comoros	2.1	154
84	-	-	-	Congo-Brazzaville	2.1	154
85	-	-	-	Guinea-Bissau	2.1	154
86	-	-	-	Laos	2.1	154
87	-	-	-	Papua New Guinea	2.1	154
88	-	-	-	Tajikistan	2.1	154
89	-	-	-	Democratic Republic of Congo	2.0	164
90	-	-	-	Guinea	2.0	164
91	-	-	-	Kyrgyzstan	2.0	164

No	E-procurement Countries	CPI Score	CPI Rank	Countries Without E-procurement	CPI Score	CPI Rank
92	-	-	-	Venezuela	2.0	164
93	-	-	-	Angola	1.9	168
94	-	-	-	Equatorial Guinea	1.9	168
95	-	-	-	Burundi	1.8	170
96	-	-	-	Chad	1.7	171
97	-	-	-	Sudan	1.6	172
98	-	-	-	Turkmenistan	1.6	172
99	-	-	-	Uzbekistan	1.6	172
100	-	-	-	Iraq	1.5	175
101	-	-	-	Myanmar	1.4	176
102	-	-	-	Somalia	1.1	178
Number of Countries: 74				Number of Countries: 102		
CPI Score 5.0 above: 30				CPI Score 5.0 above: 17 (16.67%)		
CPI Score 5.0 below: 44				CPI Score 5.0 below: 85		

Based on the above table it can be seen that, in countries with e-procurement implementation that has CPI score of 5.0 above about 30 countries or 40.54% from all countries with e-procurement, and who are under the score 5.0 by 44 countries or 59.46%. While the countries without an e-procurement implementation have CPI score above of 5.0 about 17 countries or 16.67% and a score below of 5.0 about 85 countries or 83.33%. Threshold score of 5.0 was used as the lowest level of corruption that occurred in the country concerned.

It can be concluded that countries with implemented e-procurement will have a CPI score and ranks are far better than countries that do not implement e-procurement. This result similar with the argumentation of this study who said that e-procurement is one effective tool to prevent corrupt practices in the public procurement.

5.3. South Korea Experience

This section describes the success experience of South Korea in implementing e-procurement as international best practices, and became a model for developing e-procurement in developing countries, especially Indonesia.

Korea Online e-Procurement System

Procurement organizations in South Korea known as the Public Procurement Service (PPS), established in 1949 with employees amounted to 935 persons. PPS is a central procuring agency that has the task of providing goods and services to about 30,000 Korean institutions and contract construction projects for central and local governments (individual goods valued more than 42,000 USD and contract construction projects valued more than 2.5 Million USD)¹⁰.

Earlier step on South Korea's procurement system is inseparable from the problems of paper-oriented procedures, labor-intensive work and complicated process, resulting in procurement of inefficiency, low transparency and low service quality. However, the strategic environment changes such as the IT bubble in early 2000, and a strong commitment from government to provide the best service to the community, has made PPS conducting reform by implementing the cyber market for the entire public procurement process with the concept of the single window (integrated bidding information and one-time registration for all participant bidding), and online transactions (E-purchase request, bidding, contract, payment, one-stop service - Including internet banking; and accessible to information of 80 institutional systems linked to KONEPS) 1 . The journey of South Korea's e-procurement reform is presented

10 PPS, 2003. Innovation in Procurement through Digitalization. November, 5, 2003. PPS: Seoul.

in the following table (based on presentation material of PPS in 2003 and KONEPS in 2007)¹¹.

Table 22
Steps to Korea Online e-Procurement System

Year	Descriptions
PPS e-procurement (1997 – 2001)	
1997	EDI (20 public organizations users)
	e-shopping mall (goods)
2000	Construction and services included in the shopping mall based on XML
2001	e-bidding, contract, payment and foundation for e-procurement with conducting several acts, such as development of e-catalog, revision of 22 procurement laws and regulations, and education of customers and suppliers in e-procurement
Government-wide expansion (2001 – 2002)	
2001	One of the 11 e-government projects <ol style="list-style-type: none"> 1. Government-wide efforts made by creating a task force comprising relevant institutions and businesses 2. Utilization enhanced by expanding participation and receiving various requests
2002	KONEPS launched after the Business Process Re-engineering/Information Strategy Planning
2003-2005	Built the Disaster Recovery System, Data Warehouse, Customer Relationship Management System, and Ubiquitous Service

The process of South Korea's procurement system reform toward the digitalization procurement system is able to increase the performance of procurement, which has involved “248, 000 users (35, 000 and 157 buyers, 000 suppliers), and records 178, 000 daily website hits and 140, 000 exchange of electronic documents per day with the transaction volume of about U.S. \$ 44 billion” (Solihin, 2007).

