IMPLEMENTATION OF E-PROCUREMENT POLICY

AT KUDUS LOCAL GOVERNMENT

by

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Abstract

Since 2011, Kudus local government have been implement e-procurement policy at their agencies. E-procurement policy is top-down policy model from central government. Therefore, the government of Indonesia issued some regulations and guidelines to implement this policy. this research attempt to describe how the implementations e-procrement policy at Kudus local government. A qualitative approach in descriptive research method is used in this research. The data was collected based on the research questions, theoretical and literature review, and research focus. The interviews conducted to e-procurement stakeholders at Kudus regency and the users based on their experience in e-procurement system.

The result found that for starting implementation of e-procurement, Kudus local government should establish LPSE firstly. For supporting the implementation of e-procurement, LKPP requires several things that must be met in the forming of LPSE, there are: existence action plan and task force (working group), the existence of clear regulations, the readiness of human resources, adequate infrastructure-technology, and training for user (procurement officers and providers). In general, the establishment of Kudus' LPSE has met standard operating procedure required by LKPP. While the supporting factor for e-procurement implementation at Kudus local government are executive mandate or government will, vision and mission of organization, and budget for implementing e-procurement policy.

Based on the case study and interview with users, it can be concluded that implementation of e-Procurement in Kudus local government improves efficiency, effectiveness and transparency in procurement compared with conventional procurement. Implementation of e-procurement improves the ability of community, it is indicated from the cost savings and the effectiveness procurement process that conducted by the procurement committee. E-procurement also facilitates providers of goods-services in obtaining information and participating in procurement process. E-procurement provides an opportunity for the community to supervise the procurement process through the website LPSE.

CHAPTER 1: INTRODUCTION

1.1 Research Background

"Good governance" has become a frequent discussion and study in developing countries. Various breakthroughs have been under consideration to improve the transparency of Indonesian government. Central government and some provincial governments have issued regulations that promote local governments to establish institutions to improve transparency. It is expected that will facilitate community involvement and supervision in the public policy process.

Utilization the information and communication technology in government is one way to achieve good governance. According to Kumar and Best (2006, p.36), e-Government can be defined as the use of information and communication technology to improve operations and service delivery in the public sector. E-Government covers a wide range of activities and actors, there are three main different sectors can be identified. This includes government-to-community (G2C), government-to-government (G2G), and government-to-business (G2B).

The government of Indonesia has tried to utilizing information and computer technology (ICT) for the successful development of e-Government since 2003. The government of Indonesia issued The Presidential Instruction No. 3 Year 2003 *(Instruksi Presiden No.3 Tahun 2003)* entitled "Policy and National Strategy for e-Government Development" as a guideline and roadmap for central

and local governments in Indonesia to establish and implementing the e-Government.

One example the practice of e-Government is e-Procurement program. E-Procurement is a procedure and process for the procurement of goods and services were conducted openly and can be followed by all providers / suppliers of goods and services listed in the electronic procurement system by submitting a one-time bid within the allotted time (LKPP, 2009). Indonesian minister of public works, Djoko Kirmanto, initiated the solutions confront challenge in e-Procurement system for auction of goods and services to combat corruption and collusion. His ministry has been preparing related e-procurement program particularly in regulations, human resources and infrastructur. He said that ministry of public works has been establishing system of "semi e-procurement" in procurement of goods and services since 2006 to avert corruption and collusion. Previously, the implementation of procurement faced with several challenges;

a) Lack of goods and prices information
b) Access to market is limited
c) Market-insulated bulkhead
d) Unhealthy business competition
e) Bad Governance
f) HR procurement is limited
g) The large amount of budget spent for procurement
h) Persistently high levels of leakage in the implementation of the budget
i) Lack of clarity rules governing the procurement

1.2 The Case of Procurement in Indonesia

There are two issues of concern in the procurement of goods and services, namely corruption and transparency. Approximately 80% cases of corruption that Corruption Eradication Commission (KPK) findings related to procurement of goods and services <http://bappenas.go.id/print/1936/80-kasus-korupsi-temuan-kpk-terkait-dengan-pengadaan-barangjasa/> [accessed on 20 June 2013]. Funds for the procurement of goods services in Indonesia reached around Rp 250-370 trillion annually. This number derived from the financing of the budget revenue and expenditure (APBN). The use of state funds for procurement of construction projects valued at Rp 243 trillion in 2011, increased became Rp 273 trillion in 2012 and rose to Rp 370 trillion in 2013.

Indonesia Procurement Watch reveals, cases of corruption that occurred in Indonesia is 70% comes from the procurement of goods and services both at the central and regional levels <http://www.antaranews.com/berita/ 378389/ 70-persen-korupsi-dari-barang-dan-jasa> [accessed on 20 June 2013]. Mr. Soegiharto, former Minister of SOEs, ever predict if 80% of corruption and various abuses that occurred in the state is in the procurement of goods and services sector. Hardjowiyono (2006) as quoted in Teguh Kurniawan (2009, p.116) suggests that, "When we look at a number of corruption cases in Indonesia, the corruption cases handled by the Corruption Eradication Commission (KPK) most of the 77% are cases of corruption related the procurement of goods and services".

Facing the problem above, the government wants to implement good governance in procurement system by use e-Government. The government wants to make procurement system that transparent. Transparency process in procurement of goods and services are now able to conduct through a process called e-Procurement and e-Announcement. E-Procurement is the procurement of goods and services process via online utilizing internet network. The process of e-procurement are start from the announcement, registration, bidding process, aanwijzing, and the evaluation results bidding that conducted by utilizing information technology tools. While e-Announcement is the initial stage of e-Procurement process that announce the procurement of goods and services by electronic (internet) through website. By implementing the e-Procurement and e-Announcement, expected transparency in the procurement of goods and services will be achieved so that the opportunities for corruption, collusion and nepotism can be minimized.

1.3 Research Questions

In order to be focus in this research, the main question is “How does the implementation of e-procurement policy at Kudus local government?”

Four following sub questions will be raised in this research as follows:

1) How does the process of e-procurement implementation at Kudus local government?
2) Is the e-procurement implementation in Kudus regency in accordance with the standard operating procedures?

3) What are the supporting factors in implementation of e-Procurement at Kudus local government?
4) What is the achievement of e-procurement implementation at Kudus local government?

1.4 Research Objectives

The objectives of this research are:

1) To identify and analyze the process of e-Procurement implementation at Kudus local government.
2) To know and analyze the standard operating procedures and supporting factors in implementation of e-Procurement at Kudus local government.
3) To identify and analyze the achievement of e-Procurement implementation at Kudus local government.

1.5 Research Benefits

Based on the background of study described above, the benefits of this research are:

1) Theoretically;

   Since there are only a few literature in Indonesia e-Government, writer hopes that this research will gives contributions to the development of Indonesia e-Government especially in e-Procurement literature and could

become the trigger for other researcher to carry out afterward researches related to the e-Procurement.

2) Practically;

This research will give the benefit to the government, particularly Kudus Local Government as ones of figures that just starting implement e-procurement by determines the results of e-Procurement implementation and expected to positively contribute to the sustainability of e-Procurement implementation in Kudus regency.

CHAPTER 2: THEORETICAL REVIEW

Based on the selected theme in this research, then some of the relevant previous research, theories and concepts for the discussion are: good governance, implementation, e-Government and e-Procurement.

2.1 Previous Research Results

Muhtar, Tutang (2011) in his journal entitled "***Implementasi Pengadaan secara Elektronik (E-Procument) di LPSE Provinsi Sulawesi Tengah".*** Electronic Procurement Services (LPSE) facilitates the procurement system based on information technology (e-Procurement). Implementation of E-Procurement by leveraging information and communication technology at government agencies provides challenges in procuring goods and services of government whose implementation conduct electronically based on web/internet. In his paper, point of view taken is LPSE as fasilitatorof e-procurement system residing in the territory of Central Sulawesi, about the level of preparedness in implementing an electronic auction system (full e-Procurement). On his paper, he analyzes implementation of e-procurement in Central Sulawesi from point of view users and the level of preparedness in implementing an electronic procurement system (full e-Procurement). He conducts research using descriptive analysis method by interview and data collection through the relevant agencies as well as through official government sites.

The legal basis for the implementation of e-Procurement system for construction services at Central Sulawesi Province have been there and worth to be used, in order to keep pushing innovation, as well as the flourishing of creative, independency of industries strategic, the creation of rules systems, methods and procedures in accordance with principles of good governances. Capability of Human Resources in IT and understanding of the electronic auction system (e-Procurement) is considered to be supportive and ready for the holding of the auction system full electronically. He conclude on his paper that LPSE at Central Sulawesi Province has been ready to implement an electronic auction process (full e-Procurement) based on the implementation prerequisite, namely: management, technique, and regulations.

Wijaya, Wahyu H. et al. (2012) in their journal entitled "***Studi Penerapan E-Procurement pada Proses Pengadaan di Pemerintah Kota Surabaya".*** E-Procurement is encouraged by the weaknesses of conventional system of procurement which is done by direct meeting of related parties. The existence of E-Procurement is to utilize advances in the information technology procurement process, and to realize an efficient, effective, transparent, and fair procurement process of goods and services. In reality, E-Procurement has some difficulties and obstacles in the process. That is why it is important to know the application of e-procurement in every step and the effect of E-Procurement application towards the performance and efficiency of procurement. The research is done in Surabaya government institutions. This research uses survey method. The population and sample of their research is procurement committee or parties involved in

procurement process, especially E-procurement. Later, data is analyzed with Double Linier Regression Analysis for simultaneous and partial judgment as well as descriptive explanation. The result of their research is the application of e-Procurement in procurement process at Surabaya government can be categorized as full e-Procurement. Influential variables towards procurement performance include better centralized management, creation of clean, transparent, and acceptable procurement, and the improvement of customer satisfaction. Additionally, influential variables towards procurement efficiency are reduced cost per tender and reduced time of procurement process.

Udoyono, Kodar (2012) in his journal entitled "***E-Procurement dalam Pengadaan Barang dan Jasa Untuk Mewujudkan Akuntabilitas di Kota Yogyakarta".*** His research studied on implementation of stocking goods and services electricly. E-Procurement is a breaktrough in public services to create accountability on stocking of goods and services. The object of which observed are stocking goods and services electricly at Yogykarta municipality 2009. This research uses a case study method. The data obtained pass trough depth interview and document observation. The result of this research i.e firstly, dimension fo ficibility in stocking of goods and services electricly at Yogyakarta municipality 2009 pass trough regulative, administrative and techocratic, political, and needs society. Secondly, dimension of accountability on stocking of goods and services electricly at Yogyakarta municipality 2009 pass trough regulative, political, and financial.

E-Procurement in the procurement of goods and services to realize accountability is feasible but not accountable. This is evidenced by the findings as follows: Firstly, the feasibility dimensions must meet eligibility as a value regulations that guarantee the implementation of e-Procurement, institutionalization support, the support from stakeholders, and the community support for the implementation of e-Procurement. Secondly, the dimensions accountability includes lack of accountability regulation of the procurement process goods and services, political accountability just in internal governance, and financial accountability are still closed.

The inhibiting factors for accountability e-Procurement are the lack of monitoring in implementation, abuse of authority in the procurement process goods and services, there is still a contract irregularity in the implementation of e-Procurement, collusion between officials and implementing partners, manipulation in the implementation of e-Procurement, and HR weakness. While supporting factors are political will, legislative oversight and supervision public. Finally, implementation e-Procurement at Yogyakarta municipality 2009 is ficible but not accountable.

Table 2.1 Previous Researches

No	Researcher, Year, Title, Location	Objectives and Method	Result and Conclution of Research	Relevance to this Research
1	Muhtar, Tutang (2011) *Implementasi Pengadaan Secara Elektronik (E-Procument) Di LPSE Provinsi Sulawesi Tengah* Location : Central Sulawesi, Indonesia	E-Procurement implementation by utilizing information and communication technology at government agencies provides challenges in procuring goods and services of government whose implementation conduct electronically based on web/internet. Method: qualitative	He conclude on his paper that LPSE at Central Sulawesi Province has been ready to implement an electronic auction process (full e-Procurement) based on the implementation prerequisite, namely: management, technique, and regulations	This journal gives an overview the process of e-procurement implementation in Central Sulawesi. And readiness of LPSE at Central Sulawesi Province.
2	Wijaya, Wahyu H. et al. (2012) *Studi Penerapan E-Procurement pada Proses Pengadaan Di Pemerintah Kota Surabaya* Location : Surabaya, Indonesia	In reality, E-Procurement has some difficulties and obstacles in the process. That is why it is important to know the application of e-procurement in every step and the effect of E-procurement application towards the performance and efficiency of procurement.	The result of their research is the application of e-Procurement in procurement process at Surabaya government can be categorized as full e-Procurement. Influential variables towards procurement performance include better centralized management, creation of clean, transparent, and acceptable procurement, and the improvement of customer satisfaction.	This journal explains the influential variables towards procurement performance include better centralized management, creation of clean, transparent, and acceptable procurement.

No	Researcher, Year, Title, Location	Objectives and Method	Result and Conclution of Research	Relevance to this Research
3	Udoyono, Kodar (2012) *E-Procurement Dalam Pengadaan Barang Dan Jasa Untuk Mewujudkan Akuntabilitas Di Kota Yogyakarta* Location : Yogyakarta, Indonesia	The accountability of e-Procurement implementation in Yogyakarta municipality. The supporting and inhibiting factors in e-Procurement implementation. Method : qualitative	The feasibility dimensions must meet eligibility as value regulations that guarantee the implementation of e-Procurement. The dimensions accountability includes the lack of accountability regulation of the procurement process goods and services, political accountability are still closed. The implementation e-procurement at Yogyakarta municipality 2009 to realize accountability is ficible but not accountable.	This journal gives us a lesson about inhibiting factors for accountabi-lity e-Procurement.

(Source: present researcher's analysis)

2.2 Good Governance

2.2.1 Governance

Before we describe the term "good governance" we first look at the term of "governance". The terms of "governance" and "good governance" are being frequently used and studied in public service literature. According to Bevir (2006, p.364) the public-sector reforms in 1980s and 1990s that change the nature and role of the state can be used specifically to describe term of governance. A shift to greater use of markets, quasi-markets, and networks, especially in the delivery of

public services from hierarchical bureaucracy are typical of this reform. Public administration's scholar, in 1980s facing new challenges, is being forced to defining and repositioning itself both in applied practice and as a field of knowledge in public reform (Frederickson et al., 2003, p.208). The improving interest in the term of governance, both as an idea and as a general description of what public administration scholars study is reflection of public administration's scholarly arena expansion.

The effects of reforms were intensified by global changes, including an increase of transnational economic activity and the rise of regional institutions. So understandable, governance expresses a widespread belief that the state increasingly depends on other organizations to secure its intentions, deliver its policies, and establishes a pattern of rule (Bevir, 2006, p.364). Governance is the series of processes ranging from decision making to implementation decisions including organize and analyze actors consisting of formal and informal actors. The process of decision-making and implementing decisions made and designed for the formal and informal sectors.