¹¹ Solihin, Dadang, 2007. KONEPS Presentation on Public Officials Capacity Building Training Program for Government Innovation, December, 11, 2007. KONEPS: Seoul

Achievements

As the results have been obtained by the Surabaya City in implementing e-procurement, then according to Solihin (2007) e-procurement Republic of Korea has also produced enormous achievements, among others:

1. Saved national budget through improving efficiency: KONEPS success saved annual transaction costs of US\$ 4.5 billion in terms of time and transportation (US\$ 0.4 billion for public organizations);
2. Improved transparency because of eliminating the physical contacts, bid information publicized in real-time online;
3. Improved responsiveness with online payment within 4 (four) hours; and
4. It improved the security of E-Commerce with facilitated the establishment of infrastructure for digital signature and security such as Public Key Infrastructure.

These all achievements have been resulting in international recognition (Solihin, 2007) which describes as table below:

Table 23
International Recognition for KONEPS

No.	Year	Description
1	2003	The First UN Public Service Award
2	2004	The Best e-Government Service Provider (OECD)
3	2004	Best practice model for e-procurement from around the world (UN, "E-government Readiness Index")
4	2005	Reflected the standardized process in the UN global standard
5	2005	BS15000 acquisition from BSI (British Standard Institution)
6	2006	The Global IT Excellence Award in the Public Sector (the 15 th World Congress on Information Technology)

Key Factors for Success

Successful e-procurement South Korea cannot be separated from the role of the key factors that lie behind them. So, its key factors based on PPS (2003) and Solihin (2007) presentations of material are:

- a. Strong will of the government to reforming the public procurement with the establishment of "Special Committee for e-government" as a top task force for building e-government, which is the President himself checked the progress of projects directly through the committee. Then, the Committee involving joint efforts by officials and private sector specialists. It is also encouraged by inter-ministerial cooperation and initiative with the top budgetary priority for e-government.
- b. Well-developed infrastructure with the first ranked in terms of internet connection (35 million internet users, 12 million households with broadband subscribers, etc. Also, no problem occurred in e-bidding with 60 million participants.
- c. Application of systematic BPR/ISP and new technologies (e-signature, encryption, e-documents, meeting global standards) integrated into the e-procurement system.
- d. Employee' professionalism and their motivation for change with the contract technique scheme and know-how accumulated over 50 years.

CHAPTER 6

RECOMMENDATION

6.1. Central Procuring Agency

Implementation of e-procurement in Indonesia is a necessity given the e-procurement has become an effective tool to prevent budgetary inefficiency and corrupt practices in the public procurement, as well as procurement practices in most developed countries.

Ideally, public procurement system that was built in Indonesia is an integrated system with the concept of centralization of e-procurement. However, considering that Indonesia is a large archipelago with 17,000 islands spread from Sabang (Aceh province) to Merauke (Papua province), and issues of ICT infrastructure development that not uniform in each region, then the concept of centralization of e-procurement should be addressed only to center government institutions.

Central procuring agency shall have the duty and authority similar to the Public Procurement System - South Korea, as described in chapter 5. However, the difference is the Indonesian central procuring agency working area only in the central agencies such as Ministries, Institutes, State Commission, State Committee, and other non Ministry Agencies. As for local governments, implementation of e-procurement is still held by their respective government's province / district / city in accordance with the spirit of regional autonomy.