Nowadays, the term of good governance becomes popular in public administration domain. Most of scholars agree that by using this paradigm, the quality of public service will increase significantly. According to the paradigm, three actors in governance (state-market-civil society) have to complement each to another. The complementing or partnership among them can be seen in the argument of Peters & Pierre (1998) as quoted in Frederickson et al. (2003, p.217). They wrote the four basic elements of governance:

1) The dominance of networks. Instead of formal policy making institutions, governance is dominated by an amorphous collection of actors having influence over what and how public goods and services are to be produced.
2) The state's declining capacity for direct control. Although governments no longer exercise centralized control over public policy, they still have the power to influence it. The power of the state is now tied to its ability to negotiate and bargain with actors in policy networks. The members of these are increasingly accepted as equal partners in the policy process.
3) The blending of the public and private resources. Public and private actors use each other to obtain resources they cannot access independently.
4) Use multiple instruments. It means an increasing willingness to develop and employ non-traditional methods of making in implementing of public policy."

Lynn et al. (2000, p.3) as quoted in Frederickson et al. (2003, p.210) gives a definition about governance. He stated that governance is the regime of laws, administrative rules, judicial rulings, and practices that constrain, prescribe, and enable government activity, where such activity broadly defined as the production and delivery of publicly supported goods and services. Besides quoted the definition from Lynn et al., Frederickson and Smith also give a definition of governance. According to them (2003, p.222) governance refers to the lateral and inter-institutional relations in administration in the context of the decline of sovereignty, the decreasing importance of jurisdictional borders and a general institutional fragmentation.

Other definitions of governance come from the international institution, namely The United Nations Development Programme (UNDP) and World Bank. World Bank defined governance as the method through which power is exercised

in the management of a country's political, economic and social resources for development (2006, p.3). Meanwhile, UNDP (2006, p.3) defined governance as; "the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences".

Winch (2001) as quoted by Herbert Robinson defined governance as a term often used for describing the processes and systems by which an organization or society operates. Frequently, a government or organizational body of people is established to administer these processes and systems to ensure project outcomes are not hindered or compromised. The word 'governance' derives from Latin origins that suggest the notion of 'steering', and hence, many organizations have an oversight or steering board governing the organization's business developments or projects (Civil Service Governance, 2008). The term 'governance' is also applied generally in industry (particularly in the information technology sector) to describe the processes that need to be in place for a successful project outcome (Robinson, 2010, p.73)

In the end, Paul Hirst offers a more general definition of the term. He asserts that "governance can be generally defined as the means by which an activity or ensemble of activities is controlled or directed, such that it delivers an acceptable range of outcomes according to some established standard" (UN, 2006, p.4).

2.2.2 Good Governance

The term of "good governance" has a definition that many variations. A normative assumption about how decisions should be made within the organization becomes the basis of the formation of its definition. And also on the assumption of formal and informal structures function to implement the decisions.

In Indonesia, the term ‘good governance’ is like a powerful phrase that has been shouted since the end of Suharto’s era in 1998. The phrase ‘good governance’ represents a brand new ethic which sounds rational, professional, and democratic, no matter where this phrase has been discussed, whether in the House of Representative, government’s offices, universities, etc.

The United Nations Commission on Human Rights identifies some aspect like accountability, transparency, participation, responsibility, and responsiveness as criteria aspects of good governance. UN explicitly aware that governance issues are global and require a more nuanced approach is integrated with connecting humanity and good governance specifically for human rights and sustainable human development.

By improving reliability, accountability, and predictability of decision making in corporate, government, and non-governmental organizations, "good governance" are increasingly seen as essential to ensure national prosperity. “Bad” governance is often identified as a root cause of development failures, social inequality, and corporate scandals, "good governance" concept is being used in the development and management literature.

In order to give guidance in the implementing of good governance, UNDP released the good governance principles. According to the United Nations Development Program (UNDP) "Governance and Sustainable Human Development," (1997), good governance has eight principles. The table 2.2 shows the eight principles of good governance by UNDP:

Table 2.2 Eight Principles of Good Governance

No	Principle	Remark
1.	Equality of participation in decision making	All people, regardless of sex, class, or race should be heard and allowed to participate in deliberations that affect them directly or indirectly. Unconstrained participation is a key to good governance since it counterbalances dominant actors in society with checks and balances that expand the discursive space in which societal debates can unfold.
2.	Responsive to the needs of all stakeholders in a reasonable timeframe	Good governance is about building trust and ensuring that all stakeholders are treated fairly. To achieve these goals, organizations must have the technical and managerial competence to respond in a timely manner. This means that organizations must recruit, train, and maintain employees to give satisfied and efficient responses.

No	Principle	Remark
3.	Mediate differences between stakeholders to reach a broad consensus	This means that organizations, especially governments, must work to achieve sustainable human development and objective outcome. To achieve this target, organizations must treat all stakeholders fairly and consistently.
4.	Accountable to the stakeholders they serve	Decision-makers in government, the private sector and civil society organizations must be accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organizations and whether the decision is internal or external.
5.	Strive for transparency in their decision-making processes	Transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them. Consistency and fairness in the application of rules and regulations are needed to ensure that stakeholders can appreciate that due diligence and the principle of equality were followed.

No	Principle	Remark
6.	Work within legal frameworks that are crafted in fairways, enforced impartially, and attuned to human rights issues.	Good governance means that a country's legal environment should be conducive to development. Organizational leadership in a field, policy realm, or industrial sector that goes beyond minimum criteria as specified by law is an indicator of an organization's willingness to adopt and expand on good governance practices.
7.	Have a broad and long-term vision on how to better the processes of governance	Leaders and decision makers should have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded. Processes must be in place to ensure the most productive use of resources. Ideally, such decisions should be made within the context of environmentally responsible stewardship and be cognizant of criteria for sustainability.
8.	Guarantee the rights of all individuals to conserve and improve their well-being in an equitable and inclusive manner	This last principle is may be the most important point in UN approach to good governance because all men and women have opportunities to improve or maintain their welfare.

(Source: United Nations Development Program, 1997)

2.3 E-Government

2.3.1 Definition of E-Government

Electronic government or e-government is one of the most important elements on the current public sector reform agenda. Electronic government refers to all political-administrative structures and processes of government in which information and communication technologies (ICTs) are utilized (Annttiroiko, 2008, p.xii). The most widely adopted definitions of e-Government emerged around the same time as a result of active global and national development work by governments, think tanks and development organizations such as the World Bank, the United Nations, and the OECD.

Among the most widely used definitions of e-Government is the relational-functional one by the OECD (2003, p.10) :

> "The OECD defines "e-Government" as "the use of information and communication technologies, and particularly the Internet, as a tool to achieve better government". The impact of e-government at the broadest level is simply better government by enabling better policy outcomes, higher quality services, greater engagement with citizens and by improving other key outputs identified. Governments and public administrations will, and should, continue to be judged against these established criteria for success.
>
> E-Government initiatives refocus attention on a number of issues: how to collaborate more effectively across agencies to address complex, shared problems; how to enhance customer focus; and how to build relationships with private sector partners. Public administrations must address these issues if they are to remain responsive."

Annttiroiko, in his book “Electronic Government - Concepts, Methodologies, Tools and Applications (2008, p.xiii)” gives a detailed definition of e-Government in his book:

> “E-Government is government’s use of information and communication technologies, particularly Web-based applications, to support responsive and cost-effective government by facilitating administrative and managerial functions, providing citizens and stakeholders with convenient access to government information and services, facilitating interaction and transactions with stakeholders, and providing better opportunities to participate in democratic institutions and processes.”

Heeks (2005, p.4) defined e-Government as the use of IT by public sector organizations. E-Government means not only about internet, but also office mechanism, information systems, internal management, and expert systems, including client-facing websites. To better understand e-government, we have to know about IT (Information Technology). The core of IT is manipulating data to produce information, storing data and make it useful for users. Latter, as this traffic of data happens, it can be called a system. E-Government therefore is called management information systems.

We should add in some notion of activity and purpose to understand e-Government as an information system and we also bring people into the equation. E-Government must be regarded to consist of technology with people who involve in the system, give purpose and meaning of work process to public. Heeks (2005, p.5) defined E-Government system by illustrating it in figure 2.1.

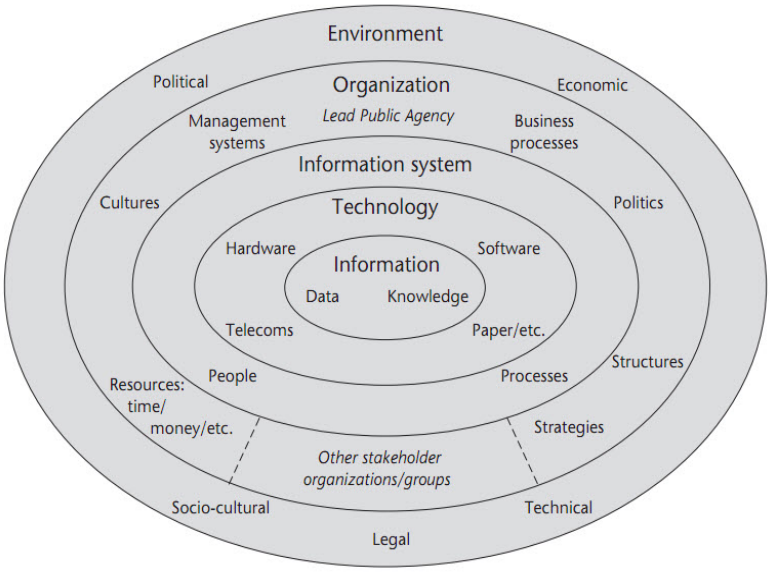

Figure 2.1 A Full Model of E-Government Systems

(source: Heeks, Implementing And Managing E-Government, 2005, p.5)

From the onion model as described in figure 2.1., Heeks proposed the checklist of key items for fully describing and better understanding e-Government system (abbreviated as **ITPOSMO**) as follows:

1) **I**nformation: The formal information held by the digital system and the informal information used by the people involved with the system.
2) **T**echnology: Mainly focuses on digital IT but can also cover other information-handling technologies such as paper or analogue telephones.
3) **P**rocesses: The activities undertaken by the relevant stakeholders for whom the e-Government system operates both information-related processes and broader business processes.
4) **O**bjectives and values: Often the most important dimension since the objectives component covers issues of self-interest and organizational

politics, and can even be seen to incorporate formal organizational strategies; the values component covers culture: what stakeholders feel are the right and wrong ways to do things.

5) **S**taffing and skills: Covers the number of staff involved with the e-government system, and the competencies of those staff and other users.
6) **M**anagement systems and structures: The overall management systems required to organize operation and use of the e-Government system, plus the way in which stakeholder agencies/groups are structured, both formally and informally.
7) **O**ther resources: Principally, the time and money required to implement and operate the e-government system.

In some cases, the checklist might be expanded with the eighth item (abbreviated **ITPOSMOO**), namely:

8) **O**utside world: The economic, political, socio-cultural, technological and legal factors that influence on the relevant e-government stakeholders.

Furthermore, to understanding e-government application in terms of their information-related tasks: a process view to go alongside the structural view offered above, Heeks proposed **CIPSODA** checklist and depicted in figure 2.2.

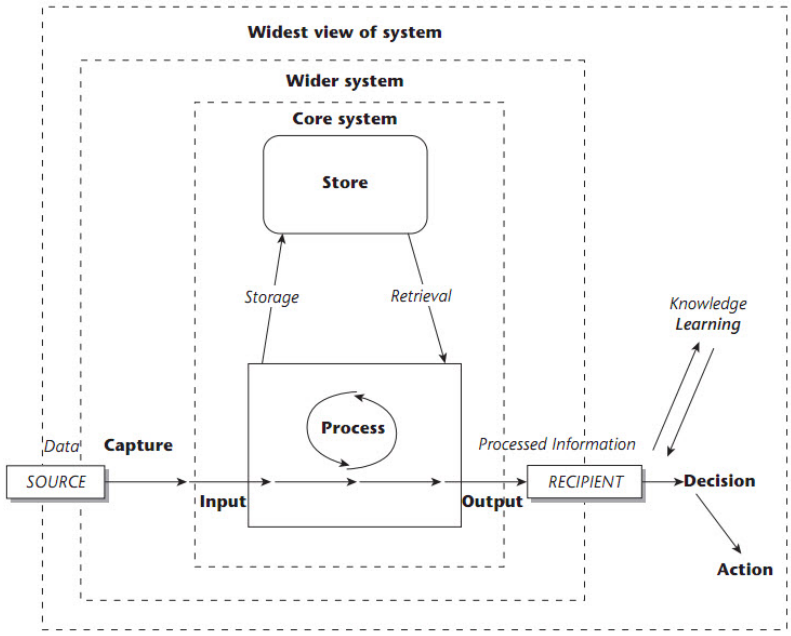

Figure 2.2 E-Government systems as Information Systems: Process view

(source: Heeks, 2005: p.7)

Here is the explanation of CIPSODA checklist as illustrated in figure 2.2. :

1) **C**apture: Gathering the raw data necessary for the e-government system. The taxpayer obtains the basic data on their various sources of income.
2) **I**nput: Entering the data onto the system. The taxpayer types the data into an e-form on the revenue agency's web site.
3) **P**rocess: Altering the data via calculation, classification, selection, and so on. The e-tax system uses the different tax rates for different income types to calculate the total tax owed.
4) **S**tore: Holding raw and processed data on the system. The e-tax system stores all details entered and calculated about this taxpayer.

5) **O**utput: Issuing the processed data. The total tax calculated is displayed to the taxpayer.

6) **D**ecision: If the processed data is useful enough to be seen as information, it is used for decision making. The taxpayer determines whether to challenge or accept the calculated tax sum.

7) **O**utput: Issuing the processed data. The total tax calculated is displayed to the taxpayer.

8) **D**ecision: If the processed data is useful enough to be seen as information, it is used for decision making. The taxpayer determines whether to challenge or accept the calculated tax sum.

9) **A**ction: Implementation of the decision. If all is well, the taxpayer authorizes payment of the tax owed.

CIPSODA checklist also has the extended item, namely:

10) **C**ommunication: It means the communication of data between each of the other tasks.

2.3.2 Dimensions of E-Government

As e-government is more about “government” than about technology or electronic media, the basic dimensions of e-Government can be derived from the functions of government. Government is exercise of authority in a polity. Government is needed to maintain the law and order, to provide citizens with public services, and to safeguard civic rights and democracy. Government must take care of its

management in internal organization as well as the relationship with other stakeholders outside the government's organizations. These functions of government can be used as a concept of e-government in its dimensions. Michel (2005) in Annttiroiko (2008, p.xiii) proposed four key dimensions of e-Government as follows:

1) *E-administration* refers basically to all those administrative and operational processes of government in which ICTs are utilized, including both mundane office tasks and basic managerial functions of public organizations, such as planning, organizing, staffing, directing, and controlling.
2) *E-services or electronic public services* refer to public service provision aimed at citizens and other target groups using ICTs. E-services may include information, communication, and transaction services provided in different branches of public service, such as health care, social welfare, and education.
3) *E-governance* – understood here in the public-sector context as 'public e-governance' – is about managing and steering multi-sectoral stakeholder relations on a non-hierarchical basis with the help of ICTs for the purpose of taking care of the policy, service, and development functions of government.
4) *E-democracy* is about democratic structures, processes, and practices in which ICTs are utilized to improve inclusiveness, transparency, citizen participation, and democratic decision making.

These key dimensions of e-Government are illustrated in figure 2.3.

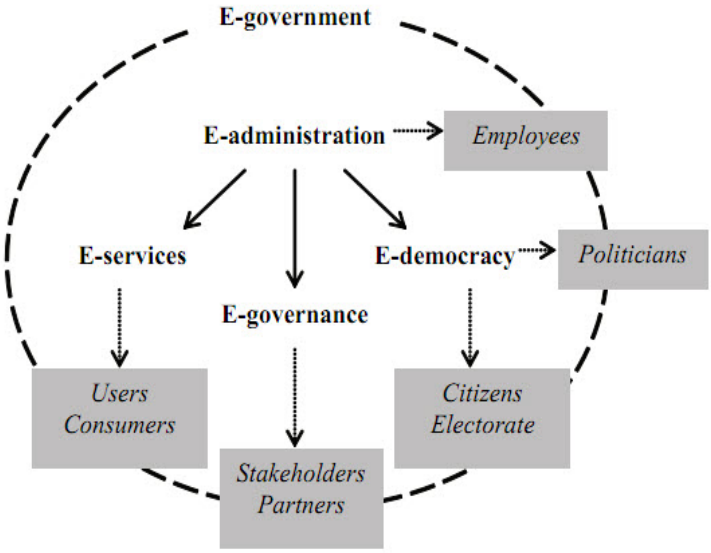

Figure 2.3 Basic dimensions of e-Government

(Source: Anttiroiko, 2008, p.38)

E-Government could be defined as a relationship diagram between stakeholders. This diagram has five basic concepts, as illustrated in figure 2.4, namely:

a) Government-to-Citizens (G2C)

b) Citizens-to-Government (C2G)

c) Government-to-Government (G2G)

d) Government-to-Business (G2B)

e) Business-to-Government (B2G)

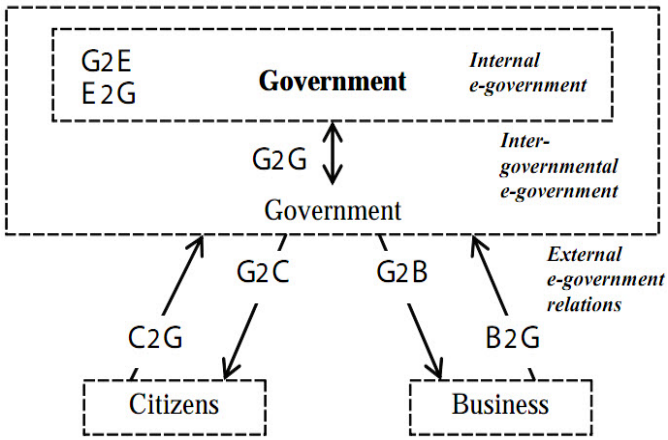

Figure 2.4 Basic e-Government Relations

(Source: Anttiroiko, 2008, p.38)

There are also other relations in e-Government such as: G2E (government to employee), E2G (employee to government), G2N (government to NGO), G2M (government to market), etc. But the basic relations between three basic actor groups (government-citizen-business) are the fundamental ones.

Bevir (2006, p. 261) gave a clear explanation on e-government relations above. In his book, Encyclopedia of Governance, he wrote that a popular way of conceptualizing e-Government is to distinguish between three spheres of technologically mediated interactions.

1) **Government-to-Government (G2G)** interactions are concerned with the use of technologies to enhance the internal efficiency of public bureaucracies, through, for example, the automation of routine tasks and the rapid sharing of information between departments and agencies.

2) **Government-to-Business (G2B)** interactions typically involve the use of the Internet to reduce the costs to government of buying and selling goods and services from firms (Bevir, 2006, p. 61).

3) **Government-to-Citizen (G2C),** as Bevir stated, is the interactions involve using the Internet to provide public services and transactions online, and to improve the design and delivery of services by incorporating rapid electronic feedback mechanisms, such as instant polls, Web surveys, and e-mail.

Besides relations above, it is important for government get feedback relations from business and citizens. Not only Government-to-Business (G2B) and Government-to-Citizen (G2C) but also Business-to-Government (B2G) and Citizen-to-Government relations are important for e-Government in accordance with good governance.

4) **Business-to-Government (B2G)** is a business model that refers to businesses selling products, services or information to governments or government agencies. Government agencies and companies can use the website to conduct business and exchange information with each other.

5) **Citizen-to-Government (C2G)** is relation between citizens with government, not only in term citizen can easily access the data, but also citizen can give suggestion and monitor the government. The open data portal should be among Government's planned anti-corruption

interventions. This will enhance the effectiveness of all the policies, legislation and institutions so far established. Open data initiatives have the potential to nurture a culture of transparency and openness of public institutions and its officials. With such platforms, all information (including amounts, purpose, implementation sites, expected results and so on) relating to government and donor-funded programmes becomes public.

2.3.3 The Importance of E-Government

OECD (Organization for Economic Cooperation and Development) Forum stated the importance of e-government as follows (OECD, 2005, p.15):

1) E-Government improves efficiency.

   ICT helps improve operating efficiency in public administration and mass processing. ICT can generate savings on data collection and transmission, provision of information and communication with customers.

2) E-Government improves services.

   Understanding of user needs to build successful services (online and off-line). The users do not need to understand the complex governance structures and relationships to interact with the government.

3) E-Government helps achieve specific policy outcomes and can contribute to economic policy objectives.

   Internet can help stakeholders to share information and contribute to a particular policy outcome. For example, online information can improve the educational or training programs, sharing in the health sector and the

sharing of information between central and local government information that can facilitate environmental policy. E-Government helps increases openness, trust in government and reduce corruption, thus contributes to economic policy objectives. E-government can reduce government spending programs through more effective and efficient. ICT-enabled can make simple administration and enhanced government information thereby increasing business productivity.

4) E-Government can be a major contributor to reform.

The reform process must be continuous because the stages are current developments – globalization, new fiscal demands, changing societies and increasing customer expectations. By improving transparency, facilitating information-sharing and highlighting internal inconsistencies are the supporting aspect for e-government.

5) E-Government can help build trust between governments and citizens.

Good government is government that can build trust between government and citizens. With the use of ICT can help build trust by enabling community involvement in the policy process, promoting open government and responsible and helps to prevent corruption.
In addition, e-government can help the individual voices to be heard widely. The government encouraged people to think constructively about public issues and assess the impact of the application of technology to open up the policy process by utilizing ICT

2.4 E-Procurement

E-procurement is defined as the use of Internet-based information technology to facilitate the purchase of goods and services. E-procurement is the purchase of products and services using electronic means (internet, web, e-mail). E-procurement is believed to save cost, save documents, improve data accuracy, collaboration, and transparency of all procurement processes are carried out.

In another sense, electronic procurement is defined as the procurement process is managed using a web-based application. E-Procurement provides the opportunity for widespread buyers and providers of goods-services to come together, get information, interact, and conduct purchasing transactions directly through the internet.

In the e-Procurement system is fully implemented in a web-enabled, performed at each step in the process of electronic procurement. So the e-Procurement applications provide transparency to all users of the process start to finish. E-Procurement application applied in business processes and IT systems to provide buyers and suppliers of cheaper processes and save costs of inventory, as well as expand the range of access to suppliers. E-Procurement application replaces the catalogs based on paper of multiple providers by product catalogs digital, one-stop source of purchace for goods and services.

In current modern era, the use of e-Procurement system by governments and companies that performed significantly also leads to significant savings in the cost of government procurement. It has been proven theoretically and empirically that the savings cost obtained largely due to increased competitive environment, so

that the number of bidders in the government procurement increased. The success of e-Procurement system is largely dependent on increasing the number of bidders (suppliers) that participate in the procurement in which they compete in providing the best price bid.

Procurement electronically (e-Procurement) has been identified as priorities e-Government agenda and has implemented or is on going of implementing buy-sell e-Procurement systems by some public sector agencies worldwide. "What is e-Procurement? Confusion exists in defining the term e-Procurement" (Vaidya, Yu, Soar & Turner, 2003, as quoted in Vaidya et al. 2006, p.71). While the terms “e-Purchasing” and “e-Procurement” has been used by public sector agencies in many jurisdictions synonymously to prove their involvement in the chapter of e-Commerce revolution (MacManus, 2002, as quoted in Vaidya et al. 2006, p.71). "E-Procurement refers to the use of Internet-based (integrated) information and communication technologies (ICTs) to carry out individual or all stages of the procurement process including search, sourcing, negotiation, ordering, receipt, and post-purchase review" (Croom & Brandon-Jones, 2004, as quoted in Vaidya et al. 2006, p.72).

Although there are various forms of e-Procurement as e-Catalogue/Purchasing, e-Tendering, Auctions e-Auction/Reverse, and e-Marketplace, which concentrates on one or more stages of the process of procurement, e-procurement can be viewed more broadly as an end -to-end integrated. With the implementation of E-Procurement is expected to reduce administrative costs, lower inventory levels, shorten the ordering process,

preparing the organization to improve collaboration technology and lower the price of the product (Croom, 2000; Roche, 2001, Gunasekaran et al, 2008). Robinson et al. (2005) stated that e-Procurement helps the government to save budget and provide a more accountable process, more effective and faster to manage procurement. Benefits of e-Procurement system process success are: lower transaction costs, a widely set of providers, fast ordering process, standards and process more efficient and control / supervision of procurement from community, paper less, more potential buyers through the internet and work reengineered supply current (Gunasekaran et al., 2008).

2.5 The Implementation of Public Policy

How good a policy, in the end that will be assessed is whether the policy can be implemented easily and smoothly, or vice versa (Islamy, 2009, p. 6.1). He further said that public policy implementation process can start as soon as it gets approval from the competent institution.

What can be called “public policy”, and thus has to be implemented, is the product of what has happened in the earlier stages of the policy process (Hill and Hupe, 2010, p. 6). However, the contents of the policy, and the impact of the implementation of policies to those affected, may be substantially modified, elaborated, minimized or even negated during the implementation phase.

Implementation process is explained more detail by Masmanian and Sabatier (1981, p.4) as follow : “implementation is carrying out of basic policy decision, usually incorporated in a statute but which can also take the form of important executive orders of court decisions. Ideally, that decision identifies the

problem(s) to be addressed, stimulates the objective(s) to be persuade, and, in a variety of ways, "structures" the implementation process. The process normally runs through a number of stage beginning with passage of the basic statute, followed by the policy outputs (decisions) of implementing agencies, the complience of target groups with those decisions, the actual impacts both intended and unintended of those out, the perceived impacts of agency decisions, and finally important revisions (or attempted revisions) in the basic statute."

According to Henry (2004, p.303), public policy implementation is defined as the execution and delivery of public policies by organizations or arrangements among organization. Studies of the policy implementation are first appeared in 1970s, when Jeffrey Pressman and Aaron Wildavsky (1973) publish his highly influential book: "*Implementation*", and also Erwin Hargrove (1975) with his book entitled "*The Missing Link: The Study of Implementation of Social Policy*", who questioned the "missing link" between policy formulation and evaluation of policy impact in the study of public policy. Since then the study of the policy implementation starts to bloom, mainly due to the fact that government intervention to address social problems proved to be less effective.

Two early perspectives in the policy implementation study was based on the question, to what extent the implementation was made by central government to then implemented by local government (top-down), or was made by including aspirations of the bottom (bottom-up). The researcher of implementation also has a variety of implementations respon to complexity of variables involved in it.

However, in general, the difference in approaches to the implementation theory is related to:

(1) Diversity of policy issues or type of policy issues

(2) Diversity of institutional contexts, which can be expanded with questions regarding the extent to which generalization can be applied to political systems and to different country contexts.

Policy assessment is a process measuring implementation and policy impact (Islamy, 2009, p. 6.21). Assessment process includes three main things, namely: (1) to determine the object to be assessed, (2) to chose appropriate measurement techniques, and (3) analyse information and draw conclusions.

Through the assessment process, we will see the impact of the policy, whether expected or not. The results of the assessment can be used as a feedback, as new input for improving the quality of policy.

2.6 Community Capacity

At glance about capacity, capacity is the ability of an individual or organization to create value obtained from various types of resources in order to be better condition. Every society, every community, every group and every person has skills, strengths and the capacity to problem solve, act creatively and work together for the benefit of their group. Chaskin et al. (2001) defined the community capacity as;

> Community capacity is the interaction of human capital, organizational resources and social capital existing within a given community that can be leveraged to solve collective problems and improve or maintain the well-

being of that community. It may operate through informal social processes and/or organized efforts by individuals, organizations, and social networks that exist among them and between them and the larger system of which the community is a part.

2.6.1 Fundamental Characteristics of Community Capacity

Each community has existing strengths that enable it to function. As in all living organisms, some fundamentals characteristics are stronger, better defined or more used then others. All of the following fundamental characteristics are present in some capacity in all communities (Chaskin et.al, 2001).

- **A sense of community,** it reflects the degree of relationship among members and recognition of mutuality of circumstance, including a threshold level of collectively held values, norms, and vision.
- **A level of commitment among community members,** it describes the responsibility that particular individuals, groups, or organizations take for what happens in the community.
- **The ability to solve problems** is the ability to translate commitment into action and is an important component of virtually all definitions of capacity relating to community.
- **Access to resources** is the economic, human, physical, and political capitail within and beyond the neighbourhood.

2.6.2 Levels of Social Agency

Within every community there are different levels of agents and agencies which work together to help meet both the individual and the collective needs of a community. The **individual level** operates through **human capital** and leadership.

Within every community there are individuals with certain **skills, knowledge**, and **resources** that can be utilized in certain tasks. Professionals within a community provide a wide variety of services to meet the diverse needs of people. Through their participation they can help to support community-improving activities. On the **organizational level,** businesses, services and groups within the market, government or civil society all work to meet the needs of a community and individuals within that community. This can include community based organizations (CBOs), development organizations, local businesses, and service providers, as well as local branches of institutions, including schools, banks, and major retail establishments. Finally the **network level** focuses on how all of these social structure work together. On this level agencies and agents gather and link together to form relationships that help to increase the capacity of their communities (Chaskins et.al, 2001).

2.6.3 Functions of Community Capacity Building

Community capacity building is when an individual or a group begins to engage particular fundamental characteristic of community capacity by socially interacting with the social agencies to create an outcome. Often this is done to help enhance a community's ability to build resilience, self-reliance and enhance development initiatives. Community capacity building will often functions around four development initiatives (Chaskins et.al, 2001).