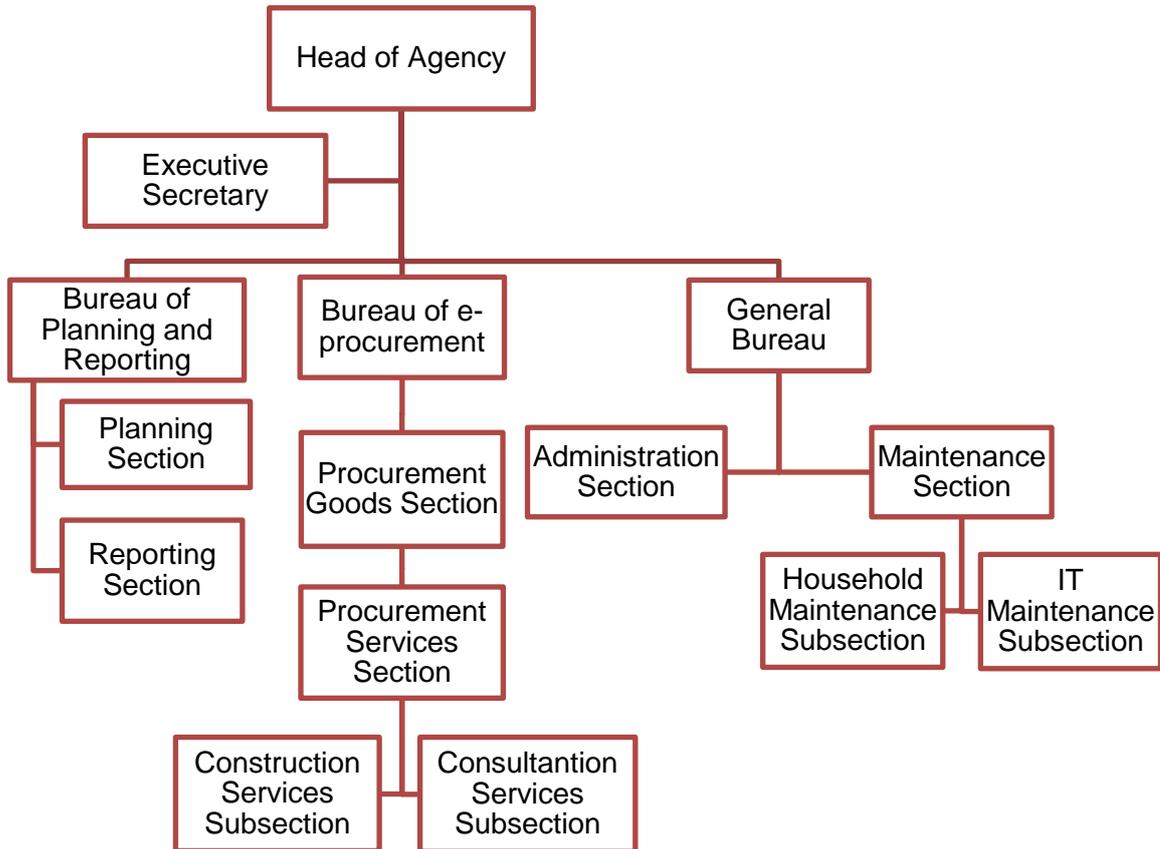
Thus, it is hoped will produce an integrated e-procurement system that in the level of central government institutions, which aims to: (1) realizing the reliability

of e-procurement system, professional and international standards, (2) improve the efficiency of state finances through implementation of integrated procurement of goods / services, (3) the realization of a planned development through the procurement activities that are complementary between one institution with another institution in accordance with their respective requires and functions, (4) create the checks and balance mechanisms which are the Central Procuring Agency is an executive agency procurement while the NPPA is a controlling procurement institution, (5) Minimize the occurrence of corrupt practices because of the mechanism of checks and balances going well in accordance to regulations.

6.2. Structure of Central Procuring Agency

The organizational structure of Central Procuring Agency should be simple and have a clear job description at any portion thereof, where the parts to each other became a mutual support and complementary (not overlapping). This agency is headed by a Chairman and directly responsible to the President, although the performances of its duties are coordinated by NPPA as a coach of national procurement agency. The organizational structure of this body can be described as follows:

Figure 10
Central Procuring Agency Chart



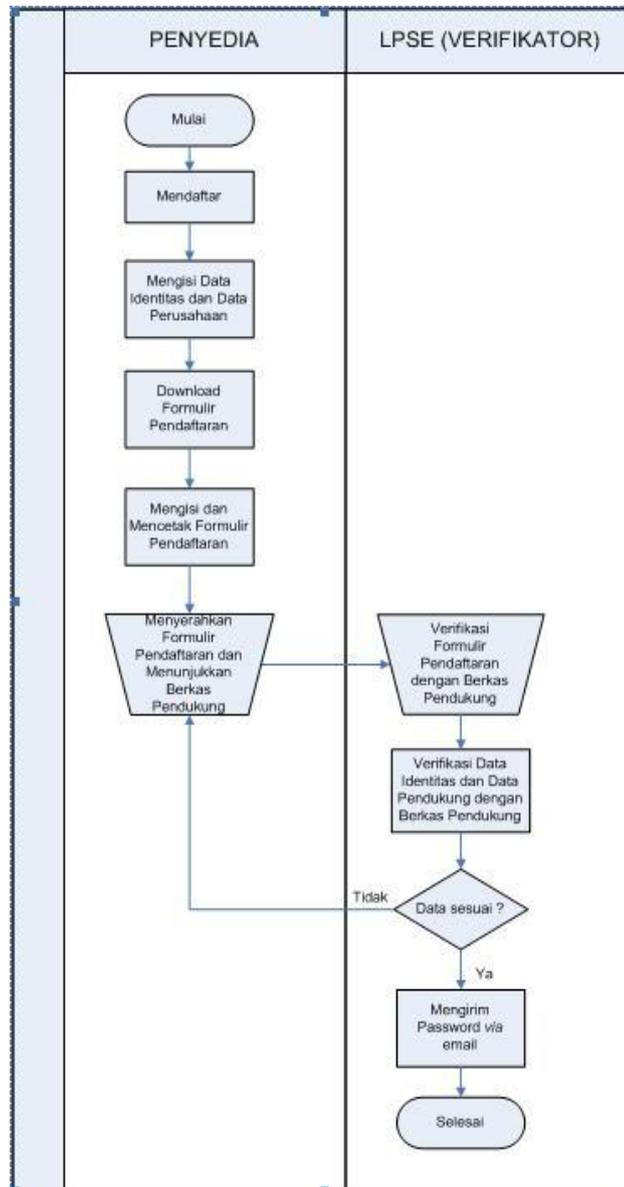
With the existence of this institution, the Procurement Anchor Unit (PAU) at each central agency and EPS became disabled, so that will have an impact on streamlining the organizational structure of central government.