Community capacity building is designed as short-term interventions that have long-term affects. Agencies and workers who are engaging in CCB

initiatives need to focus on intitaives that create short-term outcomes but that enable and grow the long-term capacities of communities**.**

2.7 Community Capacity Development and Policy Structure Model

How a community uses their capacity to plan, implement and evaluate community policy structures shown at figure 2.5, The Community Capacity Development and Community Policy Structure Model.

That framework enables for the identification, examination, clarification and conceptualization of community processes through the implementation of community policy structure, which it whilst simultaneously providing a basis for community capacity analysis.

Miyoshi (2012, p.10) stated that "This model not only aiming at developing community capacity but also implementing a higher value added and better community policy structure, which consists of economic, social, environmental and political activities to change the life of the community's population".

In this context community capacity is defined as the ability of a community, organizations and individuals, to produce outcomes resulting from their collective activities using available resources, such as human, physical, social, political and organizational resources (Miyoshi, 2012, p.10).

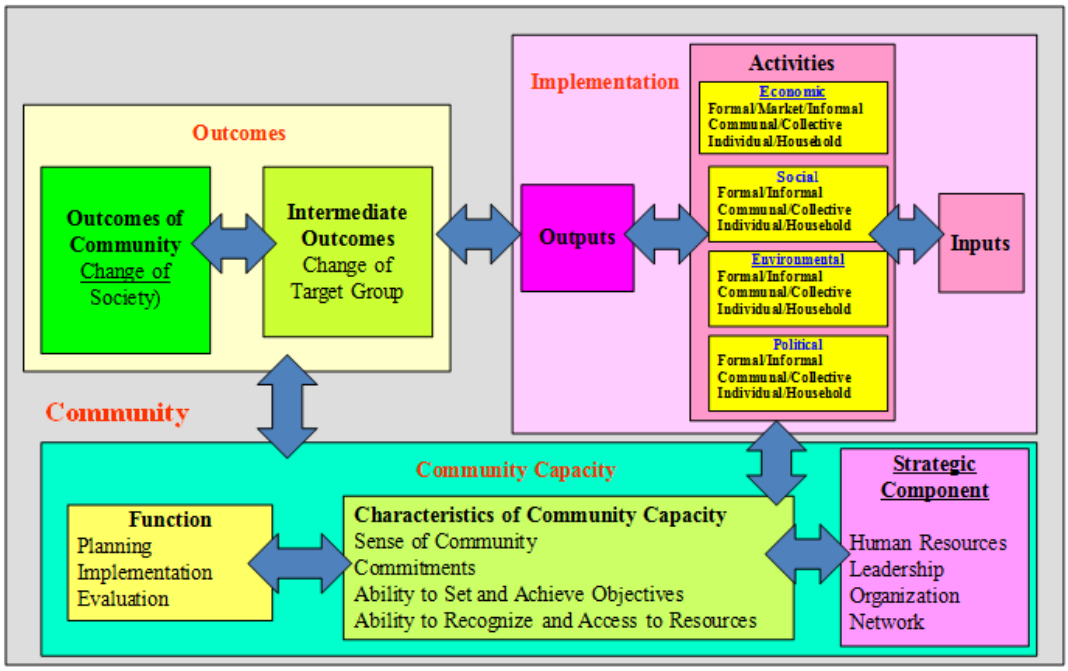

Figure: 2.5 Community Capacity Development and Policy Structure Model

(Source: Miyoshi 2010; Miyoshi and Stenning 2008a, 2008b)

2.8 Conceptual Framework of Research

The conceptual framework is used to outline the direction of study and show the relationships between ideas or thoughts with the preferred approach. In the present research, the researcher tries to combine the public policy implementation and qualitative approach to analyze e-Procurement implementation in Kudus local government.

The framework is quite flexible to be added some aspects in order to adjust with the condition of local government. The conceptual framework of research is illustrated in the figure 2.6.

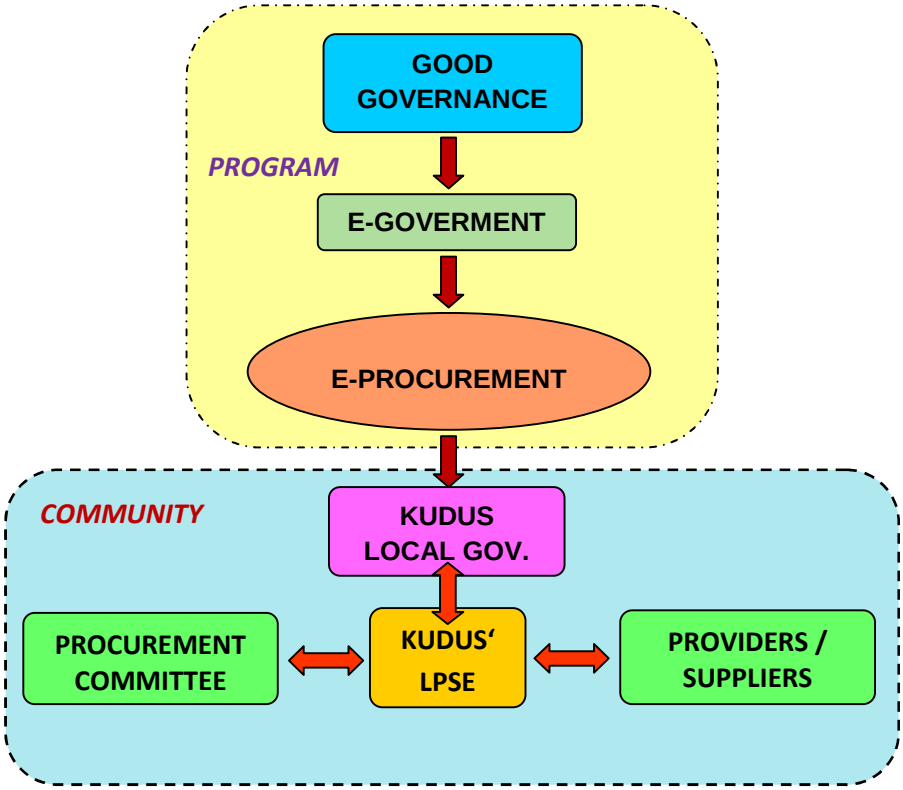

Figure 2.6 Conceptual Framework

(Source: the Researcher)

2.9 Summary of Chapter 2

One way to achieve good governance is by utilizing information technology tools in the government activity. Implementation of E-government can bring new system that more close to community. Community can get information about government and service bureaucrat more easly by utilization of ICT (information and computer technology).

The implementation of E-procurement system is expected to encourage the creation of transparency, improve efficiency and effectiveness in goods and services procurement activity. Whereas E-procurement purposes are the creation

of procurement services that efficiency, effectiveness, accountability, transparency, fair and non-discriminatory, open and fair competition, interoperability, and data security.

The implementation of E-procurement system contributes to community capacity development which can be significantly related to community capacity policy structure model. Inputs in E-procurement program have effect on community capacity features through procurement committee and providers ability improvement at procurement.

This study will endeavor to explore the change of community (Kudus local government, Kudus' LPSE, Procurement Committee, and providers / suppliers) and also the development of community capacity for the good public services to aim good governance.

CHAPTER 3: RESEARCH METHOD

3.1 Type of Research

In this present research, qualitative approach in the descriptive research method is used, it means that a research process that aims to describe the exact nature/something was happening and took place on the research conducted. The reason of using descriptive research method in this study is because the principle objective of this study is to analyze, describe, give a systematic illustration, fact and accurate statement, and the relationship between phenomena and theory, and in the last, is making any suggestion to improve or recommendation for future research. Miles and Huberman (1992, p.1-2) stated that:

> "Qualitative data is a source of broad descriptive and sturdy, and includes an explanation of the processes that occur in the local scope. With qualitative data, we can follow and understand the flow of events in chronological order, assess the cause and effect within the scope of the local people's minds, and again, the qualitative data is more likely to be guiding us to obtain discoveries unforeseen and to form a new theoretical framework of data. It helps the researchers to go beyond the initial preconceptions and frameworks."

Based on the explanation of descriptive research above, the situation of organization / agencies / institution will be reviewed first, in order to describe the situations or facts which can indicates the existence of an object and phenomenon, so could be interpret and drawn in a systematic report of writing to get a conclusion.

3.2 Research Focus

Deciding the focus on research, the researcher will focus on both relevant and irrelevant data which could be decided based on the research questions and research purposes. Focus of research will lead researcher to conduct the research effectively. The present research will focus on:

1. The process of e-Procurement pocess, start from central government policy until Kudus local government policy.
2. E-Procurement implementation at Kudus local government in terms of accordance with the standard operating procedure.

   Whether implementation of e-Procurement meets the standard operating procedure covering:

   a) The existence action plan and task force (working group).
   b) The existence of clear rules or regulations.
   c) The readiness of human resources.
   d) Adequate infrastructure and technology.
   e) Training for user (UPL / procurement committee and providers / suppliers).
3. Supporting factors in the implementation of e-Procurement at Kudus local government, such as;

   a) Executive mandate or government will.
   b) Vision and mission of organization.
   c) Budget for implementing e-Procurement.

4. The achievement of e-Procurement implementation in Kudus local government, such as;
    a) Efficiency improvements
    b) Increase the effectiveness
    c) Increasing transparency

3.3 Location of Research

This research will be conducted in Kudus Local Government, Central Java. The organizations where the researcher tries to do the research are the government's organizations which are related to e-Government development, namely: (1) LPSE of Kudus and (2) Department of Transportation, Communication and Informatics as an institution which is LPSE located.

3.4 Sources of Data

Data sources are places where data and important information found in that can support the research or the subjects from which data can be obtained. According to Lofland, et.al in Moleong (2000, p.112), the main data sources within qualitative research is the words, and actions of the others are additional data such as documents, phenomena / events, people. To make it short, it can be explained that in accordance with its type, the data obtained can be classified into:

1. **The primary data source.** Data is obtained directly from the field of resource persons. Then, it will be observed and recorded. As for the subject of primary data source are:

a) The head of Department of Transportation, Communication and Informatics
b) The officers of LPSE
c) The officers of Communication and Information Division
d) ULP (*Unit Layanan Pengadaan*) / Procurement Committee / Procurement Officer (*Pejabat Pengadaan*)
e) Providers / Suppliers / partners in procurement

2. **Secondary data source.** The secondary data source is data that can provide information indirectly and support this research. This data could be obtained from the activities of other locations, from official documents, reports, books, records, forms, and internet which pertain to this research.

3.5 Data Collection Process

For data collecting, the technique of field research (field research) is used. Researcher goes directly to research sites to observe the actual events and circumstances. In this research, the researcher collects and uses both primary and secondary data. Primary data is data that gathered by direct observation and in depth interview. Secondary data is gathered by collecting data from formal documents like regulation documents related with the topic of study.

There are three stages in collecting data:

1) Getting In

   The first stage in collecting data is getting in. It includes the efforts of researcher to create conducive situation in order to be accepted by the research object.

2) Getting Along

   In this stage, researcher will try to make good relationship with informants. It is important because researcher need cooperative informants in order to obtain accurate information easily.

3) Logging The Data

   Gathering data can be done by using three methods as follow:

   a. In-depth interviews

      In-depth interviews, is a data collection technique whereby researcher will deal directly with the resource persons to conduct in-depth questions and answers technique in order to obtain data and information according to the issue being investigated.

   b. Documentation

      Documentation, is a data collection technique in a way to collect / gather materials from various documents such as book reports or other written documents related to the problem in this research, and can be used later to analyze in deeper exploration.

c. Observation

Observation is done through non-participant observation. This means that the researcher will observe and making note about the result.

3.6 Data Validity

In order to get the validity of data, the researcher will obtain the data from formal document such as local government regulations and other formal documents. From the in-depth interview, the data that researcher will gained are from key informants including LPSE officers, Head of Sub-Division of Communication and Informatics in Department of Transportation, Communications and Informatics, ULP or Procurement Officer *(Pejabat Pengadaan)* and Supplier closely related with research topic. Therefore, validity of data can be reached.

The four criteria of data validity, namely credibility, transferability, dependability, and conformability are described below (Daymon and Holloway, 2002, p.93):

1. **Credibility** is reader can accept and respondents agree with the results of the research. Actualy, implementation of credibility will shift the internal validity from the concept of non-qualitative. To examining credibility, research can be conduct with the following actions:
   a) Qualitative data drawn from primary data and secondary data.
   b) Interview with informant are the primary data. Informants were selected by purposive approach. Interviews will be conducted with several informants including LPSE officers:

2. **Transferability** is an attempt to make the research results as a reflection of the wider population by considering empirical issue that depends on the perception of the same between the contributors and the acceptor. Data and information on the primary data are collected and defined from informants with carefully selected through the assessment, so that it will represent the entire population that are relevant to the research objectives.

3. **Dependability** is the accuracy of the data which supported by evidence drawn from research locus. The research will be completed by tracking activities that are documented through research and arches records collected from research sites.from the research site.

4. **Conformability** is research objectivity based on the ethics as a qualitative research tradition. Conduct by auditing and inspect all components, processes, and outcomes research to achieve it. Data conformability could use a method or procedure of gathering and recording the data that has been supervised by supervisors. The supervisors must check and evaluate the conformability of data for a conclusion. For this purpose, the preparation of data from the field such as legal documents, official letters, and interview report have been collected by the researcher.

3.7 Data Analysis Technique

3.7.1 The Analysis of Qualitative Data

This data analysis technique using qualitative analysis methods, for that reason, the researcher will conduct the research procedures which could produce descriptive data analysis, i.e. what is stated by the respondent in writing or verbally are researched and studied as a whole. In this case, the analysis is all about data and information related to the research. However, in a qualitative research, data analysis is done together or along with the process of collecting data. Therefore, qualitative researchers must remember that there is no standard guidance for analyzing the data. Moreover, according to Bogdan & Biklen, data analysis is a process to find and to regulate the transcript of interview, notes from the field, and other materials researchers got, that are gathered to improve researcher's understanding about a phenomena and to help researchers to present their findings to others (Irawan, 2007, p.70).

In this research, researcher will use the analysis of qualitative data stated by Miles and Huberman (1994, p.10-11) through the procedures: data collection, data reduction, data display, conclusion drawing/verification, as illustrated in figure 3.1. But before doing these three strands of activities, an analysis is conducted as a preliminary analysis of data collection. Thus the qualitative data analysis uses the following activities namely:

1. **Data Reduction**

   An electoral process focuses on an attention of simplification, and data transformation. In data reduction, researcher conducts activity to the data namely; select, focus, simplify, abstract, and transform the data that appear in their transcriptions or written-up field notes. Any project that qualitative oriented would have occurred data reduction continuously.