APPENDIX

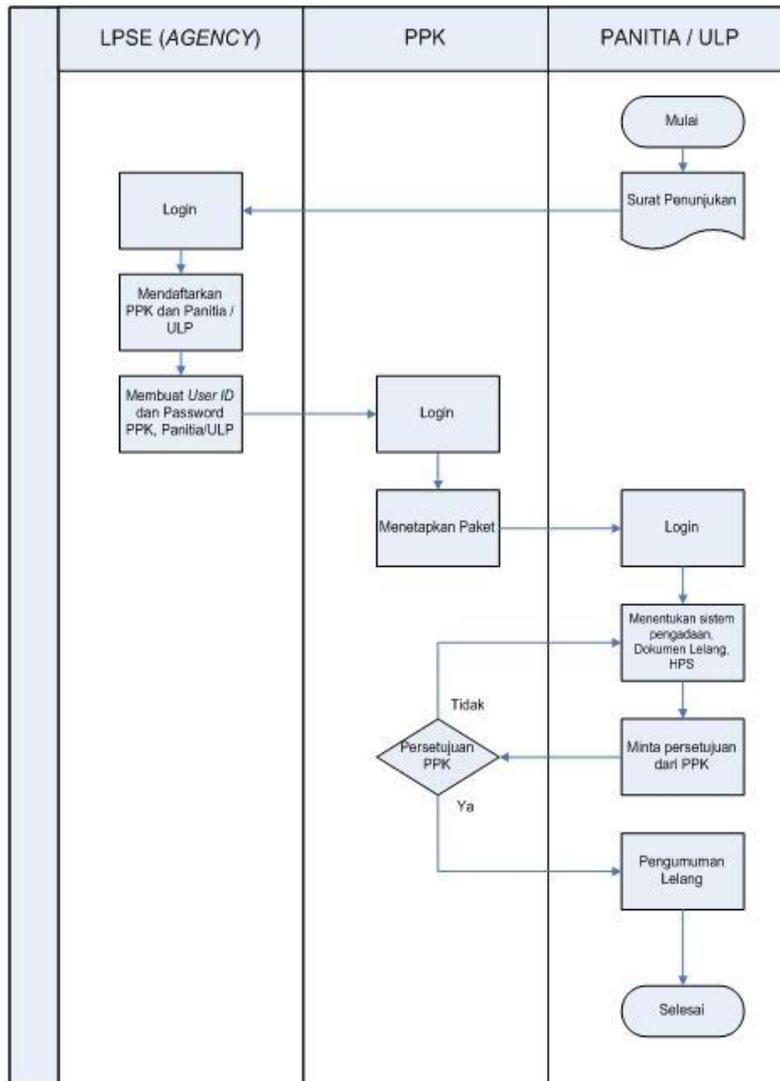
APPENDICES

The procurement process flow chart

1. Providers Register