2. **Presentation of Data (Data Display)**

   It could be defined as a collection of structured information which gives the possibility of conclusion's withdrawal and actions taken. Generically, display is a presentation of the data obtained from the collecting data up to conclusions. The display will help the reader understand what is going on and allow it to perform actions based on an understanding of the data presented. Display may include tables, matrices, charts, diagrams, figures, images and networks.

3. **Drawing Conclusions or Verifications.**

   It is a part of the intact configuration activities. The conclusions are verified during the last study. It means that the data emerged from previous activity will be tested for truth, to get the validity of data in term of strength and intelligence. Begins at the initial data collection, the qualitative analyst began noting the regularity of the data, explanation, pattern, configuration, causality and propositions. Researchers came to the conclusion lightly, but still maintain openness, receive input and make conclusions more clear and explicit. Conclusions are also verified as the analyst proceeds.

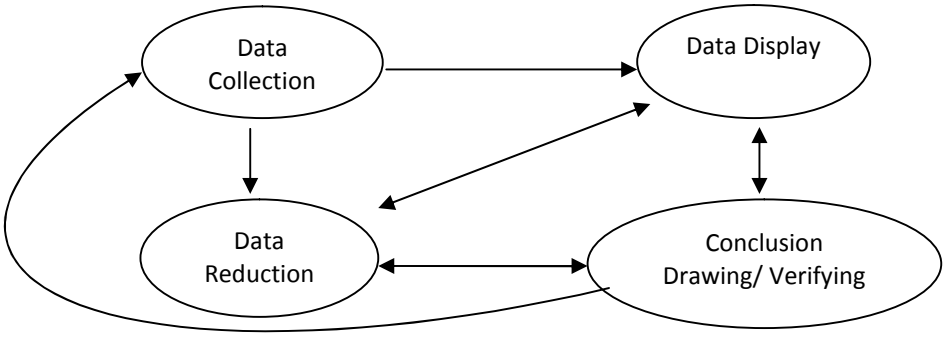

Figure 3.1 Components of Data Analysis

Source: Miles and Huberman (1994, p.12)

3.8 Summary of Chapter 3

Qualitative approach in the descriptive research method is used in this research. The reason of using descriptive research method is because the principle objective of this study is to analyze, describe, give a systematic illustration, fact and accurate statement, and the relationship between phenomena and theory. The situation of organization / agencies / institution will be reviewed first, in order to describe the situations or facts which can indicates the existence of an object and phenomenon.

Researcher goes directly to research sites to observe the actual events and circumstances. In this research, the researcher uses and collects both primary and secondary data. Primary data is data that is gathered by direct observation and in depth interview. Secondary data is gathered by collecting data from formal documents like regulation documents related with the topic of study. The data was collected based on the research questions, theoretical and literature review, and research focus.

CHAPTER 4: THE IMPLEMENTATION E-PROCUREMENT POLICY

4.1 E-Government in Indonesia

In accordance with Presidential Instruction No. 3 year 2003 concerning National Development Policies and Strategies of e-Government, every Governor and Regent / Mayor is mandated to take the necessary steps in accordance with the duties, functions and authority respectively to the implementation of e-Government development nationally.

According to Presidential Instruction No. 3 year 2003, e-Government development is an effort to develop a governance based implementation (using) electronic devices in order to improving the public services quality efficiently and effectively. Through the e-Government development, the government is restructuring the management system and work processes within the government to optimizing the information technology. Utilization of information technology includes two (2) activities related namely:

a) Data processing, information management, management systems and work processes electronic;
b) Utilization of advances in information technology for public services to accessed easily and cheaply by communities throughout the country.

The scope of e-Government are extends from National Government to the Regional Government, but also, it is necessary to guide a standard development of

e-Government to ensure that the system can meet the desired expectations and also synergize each other.

Moreover, establishing e-Government is not only build data communications between infrastructure and information, but also means building the infrastructure, application systems, standardization of meta data, human resource development, procedural development, policies and regulations. Ministry of Communications and Information Technology (KOMINFO) has a role in coordinating and accelerating the implementation of e-Government nationally. KOMINFO issued several policies in supporting regulations that can be used as the main reference in developing e-Government, both within central government and local government.

In order to adapt policies and guidelines by government's institutions in a systematic and integrated way, policies and regulations need to be translated into a formula consists of more detailed documentation, in order to be followed easily by institutions in certain key stages so that the results could be achieved and measured.

Harijadi (2005, p.1) stated that in order to manage e-Government development, a *'blueprint document'* of it must be built as guidance for every components involved in e-Government in Indonesia. Blueprint document is intended to provide a standard guide the development of e-Government in the field of e-Government application systems, with the scope of the provincial, district and city governments. The purposes of e-Government Blueprint are:

1) Uniformity in mandatory application planning development.
2) Standardization of functions in e-Government application systems.
3) Provides the foundation for system development of e-Government applications in a comprehensive, efficient and effective ways.

In order to maintain continuity of policies and regulations which have been issued by the government, especially central government, the *e-Government blueprint* must refer to the latest laws and regulations, and also take into account the current conditions such as advances in technology and the dynamics of autonomy area. Several laws as the main references in e-Government, in addition to several other relevant rules, are:

1) Law No. 32 year 2004 (Amendment of Law No. 22 year 1999) entitled "Local Government".
2) Presidential Instruction No. 3 year 2003 on National Policy and Strategy for e-Government Development.

In order to make the Blueprint as a standard of reference can anticipate the changes due to technological advances and the dynamics of regional autonomy, the Blueprint must be designed with the principle of balance between ***flexibility*** and ***standardization*** of e-government.

a) **Flexibility:** A blueprint provides guidance that is consistent but can be modified according to the needs and specific areas of government policy. Local governments can adjust the Blueprint according to their Vision,

Mission, Strategic Plan, and Local Regulations, which will influence the policy, planning and implementation of e-Government development programs suitable for their regions.

b) **Standardization:** A Blueprint must be put forward about a description of the e-Government applications in general and typical term, along with general and generic specifications, so that a national standardization of e-Government could be created. The basics of the national government regulations are used as the primary guidance in describing the functions of governance on which the application is designed.

4.2 E-Procurement in Indonesia

Many organizations in developed and developing countries use the term e-procurement to promote good governance and transparency. The government agencies can implement an effective and transparent procurement by using e-procurement system. This is evidence that the e-procurement implementation give benefit to procurement process. E-procurement systems not only provide benefits for government agencies, but also to the private sector. Here are some of the benefits in the private sector:

a) Increased transparency: all transactions can be tracked, to prevent fraud and corruption, facilitate the audit process.

b) Save the budget: increased accessibility to increased competition, reduce procurement costs and transaction costs, and facilitate online catalog for purchasing, increased market reach and resource management.

c) Efficiency in work: clear regulations, reduce disputes, reduce procurement time, standardize and streamline the procurement process.

The government can make a standard procurement process for all agencies by using e-procurement system. With e-procurement system, the government can monitor and control the procurement process throughout all institution, because all the processes connected in a network. In addition, the implementation of e-procurement system also increases the effectiveness of procurement process by utilizing equipment based on ICT.

Process transparency in procurement of goods and services are now able achieve through the implementation of e-Procurement and e-Announcement. E-Procurement is procurement of goods and services process that conduct via on-line utilize the internet system so the announcement, registration, bidding process, aanwijzing, and the evaluation results bidding is done by utilizing information technology tools. While e-Announcement is the initial stage of the process of e-Procurement is the process announcement of the procurement of goods and services by electronic means (internet). By implementing e-Procurement and e-Announcement, transparency in procurement of goods and services will be up opportunities for corruption, collusion and nepotism would be minimized.

E-Procurement as a new system on the procurement of goods and services currently is not yet known, but some local governments and agencies their own initiative or encouragement from outsiders has begun this e-Procurement activities. Because the Indonesian government plans that the process of government procurement will be carried out entirely through e-Procurement

process, the government would not want to start learn and understand the implementation of e-Procurement. The willingness of agencies or local governments to study and apply e-Procurement will be very large if the agency or local government concerned knows the benefits and the impact that can be enjoyed when they apply e-Procurement in the system of procurement of goods and services. E-Procurement purposes are the creation of procurement services that efficiency, effectiveness, accountability, transparency, fair and non-discriminatory, open and fair competition, interoperability, and data security.

According to Subramaniam and Shaw (2004), large organizations spend 14-30% of the total revenue in the process of procurement policies beyond production bleak office supplies, equipment costs, and travel expenses. Besides regarding provision in Indonesia provided the fact that of the 4.2 million Indonesian companies engaged in the sector procurement of goods / services only 3.5 percent of government involved (LKPP, 2009).

In an attempt to cover the weaknesses and difficulties in the procurement process and to realize in providing the goods / services efficiently and effective development of information technology should be utilized in the process procurement of goods / services, one of which is the application of e-procurement. E-Procurement is a procurement process that refers on Internet use a means of information and communication (Croom and Jones, 2007). The process of procurement of goods and services with e-procurement system utilize information and communication technology facilities used to support the public procurement process electronically. This electronic auction, the intensity of the procurement

committee meetings with service providers or bidders can be minimized, so that practices often dirty coloring procurement process is expected can be prevented or avoided.

In 2010, there are 48 government agencies in Indonesia, both in the center and local those have implemented e-procurement system (Rahardjo, 2010). *Lembaga Kebijakan Pengadaan Barang dan Jasa Pemerintah* team (LKPP) target the number of government agencies applying e-Procurement systems increased from initially only 48 agencies to 280 institutions including universities. From the results of the application of the e-Procurement some agencies provide data efficiency project realization compared with the budget ceiling or estimated prices (HPS) stated that the government tender savings achieved range of 20 percent (Rahardjo, 2010).

4.3 Application Dimensions of E-Procurement

Related to the dimension implementation of e-procurement, Djojosoekarto (2008) suggests that to support the implementation of e-Procurement there is several dimensions to be met which include;

a) The action plan and task force (working group),

b) Rules or regulations,

c) Infrastructure and technology,

d) Human resources,

e) Institutional.

a) The Existence Action Plan and Task Force (Working Group)

Working group is group of people who were given the task specifically for prepare everything required in the formation of *Layanan Pengadaan Secara Elektronik* (LPSE); ranging from legal drafting up to launch implementation of e-procurement. As a pioneer LPSE, group task has quite a task weight, including preparing regulations relating to the implementation of e-Procurement, prepare the support infrastructure LPSE, preparing resources humans are needed to LPSE operation through socialization, study tours, workshops, training, as well as provide information around services procurement electronically to stakeholders.

b) Rule or Regulation

Regulation is is a set of rules needed related to LPSE implementation and be as a guide service electronic procurement (e-Procurement). These regulations Regulations such as the Governor, in addition to that regulation can be defined by Governor's Decree. Various issues related to such as the implementation of e-Procurement; Letter Working Group, Implementation Decree e-Procurement, Decree LPSE unit organization.

c) Infrastructure and Technology

Availability of infrastructure supporting the implementation of e-Procurement it is important to e-Procurement smooth implementation process. Some facilities required in support of e-Procurement services in ideal among other things:

Firstly, LPSE building as the secretariat which is equipped with several facilities such as: auction room (bidding room), a public waiting room and providers of goods and services, server room and training room.

Second, Hardware and Software Setup: some facilities required, among others, the good computer for the server, administrator, for the client, as well as for training and preparing back-up data is always identical accompanied by the parent server installation of software (system application server, application helpdesk).

Third, Network Setup: network phone and fax, installation network LAN / Internet local area network between the units in the scope of the agency to support the performance of the committee procurement and each committee, e-Procurement application system installation.

d) Human Resources

The successful implementation of e-Procurement is also determined by readiness of human resources, rise of the quantity (amount), and quality (capacity and integrity). What is meant by human resources are those people involved in the

process procurement of goods and services government, such as managers or implementing LPSE, the committee procurement, the vendor will directly involved in the process procurement and public need to be participating in conduct supervision. People who involved in the implementation of e-Procurement need to have capacity and knowledge sufficient to be able to play according to their function each in the auction or tender.

Besides the quality of human resources, quantity of human resources will also be influence the effectiveness of LPSE management. Because for could provide the optimal, LPSE be supported by administrator, trainer, helpdesk, and verifier. The implementation of LPSE, the role of each stakeholder is different. For enhance the ability of HR accordance with their respective roles, then training to be needs in the early LPSE operation.

e) Institutional

In the management LPSE ideally need to set up unit institutional separate duties of service procurement of goods / services electronics in the scope of the region respective institution. However in the early institutionalization LPSE majority still manageable task force that is ad-hoc. Despite the development of institutionalization has been no in particular institutional LPSE management, process adoption of e-Procurement in agencies government had developed quite rapidly. In 2008, at least 25 agencies that have been and are being develop e-Procurement by using the system single application of the National LPSE with a variety of status implementation, namely: still in preparation, initiation earlier,

install the application, implementation training and LPSE already conduct an auction process.

4.4 Success Stories of E-Procurement Implementation in Indonesia

The process of procurement of goods and services with e-procurement system utilize information and communication technology to support the public procurement process electronically actually procurement via internet. Agus Rahardjo, the Head of Policy Institute for Procurement Government said that in 2010, there are 48 government agencies in Indonesia, both in the centre and local those have implemented e-procurement system.

Policy Institute for Procurement Government (*Lembaga Pengadaan Barang atau Jasa Pemerintah / LKPP*) target the number of government agencies applying e-procurement systems increased from initially only 48 agencies to 280 institutions including universities. From the results of the application of the e-procurement some agencies provide data efficiency project realization compared with the budget ceiling or estimated prices (HPS) stated that the government tender savings achieved range of 20 percent (Rahardjo, 2010, p.1). Below is an example the implementation of e-procurement that considered successful.

1) In Yogyakarta

Yogyakarta local government has initiated the implementation of e-procurement since 2009. The implementation of e-Procurement in Yogyakarta local government created procurement process effective and efficient. E-Procurement systems result in improved quality of database administration and

creation a good procurement of goods and services. Implementation of e-Procurement to reduce the cost of goods and services procurement in terms of users, work units and providers of goods and services and to improve the qualifications of goods and services generated by the provider. With this system, the results of the work packages in the procurement system to be optimized and Yogyakarta local government target in the provision of government goods and services are met. E-Procurement in a rational budget can save 20-40%. In addition, e-Procurement can save 50% of the budget for small contracts and 23% for large contracts (Udoyono, 2012, p.147)

2) In Surabaya

In early 2003 the Surabaya local government based on The Decision President number 18 Year 2000 about The Guidelines for Procurement of Goods / Services for Government Agencies, to facilitate the process simultaneous auction only includes the pre-qualification process electronically. Process company registration and evaluation following the procurement company qualification is done via the internet. The main elements of the simultaneous procurement in 2003 are the transparency, effectiveness and efficiency. The response and enthusiasm business world to this program is excellent, approximately 3,000 business entities doing *www.lelangserentak.com* registration to the site and participate in the procurement in each unit of the local government area in Surabaya. With this system Surabaya local government managed to get a 10 percent budget savings and almost the entire project can be completed on time at the end 2003 (KPK, 2007, p.13).