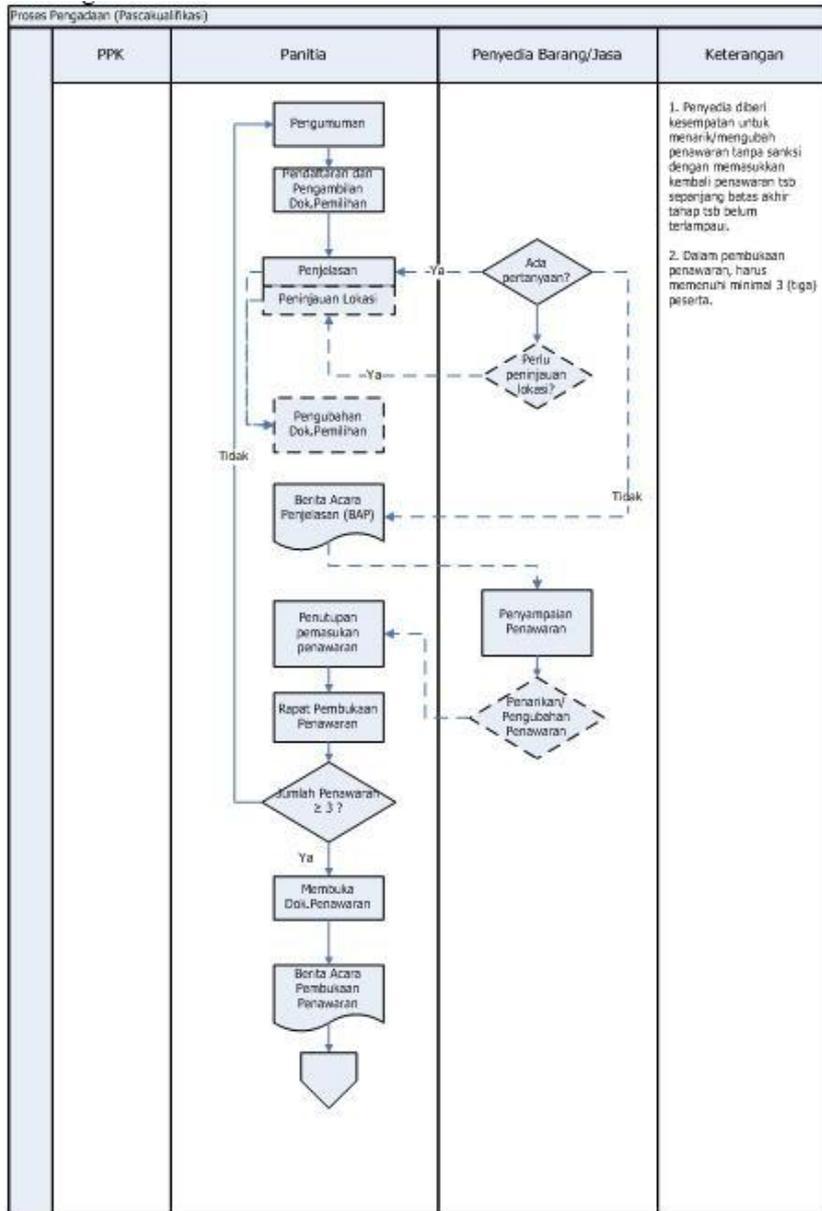


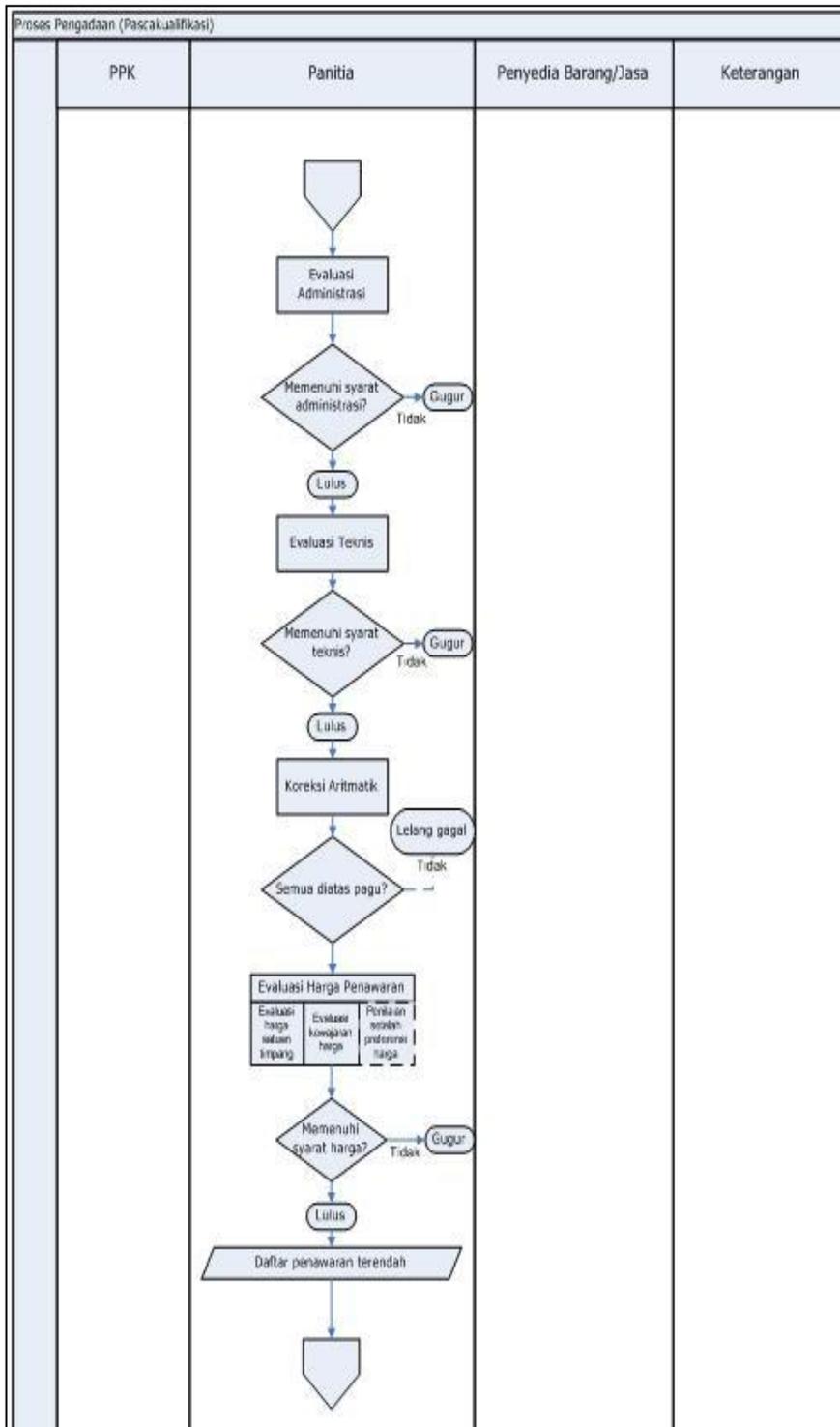
2. Procurement Preparation

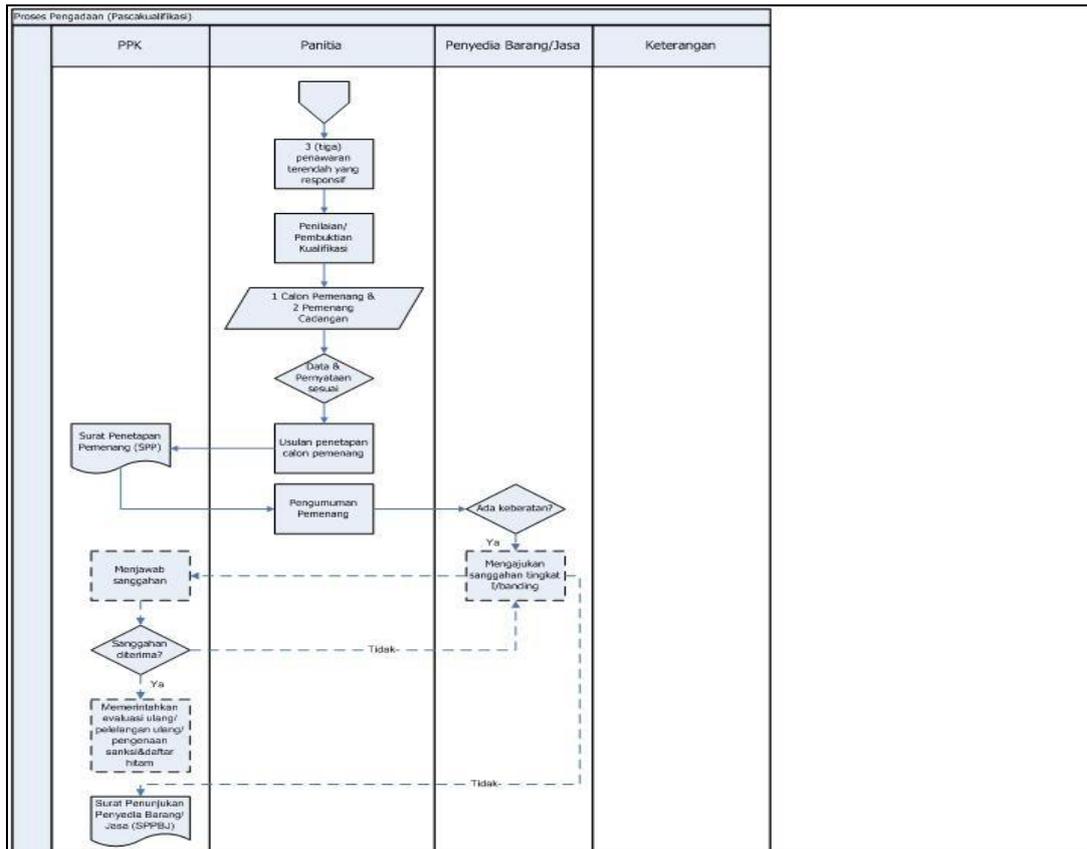


3. Procurement Enforcement

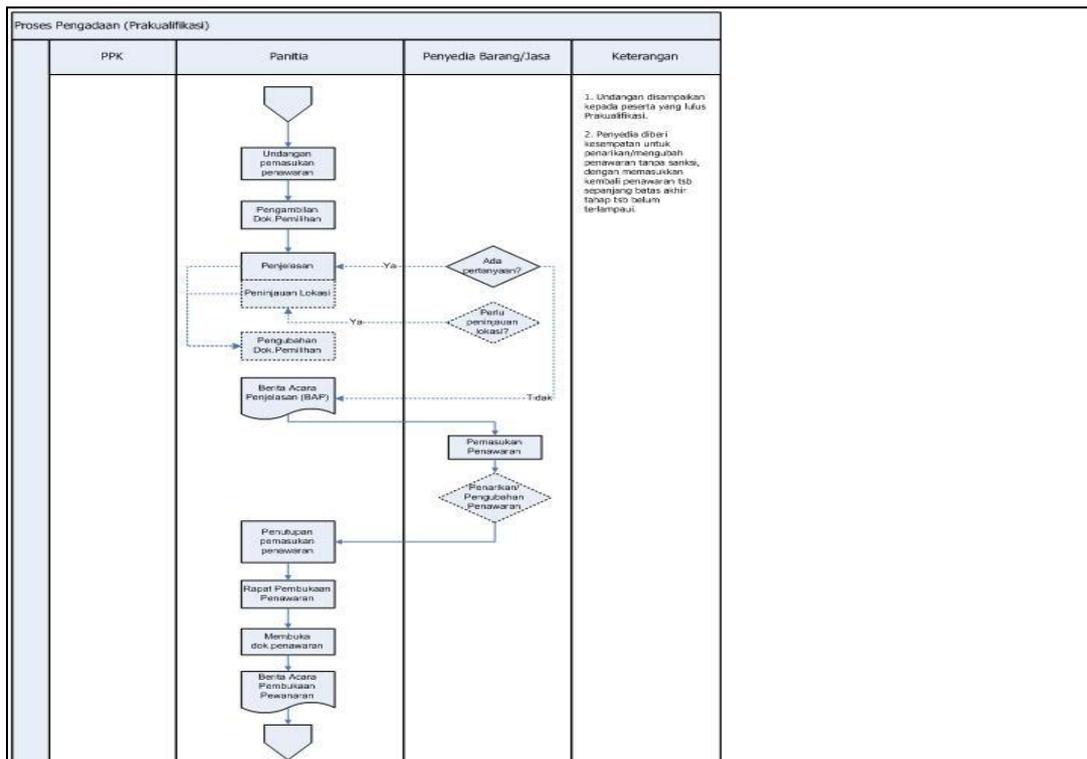
a. After Qualification