Outcome is the result given by the product of a program or also called as a result of the continued output. The expected outcomes of the implementation of e-Procurement in Surabaya local government are as follows (KPK, 2007, p.53);

1. Community supervision in government procurement
2. Avoiding corruption, collusion and nepotism (*KKN*) between the organizers, participants and procurement manager.
3. Results of optimal work packages and procurement in the relevant the target are met
4. Suppression costs from the users of goods and services, labor units, and providers goods and services
5. The accuracy of credibility providers of goods and services
6. Increased compliance qualification specification of goods and services
7. Creating fair competition.

The facts show that during the period of 2004-2006 in which the e-Procurement has begun to implement in Surabaya local government, the frequency small company that wins the tender is much larger than bigger ones. Average of more than 90% of companies that won the bid is a small company in those years. The implementation of e-Procurement held since 2004 providing a considerable advantage, because it managed to save Self-Estimated Price (*HPS*) reached 20-25%. Self-Estimated Price substantial savings as a form of efficiency and effectiveness of the procurement process and services electronically so that providers can offer the goods and services prices of goods and services with good qualification (KPK, 2007, p.56).

4.5 Regulation for E-Procurement Implementation in Indonesia

Since 2003 the government try to implement good governance in procurement system by issued The Presidential Decree No. 80 Year 2003 *(Keputusan Presiden No. 80 Tahun 2003),* The guidelines for Procurement of Goods and Services in Government Agencies and The Presidential Instruction No. 3 Year 2003 *(Instruksi Presiden No.3 Tahun 2003)* entitled "Policy and National Strategy for e-Government Development" as a guideline and roadmap for central and local governments in Indonesia to establish the e-Government.

The government has made regulations that support the creation of a good procurement system. The regulations are;

1) The Presidential Regulation Number 70 Year 2012, the Second Amendment to the Presidential Regulation Number 54 Year 2010 about the Procurement of Goods / Services.
2) The Presidential Instruction Number 17 Year 2011 about Action Prevention and Combating of Corruption in 2012
3) The Presidential Regulation Number 54 Year 2010 about the Procurement of Goods / Services
4) The Presidential Decree Number 106 Year 2007 about Institute for Procurement of Goods / Services.
5) The Presidential Decree Number 80 Year 2003 and its amendment, the Guidelines for Procurement of Goods / Services;
    a) The Presidential Decree No. 80 Year 2003, the Guidelines for Procurement of Goods / Services.

b) The Presidential Decree No. 61 Year 2004, the amendment of Presidential Decree No. 80 Year 2003 about the Guidelines for Procurement of Goods / Services.

c) The Presidential Regulation No. 32 Year 2005, the Second Amendment of Presidential Decree No. 80 Year 2003 about the Guidelines for Procurement of Goods / Services.

d) Presidential Regulation No. 70 Year 2005, the Third Amendment to Presidential Decree No. 80 Year 2003 about the Guidelines for Procurement of Goods / Services.

e) Presidential Decree No. 8 of 2006, the Fourth Amendment of Presidential Decree No. 80 Year 2003 about the Guidelines for Procurement of Goods / Services.

f) Presidential Regulation No. 79 Year 2006, the Fifth Amendment of Presidential Decree No. 80 Year 2003 about the Guidelines for Procurement of Goods / Services.

4.6 Policy Framework of E-Procurement Implementation

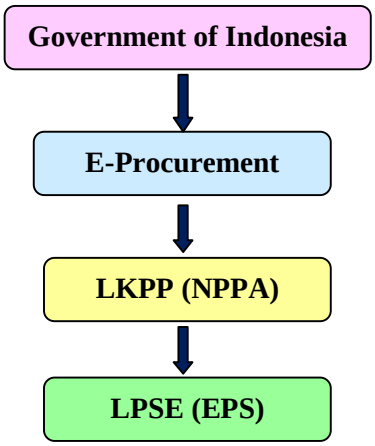

Figure 4.1 E-Procurement Policy Frameworks

(Source: the Researcher)

a. Government of Indonesia

The Government of Indonesia, started from 2003, has been trying to utilize the information and computer technology (ICT) to the success of e-Government development. The government issued The Presidential Instruction No. 3 Year 2003 *(Instruksi Presiden No.3 Tahun 2003)* entitled "Policy and National Strategy for e-Government Development" as a guideline and roadmap for central and local governments in Indonesia to establish the e-Government. One example the implementation of e-Government is e-Procurement. E-Procurement is a procedure for the auction of goods / services were conducted openly and can be followed by all providers of goods / services listed in the electronic procurement system by submitting a one-time offering within the allocated time.

b. LKPP (NPPA)

LKPP (*Lembaga Kebijakan Pengadaan Barang atau Jasa Pemerintah*) / NPPA (National Public Procurement Agency) formed in 2005, this unit is taksed to formulate government procurement policy and regulations; give public procurement-related technical guidance and advocacy; as well as facilitate the conduct of the public procurement specialist certification examinations. With the passion to create a better Indonesia, hope surfaced on developing a more effective and efficient procurement process from state and regional budgets (APBN/APBD) adhering to the applications of sound competition that is transparent, open and equitable to all parties as well as being accountable.

Taking to consideration of the said ideals, therefore a procurement system that encompass clear regulatory and procedural aspects, better institutional framework, competent human resources, accountable and transparent business processes, as well as litigation handling that respects the principles of justice needs to be developed. With regard to a better institutional framework, therefore there needs to be an institution that has the authority to formulate strategic planning and development, policy-making, as well as legal provisions that regulate public procurement that is adaptable to change.

In harmony as part of the global community, therefore the existence of such an institution would represent Indonesia in the international forums, at par with its counterparts already existing in several countries such as the Office of Federal Procurement Policy (OFPP) in the United States, Office of Government Commerce (OGC) di the United Kingdom, Government Procurement Policy

Board (GPPB) in the Philippines, Public Procurement Policy Office (PPPO) in Poland, and the Public Procurement Service (PPS) in the Republic of Korea. (LKPP, 2009). On 6 December 2007, the National Public Procurement Agency (NPPA) otherwise known in the Indonesian acronym of LKPP, was established following the Presidential Regulation No.106 of the year 2007.

In its practice, the NPPA is designated as a non-ministerial government agency and has a reporting duty directly to the President of the Republic of Indonesia. In conducting its function and duties, the NPPA is under the coordination of the State Minister for the National Development Planning/Head of the National Development Planning Agency (Bappenas). Aside from implementing programs inline with its vision and mission as well as the strategic aims and objectives, the NPPA is also responsible to achieve national development targets as mandated in the Mid-term national development plan (RPJMN) 2010-2014, prioritizing in the field of bureaucratic apparatus reform, improvement of good government that is free of corruption, collusion, and nepotism. Specifically, the agency functions and authorities are directed at creating good governance in the public procurement processes.

NPPA Duties:

Implement development and formulation of public procurement policies.

NPPA Function:

a. Drafting and formulation of strategies as well as policies and standard procedures in the field of public procurement including the private sector procurement within the framework of public private partnerships
b. Drafting and formulation of strategies as well as policies for human resources development in the field of public procurement
c. Monitoring and evaluation of its implementation
d. Information systems development as well as supervising in public procurement electronically (e-procurement)
e. Provision of technical guidance, advocacy and legal counsel
f. Conducting general administrative services in the field of planning, corporate governance, staffing, finances, and equipment

c. LPSE (EPS)

LPSE (*Layanan Pengadaan Secara Elektronik*) / EPS (Electronic Procurement Services) is a unit formed across Ministries / Institutions / agencies / other institutions to organize the service system of procurement of goods / services electronically and facilitate ULP/PSU (*Unit Layanan Pengadaan/*Procurement Services Unit) / Procurement Committee in conducting procurement of goods / services electronically. From the beginning, it was designed for decentralized LPSE. There is no one system in Jakarta for the entire agency. LPSE there will be in each agency. LPSE managed and owned by the agency concerned.

ULP / Procurement Committee in Ministries / Institutions / Agencies / Universities / State-Owned Enterprises which does not form LPSE, can use the LPSE facilities nearest position to carry out procurement electronically. In addition to facilitating the ULP / Procurement Committee in carrying out procurement of goods / services electronically, LPSE also serve registration providers of goods and services residing in the relevant work area LPSE. LPSE in organizing the service system for Procurement of Goods / Services electronically are also required to meet the requirements as stipulated in Law No. 11 Year 2008 on Information and Electronic Transactions.

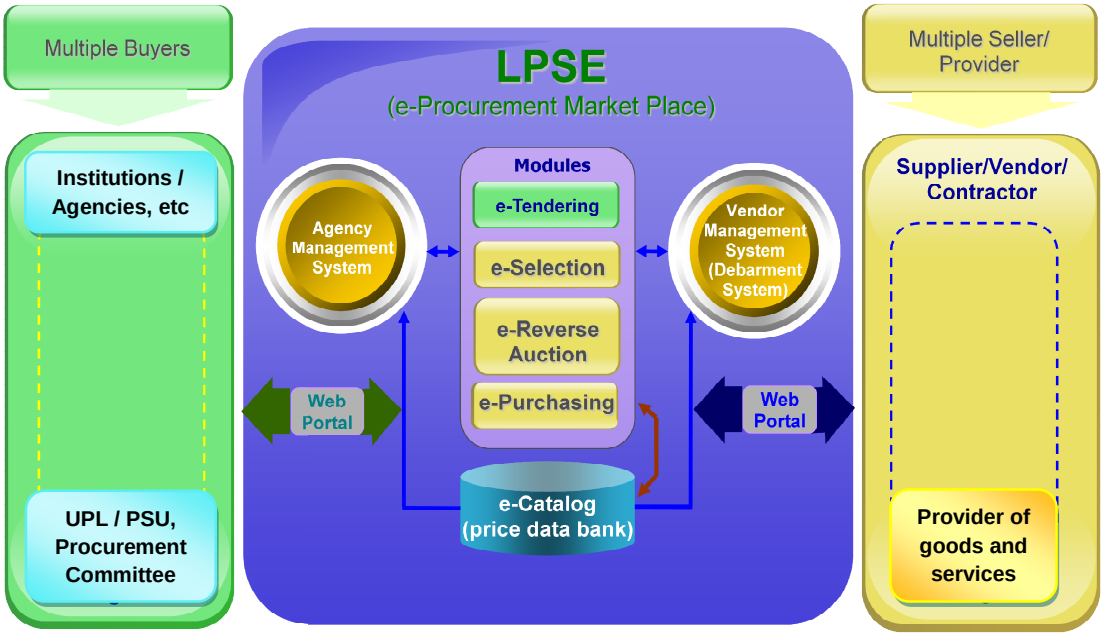

Figure 4.2 Architecture of LPSE

(Source: LKPP, 2011)

4.7 E-Procurement Policy Implementation

The start of e-Procurement in Indonesia began with the release of Presidential Decree No. 80 Year 2003 on the procurement of goods / services of the government. The decree explicitly allows the procurement process through e-Procurement. Some agencies began to develop a system of EGP (E-Government Procurement), respectively. Surabaya Local Government started the development and application of EGP since 2005 with the issuance of the Mayor Regulation No. 10 of 2005. In the same year, the Public Works Department also issued a Ministerial Regulation No. 207/PRT/M/2005 PU for the implementation of electronic procurement within the department area. Meanwhile, since 2004 the Ministry of Communications and Information Technology to develop all EGP system with SePP (*Sistem e-Pengadaan Pemerintah*) for used by government agencies. In addition to the three agencies, there are many more that have developed systems for use in the agency EGP respectively.

Electronic Procurement Service (LPSE) developed by the Centre for Policy Development Procurement of Goods / Services – *Bappenas* in 2006 according Presidential Instruction No. 5 of 2004 on the Acceleration of Eradicate Corruption. E-Procurement became one of the seven flagships National Information Technology Council (*Dewan Teknologi Informasi Nasional – Detiknas*) and under the coordination of Bappenas. In 2007 the auction was conducted electronically via LPSE by Bappenas and the Ministry of National Education. At the time there was only one server LPSE located in Jakarta, www.pengadaannasional-bappenas.go.id managed by Bappenas. In December

2007, the president issued a presidential decree number 106 of the Institute for Policy Procurement of Goods / Services (*Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah – LKPP*). With the existence of this decree, all tasks concerning the procurement of goods and services are the LKPP responsibility, including the development and implementation of electronic government procurement.

Since the beginning of LPSE development, bringing the spirit of free license LPSE. LPSE developed using the Java programming language and using the Postgre-SQL database. System of LPSE installed on the Linux-based systems. In 2008, central government agencies and local government began to implement e-procurement on their governance. In the second quarter of 2008, the Ministry of Finance launched the inaugural e-procurement auction. Meanwhile, the Ministry of Education also launched the inaugural auction through LPSE in December 2008. The developments of LPSE in the local government (province / district / city) are much faster than the central government.

In the LPSE development, LKPP try to collaborate with other government agencies that have the relevant competencies. It is expected to generate a reliable system because it is supported by experts in their field. Collaborate with State Code Institution. State Code Institution *(Lembaga Sandi Negara-Lemsaneg)* is a non-ministerial government institution *(Lembaga Pemerintah non Departemen-LPND)* which has the main task of carrying out government duties in the field of coding that secures confidential information is qualified in the government sector and the public in order to help maintain the integrity of the Unitary Republic of

Indonesia. Therefore, as a matter of cryptography techniques in information security is the forte of this institution.

For ensuring the security of transactions in the process of e-procurement, in 2008 LKPP worked with this agency. Lemsaneg develop Application Security Documents *(Aplikasi Pengaman Dokumen – Apendo)* used by procurement participants for document encryption and decryption by the procurement committee for the document. After development Apendo, Lemsaneg and LKPP develop Public Key Infrastructure *(Infrastruktur Kunci Publik – IKP)* and make Lemsaneg as a CA (Certification Authority). The year 2010 is expected IKP system can be used in all LPSE. LKPP also cooperate with BPK *(Badan Pemeriksa Keuangan)* to complete LPSE system with modules of e-procurement audit. This module allows the auditor (inspector or CPC) to conduct audits electronically to the procurement process. BPK will also help LKPP and all managers LPSE to socialize e-audit system is in the Internal Audit Unit to user agencies LPSE. Implementation and dissemination of e-procurement audits are also carried out by the Supreme Audit Agency (BPK)

In terms of implementation, the number of users LPSE will be growing. Distributed model causes LPSE system will not face obstacles transaction volume. On the side of application development, LKPP prepare system that allows the provider to follow the auction in another LPSE without registration and other verification. In other words, there will be a provider of data interconnection in all LPSE. This allows the provider to participate in the auction.