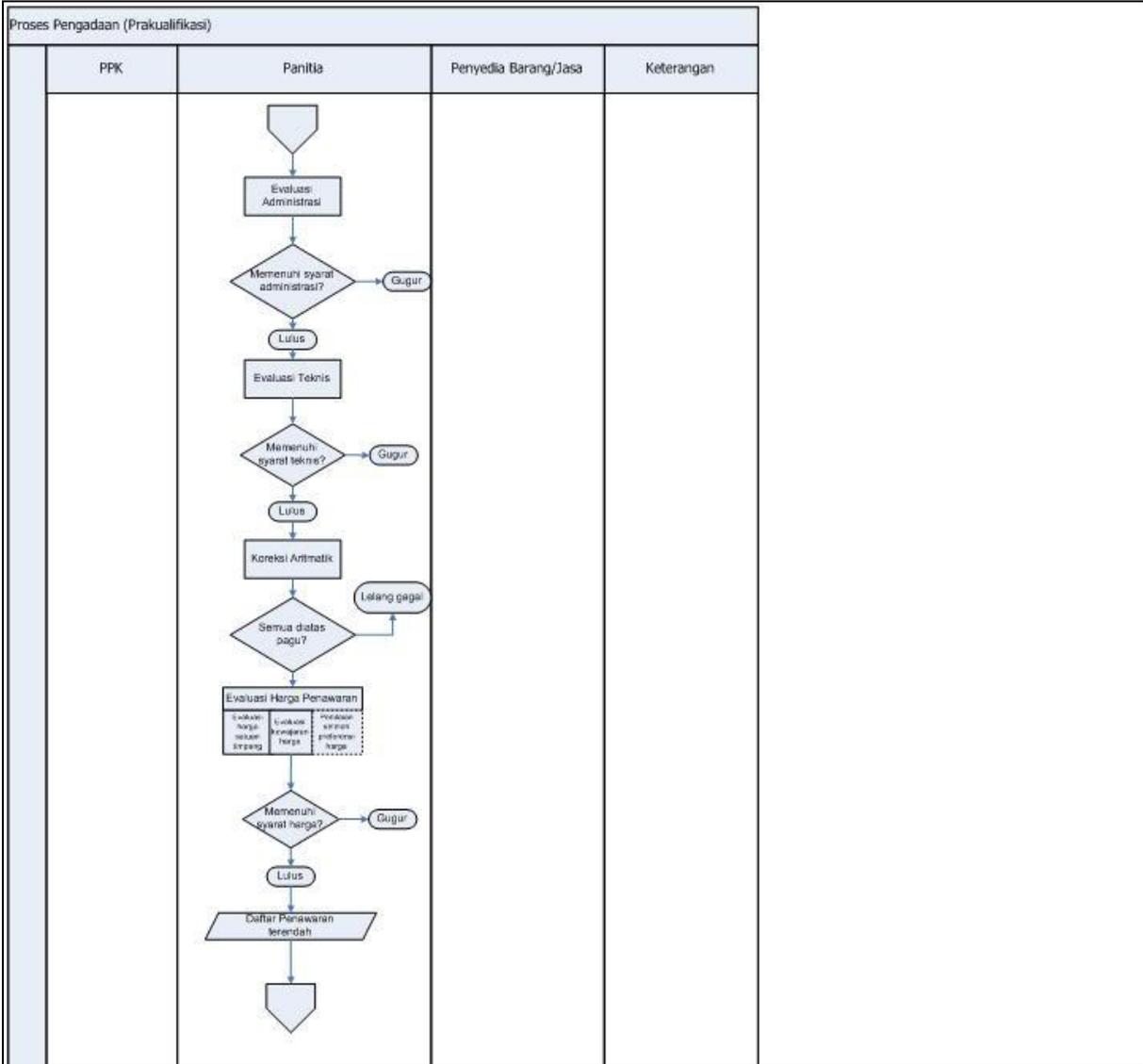


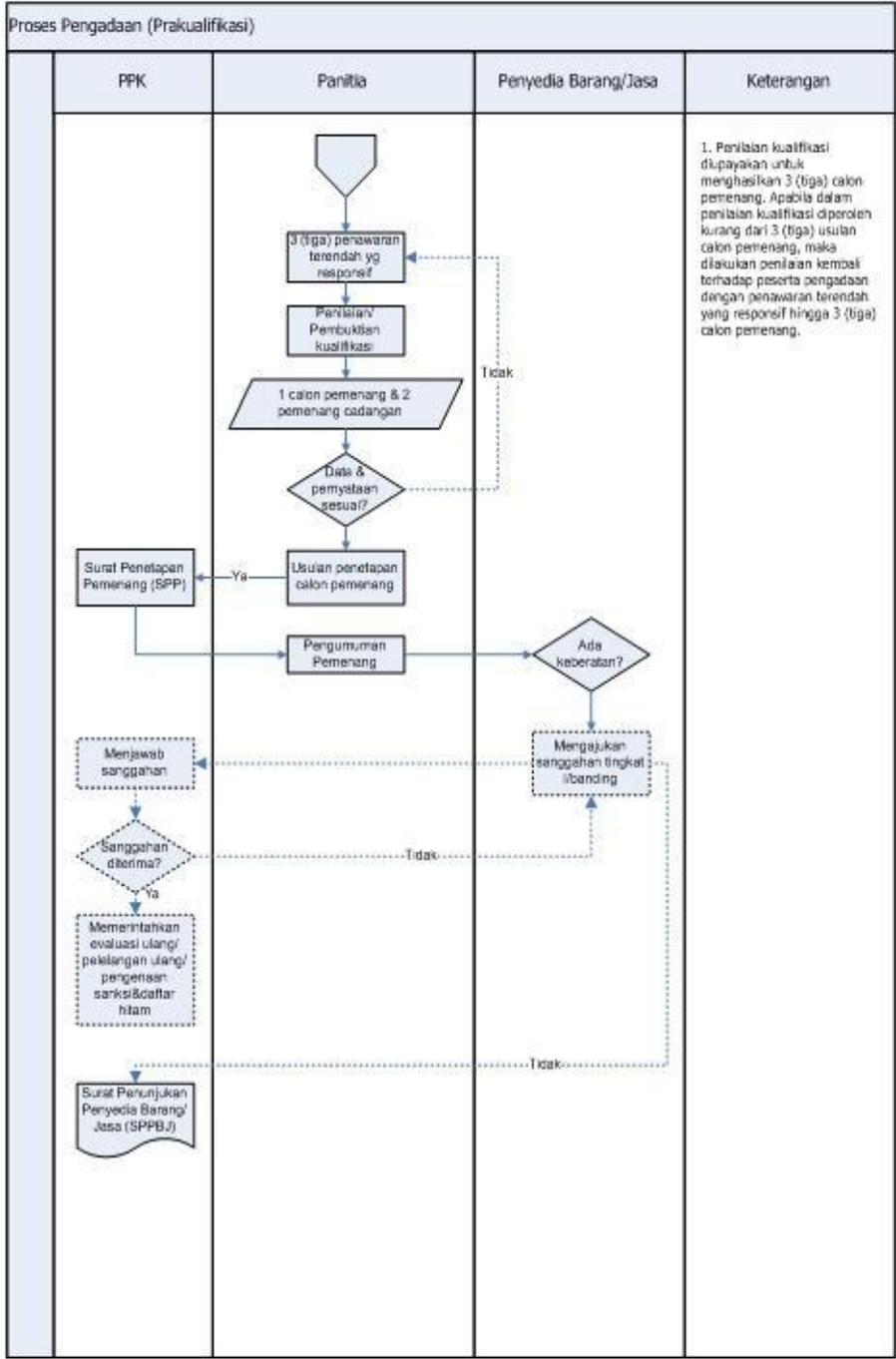




b. Before Qualification







APPENDIX B

E-Government Award from Warta Economy Magazine for Surabaya City in 2007



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