4.8 Program Theory Matrix – Implementation E-Procurement Policy

Table 4.1 Program Theory Matrix for Implementation E-Procurement Policy

End Outcome	Intermediate Outcome	Outputs	Activities	Inputs
• Reduced corruption and collusion • Save the budget • Increased employment opportunities for small entrepreneurs	• Supervision from public • Minimize collusion and corruption • Realization of optimal procurement • Reduced procurement costs • Credibility of providers is assured • Realization of fair competition	• Transparent Procurement • Good Database • Optimization of procurement process • Improvement of quality procurement • Improvement of procurement administration • Data security of bid documents • Minimizing face-to-face	• Preparation of LPSE establishment • The process of LPSE establishment • Implementation • Utilization by users	• HR for establishment, and implementing the program • Budget • Legal Basis • Infrastructure support

(Source : LKPP, 2007)

4.9 LPSE System Managed by LKPP

The implementation of e-Procurement in Indonesia was conducted electronically via LPSE. Until 2013, there are 580 LPSE spread various departments, agencies, government provincial, city and regency. LPSE intended to establish a system procurement of goods / services that are transparent government and accountable.

In terms of the development of all comes from the central government then in socialized primarily to control every aspect of the institution local government The purpose of the e-Procurement system is to provide guidance for implementing procurement of goods / services that the government conducted electronically. While the goal for this system is to further improve transparency and accountability so that the goal government to obtain goods and services required at the same price or more lower than the market price without ignoring quality and quantity, time of delivery as required.

LPSE application is an application of e-procurement developed by LKPP (formerly the Centre for Development Policy Public Procurement - Bappenas) to be used by government agencies throughout Indonesia. This application was developed by spirit of national efficiency so as not require any fee for the license; not only LPSE license application itself but also the supporting software. One important element in e-procurement is the exchange of documents. To ensure the security partner offering documents, LKPP working with State Code Institution develop Application Security Documents which is used to encrypt and decrypts documents. User is a participant / user LPSE website are required to have a User ID and Passwords that have been registered on the website LPSE. Users are an all parties using the LPSE website, not only the PPK / Procurement Committee, but also providers of goods / services who have registered and have a User ID and Passwords in LPSE website. The parties that related with LPSE are;

1) The budget user *(Pengguna Anggaran – PA)* or deputy of budget user *(Kuasa Pengguna Anggaran - KPA),*

2) Procurement Committee and Procurement Officer,

3) Providers of goods / services,

4) LPSE Officers.

LPSE formed to facilitate the implementation of e-procurement. Whereas the purposes of the e-Procurement implementation in goods and services government auction are:

1) Improving transparency and accountability

2) Improving market access and fair competition

3) Improve the efficiency and efectiveness in the procurement process

4) Support the monitoring and audit processes

5) Meet the real needs of information access time

6) Healthy competition in the level getting normal profit

For supporting the implementation of e-procurement, LKPP requires several things that must be met in the forming of LPSE, there are:

a) Rules or regulations,

b) Human resources,

c) Infrastructure and technology,

d) Training for user.

4.10 E-Procurement in Kudus Regency

4.10.1 General Description of Kudus Regency Area

Kudus Regency, located in north area of Central Java Province, Indonesia which is called Pantura (Pantai Utara) region, about 150 km northeast of Semarang, linked by road, near the Java Sea, Indonesia. The map of Indonesia is illustrated in figure 4.3 and the Java Island map is illustrated in figure 4.4.

Figure 4.3 The Map of Indonesia

(*Source: http://www.google.co.id, 2013)*

Figure 4.4 Location of Kudus Regency in Java Island

(*Source: http://www.google.co.id, 2013)*

Kudus comprises of nine sub-districts, which are Kota, Bae, Gebog, Undaan, Mejobo, Jekulo, Kaliwungu, Jati, and Dawe. To the north is the Muria Mountain, the highest area in Kudus. To the west is Jepara Regency, to the South is Demak Regency, and to the east is Pati Regency. The detailed map of Kudus Regency is illustrated in figure 4.5.

The name *Kudus* arose from Arabic language, "*Al Quds*", which means "Holy Place." The name was given by Sunan Kudus, the Islamic religious leader, in the sixteenth century. Kudus' residents mostly are Javanese although there is an Arab neighbourhood in Kudus *Kulon*, to the west of the central city as well as an Indonesian Chinese minority in the central city.

Kudus are a major economic power in Pantura region, and average income levels and standards of living are among the highest in Central Java. The city is famous as "birthplace" of the *kretek* clove cigarette, which is the most smoked form of tobacco in the country at the time. Haji Jamahri, a resident of the city, invented them in the 1880s, and the city remains a major central for their manufacture. The regency's successful economy is based on food and beverages (*Soto Kudus, Lentog, Jenang, and Bandeng Presto*), cigarette companies (Djarum, Sukun, etc), textiles and garments (embroidery, shirts, and clothes), electronics (Polytron), and furniture (kudos, *gebyok* and carving). Most of these manufactures are produced by joint-venture companies backed by foreign and local investors. Kudus also relied on plantation agriculture, including the production of sugar and rice (www.kuduskab.go.id, 2013).

Figure 4.5 Kudus Regency Area

(Source: http://kuduskab.go.id, 2013)

The tourist attraction spots can be found in several areas, such as Minaret of Kudus, *Kretek* Museum, *Monthel* waterfall and *Pati Ayam* archaeological site. Also, there are some traditional ceremonies and religious rituals which are the heritages of Kudus' ancestor, held periodically in one year. *Bukak Luwur*, *Dandangan*, *Sewu Kupat* are some of traditional Islamic ceremonies in Kudus.

Despite its economical growth, however, Kudus has been facing several problems, although it is not as big as other cities in Indonesia. Poverty, juvenile delinquency, and health are the major problems of Kudus regency. These issues have been solved continuously by the local government through many ways, such as constructing vertical housing for poor people, improving the quality of primary and secondary education, and freeing the medical charges in local government public health centre.

As the development continuous, there are some future plans of Kudus government, concerning all strengths, weaknesses, opportunities, and threats of this regency. The breakthrough in constructing of ring-road systems for better transportation network, increasing the number of schools as well as improving the quality of them, and establishing the joint venture programs in terms of economy and tourism are several matters that Kudus government will focus on.

4.10.2 Kudus Demography

Kudus Regency is divided in 9 sub-districts, 123 villages and 9 political villages *(kelurahan),* 707 Citizens Pillars *(RW),* 3698 Neighbourhoods *(RT)* and 434 Hamlets *(dukuh).* Dawe sub-district is the largest district, consists of 25 villages while Kota sub-district is the smallest one with total number of 10 villages. Kudus local government has 46 agencies *(SKPD).*

Location of Kudus Regency is between 110 ° 36 'and 110 ° 50' East Longitude and between 6 ° 51 'and 7 ° 16 ' south latitude. The longest distance from west to east is 16 km and from north to south 22 km.

4.10.3 Kudus' LPSE

Kudus' LPSE is LPSE that established by Kudus local government in order to held electronic procurement. In early 2011, Department of Transportation, Communication and Informatics at Kudus regency as an institution which is LPSE located, started to provide an introduction and training to users. Hendro Martoyo, the head of Department of Transportation, Communication and Informatics at

Kudus regency, said that the implementation of e-Procurement in goods and services government auction will gives some benefit for users. “The implementation of e-Procurement will facilitate the procurement committee and prospective goods and services suppliers in the bidding process; at least they do not have to meet each other because it is done online. So it will minimize the potential of cheating in the auction process”.

Figure 4.6 Position of Kudus’ LPSE

(Source: the Researcher)

- UPL (PSU) is a unit or entity in charge of the procurement of goods and services in their institution.
- Procurement Committee is a committee or team in charge of the procurement of goods and services in their department / agency.

Musthofa Wardoyo, Kudus’ Regent, inaugurates Electronic Procurement Service (LPSE) on 15 April 2011 in the district hall. Inauguration LPSE in Kudus regency is the 24th of 35 districts / municipalities in Central Java and an inauguration-203 in Indonesia. In his speech, he hoping that the presence LPSE is able to provide ease of administration, as well as more transparent because anyone can access it. Kudus Local Government fully supports the implementation of this program. All human resources and networking related e-Procurement has been

there. "All SKPD (institutions / agencies) should be able to take advantage of this LPSE as well as possible", he said.

The event was also attended by Director of National Public Procurement Agency (LKPP), Tubagus Achmad Chusni. In the same time, he said that the application of implementation LPSE a system of mandatory procurement of goods / services electronically as provided in Presidential Decree No. 54 Year 2010 on the Procurement of Goods / Services". Then the electronic procurement or e-procurement to be one important requirement in creating transparency and accountability in the procurement of goods / services of the government", he said. He hoped that it had the support of all parties, because the system is part of an effort to achieve reform and good governance free from corruption. In particular he was very impressed with the wide application of technology to support various programs in the Kudus Local Government. Especially with free ID card program has been online up to the village. "Credit point separate to the Kudus Local Government of being able to put the technology under the existing regulation", he said.

In accordance with standard operating procedures, at the beginning of the Kudus' LPSE, it already has human resources as:

1) Administrator, an officer of the agencies tasked with clicking-entry of data relating to the agency.
2) Verifier, an officer whose job is to deal with public registration to become a partner.

3) Help desk, an officer in the service of any questions or complaints from PPK, Procurement officers, and providers of goods / services related processes and services electronically.
4) Trainer, an officer who gives training to PPK, Procurement officers, and providers of goods / services related e-Procurement.

They have been carrying out training conducted by the LKPP and LPSE of Undip in 2010. They also give training for users; Procurement Committee or Procurement Officer and Providers of goods / services, before LPSE of Kudus inaugurated in April 2011.

4.11 Summary of Chapter 4

The Government of Indonesia, started from 2003, has been trying to utilize the information and computer technology (ICT) to the success of e-Government development. E-procurement policy is a top-down policy model, which means that it was first rolled out by the central government, and followed by local government. Therefore, the central government formed a special body tasked facilitates and manage the implementation of e-procurement along with the regulations that govern them. LKPP (*Lembaga Kebijakan Pengadaan Barang atau Jasa Pemerintah*) / NPPA (National Public Procurement Agency) formed in 2005, this unit is taksed to formulate government procurement policy and regulations; give public procurement-related technical guidance and advocacy; as well as facilitate the conduct of the public procurement specialist certification examinations.

Electronic Procurement Service (LPSE) developed by the Centre for Policy Development Procurement of Goods / Services - *Bappenas* in 2006 according Presidential Instruction No. 5 of 2004 on the Acceleration of Eradicate Corruption. LPSE application is an application of e-procurement developed by LKPP (formerly the Centre for Development Policy Public Procurement - Bappenas) to be used by government agencies throughout Indonesia.

Kudus' LPSE is LPSE that established by Kudus local government in order to held electronic procurement. This unit formed to facilitate the implementation of e-procurement at Kudus local government. In early 2011, Department of Transportation, Communication and Informatics at Kudus regency as an institution which is LPSE located, started to provide an introduction and training to users.

CHAPTER 5: ESTABLISHMENT OF KUDUS' LPSE

Kudus' LPSE was established to organize the procurement of goods and services system electronically at Kudus local government. The establishment of LPSE must comply with standard operating procedure required by LKPP. The functions of LPSE are:

1. Manage E-Procurement system
2. Provide training to users
3. Provide a means of access to an e-procurement system
4. Provide technical assistance related to the operation of an e-procurement system
5. Provide verification facilities for users

5.1 The Standard Operating Procedure for Establishment LPSE

The implementation of e-Procurement in Kudus was conducted electronically via LPSE of Kudus. Djojosoekarto (2008) suggests that to support the implementation of e-Procurement there are several dimensions to be met which include; the action plan and task force (working group), rules or regulations, infrastructure and technology, human resources, and institutional. Meanwhile LKPP requires several things that must be met in the in the establishment of LPSE; rules or regulations, human resources, infrastructure and technology, and training for user. LKPP encourage department / government agencies / local government to establish

LPSE. Therefore, LKPP made the standard operating procedure in establishment of LPSE.

The standard operating procedure for establishment of LPSE are :

a) The existence action plan and task force (working group).

b) The existence of clear rules or regulations.

c) The readiness of human resources.

d) Adequate infrastructure and technology.

e) Training for user (UPL/procurement committee and supplier candidates).

Udi Waluyono, the head of Communication and Information Division and the head of Kudus' LPSE, said that;

> "In accordance for establishment of LPSE, we should meet with the standard operating procedure required by LKPP that are; working group, regulations, human resources, infrastructure and training".

Firstly, in this research report, researcher have analyzed whether implementation of e-Procurement meets the standard operating procedure.

5.1.1 The Existence Action Plan and Task Force (Working Group).

Working group is group of people who were given the task specifically for prepare everything required in the formation of *Layanan Pengadaan Secara Elektronik* (LPSE); ranging from legal drafting up to launch implementation of e-Procurement. Hendro Martoyo, the head of Department of Transportation, Communication and Informatics at Kudus regency, said that :

> "For implementation of procurement electronically, it is needed a team for preparing establishment of LPSE. Department of Transportation, Communication and Informatics, give an assignment to Communication and Informatics as a working group preparing establishment of LPSE".

As a pioneer LPSE, working group has quite heavy duties, including preparing regulations related to the implementation of e-Procurement, preparing the support infrastructure of LPSE, preparing resources humans are needed to LPSE operation through socialization, study tours, workshops, training, as well as provides information around services procurement electronically to stakeholders. Communication and Information Division at Department of Transportation, Communication and Informatics as working group in the implementation of e-Procurement at Kudus regency.

Udi Waluyono, the head of Communication and Information Division and the head of Kudus' LPSE, said that;

> "The Communication and Information Division, given assignment as working group to preparing establishment of LPSE because it has function to manage communication and information".

Furthermore he explained that Communication and Information Division given the task for prepare everything required in the formatting of *Layanan Pengadaan Secara Elektronik* (LPSE). They are given task as working group, because their functions are;

1) Formulating technical policy in the field of information and communication.

2) Coordinating, developing, facilitating, supervising and controlling the field of post and telecommunications, communication and dissemination of information and information technology.
3) Implementing government affairs and public service in the field of communication and informatics;

As a working group, they must:

1) Drafting the law of implementing e-procurement at Kudus local government.
2) Prepare the supporting infrastructure LPSE.
3) Preparing humans resources.

Udi Waluyono said that although the task / duties as working group is heavy, but they try to do the duty seriously. They have developed an action plan and task forces at the beginning of time before the establishment LPSE, and they do it well.

5.1.2 The Existence of Clear Rules or Regulations.

Public policy implementation must regulate based on rules or regulations. LPSE establishment in local government should be based on the rules that governing the implementation of LPSE and also about the organization of LPSE. In the process of e-Procurement, the legal aspect must be declared as a binding basis for all procurement carried out electronically, regardless of its magnitude value projects / activities. In an effort to enforce aspects the necessary legal regulations can be used as a reference in the implementation electronic transactions to ensure the

validity of execution of the transaction, including correspondence through electronic media such as the legal aspects of sign electronic signature and stamp duty for various documents. In addition, it should be the establishment an agency the right to approval registration of service providers. It is also determining the location and setting the time of delivery, and acceptance bidding documents. In this matter also a guarantee on the validity of the audit auction process / tender through electronic media (e-Procurement).

Hendro Martoyo, the head of Department of Transportation, Communication and Informatics at Kudus regency, said that :

> "Not only regulations from central government, but also regulations from local government as legal basis the e-procurement implementation. Kudus local government issued regulations that regulate implementation of e-procurement at Kudus regency".

Kudus local government issued; the Regent Regulation number 10 of 2011 on Guidelines for Procurement of Goods / Services Electronically in Kudus Local Government *(Peraturan Bupati Kudus nomor 10 tahun 2011 tentang Pedoman Pelaksanaan Pengadaan Barang/Jasa secara Elektronik di Lingkungan Pemerintah Daerah kabupaten Kudus)* and the Regent Decree number 027/064.1/2011 on the stipulation of Steering Board and the Element of Implementation Electronic Procurement Service (LPSE) in Kudus Local Government *(Keputusan Bupati Kudus nomor 027/064.1/2011 tentang Penetapan Dewan Pengarah dan Unsur Pelaksana Layanan Pengadaan Secara Elektronik (LPSE) di Lingkungan Pemerintah Daerah Kabupaten Kudus)* as the legal basis

for e-Procurement at Kudus local government. Udi Waluyono, the head Kudus' LPSE, said that ;

> "The Regent Regulation number 10 of 2011 regulates the implementation of e-procurement that started with the establishment of LPSE. Meanwhile the Regent Decree number 027/064.1/2011 consist of decree the person who operates Kudus' LPSE".

The Regent Regulation number 10 of 2011 article 7 mentions the LPSE position. "LPSE is non structural unit on local government". While the main task LPSE mentioned in article 8. LPSE has the main task to determine policy direction and management for service systems procurement of goods / services electronically. Furthermore, the function of LPSE described in article 9 of Regent Regulation number 10 of 2011.

5.1.3 The Readiness of Human Resources.

The successful implementation of e-Procurement is also determined by readiness of human resources, rise of the quantity (amount), and quality (capacity and integrity). Hendro Martoyo, the head of Department of Transportation, Communication and Informatics at Kudus regency, said that:

> "The implementation of e-Procurement in goods and services government auction requires human resources for managing LPSE. Therefore, I have been appointed several civil servants (PNS) in the Department of Transportation, Communication and Informatics at Kudus regency as an executive element of LPSE."

The executive element of LPSE has had legal status with the issuance of Regent Decree number 027/064.1/2011 on the stipulation of Steering Board and the Element of Implementation Electronic Procurement Service (LPSE) in Kudus

Local Government *(Keputusan Bupati Kudus nomor 027/064.1/2011 tentang Penetapan Dewan Pengarah dan Unsur Pelaksana Layanan Pengadaan Secara Elektronik (LPSE) di Lingkungan Pemerintah Daerah Kabupaten Kudus.*

Udi Waluyono, the head of Kudus' LPSE, said that :

"The readiness of human resources is readiness an executive element of LPSE to managing and operating LPSE."

Furthermore he explained that an executive element of LPSE is supported by the head, secretary, services coordinator, administrator, trainer, helpdesk, and verifier. The main tasks of each executive element of LPSE are:

1) The head of LPSE: an officer of LPSE tasked with organizing, planning, coordinating and controlling the tasks implementation of executive element.
2) Secretary: an officer of LPSE tasked with implementing management of data and information, planning the program, financial statements, personnel, general and public relations.
3) Services Coordinator: an officer of LPSE tasked with implementing services of data and information, management, maintenance of hardware and software, and dissemination of e-Procurement services.
4) Administrator, an officer of LPSE tasked with clicking-entry of data relating to the agency.
5) Verifier, an officer whose job is to deal with public registration to become a partner.
6) Help desk, an officer in the service of any questions or complaints from PPK, Procurement officers, and providers of goods / services related processes and services electronically.

7) Trainer, an officer who gives training to PPK, Procurement officers, and providers of goods / services related e-Procurement.

Besides the executive element of LPSE, it also has the steering board that the main task to give directives and policies to improve the quality, accountability and transparency. The steering board composed of heads, secretaries and members. The executive element of Kudus' LPSE has 1 head of LPSE, 1 secretary, 1 Coordinator, 3 people of verifier, 2 people of help desk, 2 people of trainers and 3 administrators.

Udi Waluyono, the head of Kudus' LPSE, said that to enhance the ability of human resources accordance with their respective roles, training for improve ability is needed. They have followed the training of how to establish LPSE and how to manage LPSE in LKPP and LPSE of Undip. They also do coordination with LKPP, join e-Procurement training, attend seminar of e-Procurement to improve their ability in e-Procurement services.

Picture 5.1 Verifier of Kudus' LPSE

(Source: Kudus' LPSE, 2011)

Figure 5.2 Help Desk of Kudus' LPSE

(Source: Kudus' LPSE, 2011)

Picture 5.3 Executive Element / Members of Kudus' LPSE

(Source: Kudus' LPSE, 2011)

5.1.4 Adequate Infrastructure and Technology.

Availability of infrastructure supporting the implementation of e-Procurement it is important to e-Procurement fluency of implementation process. Some facilities required in support of e-Procurement services in ideal among other things: building, hardware-software, and network setup.

Firstly, LPSE building as the secretariat which is equipped with several facilities such as: auction room (bidding room), a public waiting room and providers of goods and services, server room and training room. Udi Waluyono, the head of Kudus' LPSE, said that :

> "LPSE of Kudus has had a secretariat office at 3rd floor of the Eastern Secretariat Building. The secretariat has several facilities for verifier room, help desk room, training room, bidding room, and server room for e-Procurement services."

Picture 5.4 Kudus' LPSE Room

(Source: Kudus' LPSE, 2011)

Picture 5.5 Bidding and Training Room

(Source: Kudus' LPSE, 2011)

Secondly, Hardware-Software Setup and Network Setup are requires for implementing e-Procurement. Hardware and Software Setup: some facilities required, among others, the good computer for the server, administrator for the client, as well as for training and preparing back-up data is always identical accompanied by the parent server installation of software (system application server, application helpdesk). Network Setup are network phone and fax, installation network LAN / Internet local area network between the units in the scope of the agency for supporting the performance of the committee procurement and each committee, e-Procurement application system installation.

Eko Wibowo Saputro, the services coordinator of LPSE, said that ;

> "LPSE of Kudus has adequate Hardware-Software Setup and Network Setup for e-Procurement application system. The hardware-software and network not only be in LPSE of Kudus, but also scattered in several agencies"

Furthermore, he explained LPSE of Kudus network Infrastructure;

a. LAN (Local Area Network)

   Kudus Local Government has LAN network that connects all SKPD (agencies) in the Secretariat building and building around Secretariat by using cable technology, among others; Secretariat, BKD, Bappeda, DPPKD, PMPPT, POL PP, Kesbanglimaspol and Dukcapil.

b. MAN (Metropolitan Area Network)

Implementation MAN in Kudus is to connect between SKPD (agencies) that were located far apart, using the wireless technology. Currently, all SKPD in Kudus Regency are connected to a network until to the village.

c. Internet

Internet network in Kudus use the Internet service provider (ISP) which connect to the intranet network using the global network bandwidth of 20 mbps. Internet sharing this on to 43 SKPD and 132 villages in Kudus already connected network.

d. Current State of Infrastructure

Infrastructure tower / tower network and intranet data communication network in data communication consists of:

1) Tower monopole is used in 106 villages with a height of between 8 meters to 12 meters.
2) Tower triangle used in 17 SKPDs (agencies) and 27 villages *(desa).*
3) Utilization of privately owned telecommunications tower (MTB) is used as the tower distribution from and to each SKPD's spread across 10 locations in the Kudus regency.

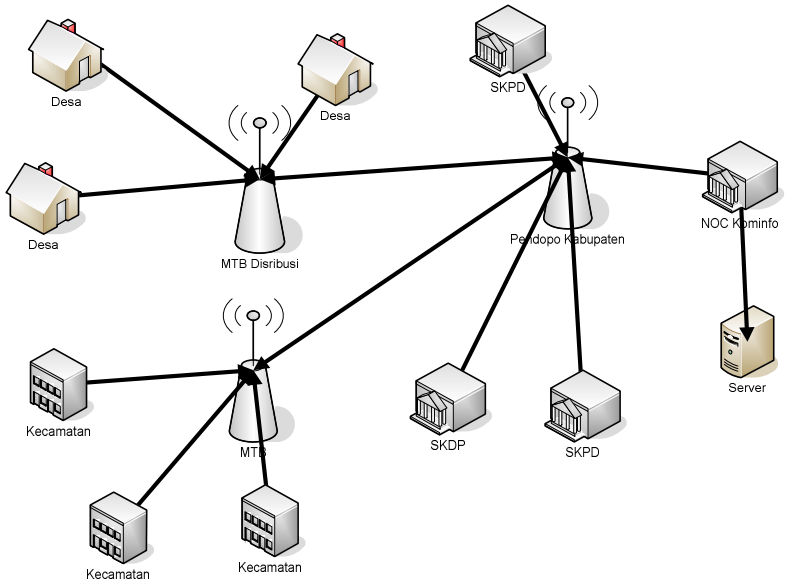

Figure 5.1 Infrastructure Network

(Source: Communication and Information Division, 2011)

Picture 5.6 Server of Kudus' LPSE

(Source: Kudus' LPSE, 2011)

5.1.5 Training for Users

The successful implementation of e-Procurement is also determined by users. The Procurement Committee and the provider of goods / services will directly use and involved in the process of procurement. Therefore, there is a trainer in executive element of LPSE. Trainer is an officer who gives training to PPK, Procurement officers, and providers of goods / services related e-Procurement.

> Udi Waluyono, the head of Kudus' LPSE, said that :
>
> "LPSE of Kudus has given training for users; Procurement Committee / Procurement Officer and Providers of goods / services since 2011."

He explained that in the early implementation of e-Procurement, they have given training for 325 users in 2011. The training continued in 2012 and 2013. There are 200 users were trained in the year 2012 and 150 users in 2013.

> Hasan Asyari, Kudus' LPSE trainer said that:
>
> "Implementation of LPSE training began in 2011, at the beginning given an explanation of e-procurement in general. Furthermore the material that given is more specialized split between the procurement committee and providers of goods and services. Procurement committee were given training on how to conduct the procurement electronically while the providers of goods and services were given training on how to start registering e-procurement until to submits bidding price"

Picture 5.7 Kudus' Regent Open the Training for Users

(Source: Kudus' LPSE, 2011)

Picture 5.8 Training for Users

(Source: Kudus' LPSE, 2011)

5.2 Supporting Factors

In this part, researcher will analyze the supporting factors in implementation of e-Procurement at Kudus Local Government, such as; executive mandate or government will, vision and mission of organization, and budget for implementing e-Procurement policy.

5.2.1 Executive Mandate or Government Will

Executive mandate or government will is the main supporting factor for implementing e-Procurement. The rules that issued by government must be obeyed all actors in procurement. Udi Waluyono, the head of Kudus' LPSE, said that the establishment of Kudus' LPSE as a form of Kudus local government adherence to central government regulations. The central government has made regulations that support the creation of a good procurement system. The regulations are;

1) The Presidential Regulation Number 70 Year 2012, the Second Amendment to the Presidential Regulation Number 54 Year 2010 about the Procurement of Goods / Services.
2) The Presidential Instruction Number 17 Year 2011 about Action Prevention and Combating of Corruption in 2012
3) The Presidential Regulation Number 54 Year 2010 about the Procurement of Goods / Services
4) The Presidential Decree Number 106 Year 2007 about Institute for Procurement of Goods / Services.

5) The Presidential Decree Number 80 Year 2003 and its amendment, the Guidelines for Procurement of Goods / Services.

Whereas Kudus local government issued regulations for support the e-Procurement implementation. The regulations are;

1) The Regent Regulation number 10 of 2011 on Guidelines for Procurement of Goods / Services Electronically in Kudus Local Government.
2) The Regent Decree number 027/064.1/2011 on the stipulation of Steering Board and the Element of Implementation Electronic Procurement Service (LPSE) in Kudus Local Government.

The government also issued a presidential decree number 106 of the Institute for Policy Procurement of Goods / Services (*Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah - LKPP*). With the existence of this decree, all tasks concerning the procurement of goods and services are the LKPP responsibility, including the development and implementation of electronic government procurement with LPSE system.

In the Regent Decree number 027/064.1/2011, Kudus' Regent stipulate the executive element of Kudus' LPSE. The Executive Element of Kudus' LPSE consist of :

1. Head : Drs. Udi Waluyono
2. Secretary : Dra. Lenny Tri Cahyani
3. Services Coordinator : Eko Wibowo S, S.Kom, M.Eng
4. Verifier : Sunyoto, ST
   Nanang Ary, S.SiT

5.	Help Desk	: Moh. Syamsu Naryadi, S.Kom
		: Akhmad Zainudin, S.Kom
6.	Trainer	: Hasan Asyari, S.Kom
		: Budi Firmansyah, S.T
7.	PPE Administrator	: Arief Dwi Ariyanto, S.Kom
8.	Network Administrator	: Sutopo, S.Kom
9.	System Administrator	: Retno Kustiah, S.T

Executive mandate or government will is the strength supporting factor the e-Procurement implementation in Kudus local government. Because the regulations require all agencies in Kudus local government to implement e-Procurement appropriate with regulations.

5.2.2 Vision and Mission of Organization

LPSE in carrying out the duties as an agency that facilitates the implementation of e-Procurement has a vision and mission. Refers to the LKPP, Kudus' LPSE vision and mission are:

Vision : *"andal dalam mewujudkan sistem pengadaan yang kredibel"*

(Expert in making procurement system that credible)

In this exercise that was the vision of Kudus' LPSE desire to be a reliable agency in procurement policy, it mean that agency has the quality, capability or capacity, as well as the authority to develop and produce a variety of policies that can establish a system of procurement of goods and services that are credible and reliable in Indonesia.

Mission : *"mewujudkan aturan pengadaan yang jelas, sistem monitoring dan evaluasi yang andal, sumber daya manusia yang profesional, dan kepastian hukum pengadaan barang/jasa pemerintah"*

("Embodies a clear procurement rules, monitoring and evaluation systems are reliable, professional human resources, and certainty legal procurement of goods / services for government")

The next, mission is expected to be a guideline to achieve the goals, objectives, strategies, policies and activities to be implemented by Kudus' LPSE.

Vision and mission is the supporting factor of the e-Procurement implementation in Kudus local government. Vision and mission will provide guidance to Kudus' LPSE for implementing e-Procurement.

5.2.3 Budget for Implementing E-Procurement

Every public policy needs supporting budget for implementing it. Hendro Martoyo, the head of Department of Transportation, Communication and Informatics at Kudus regency, said that every year Department of Transportation, Communication and Informatics allocate budget for infrastructure and operational of Kudus' LPSE. He explained, for operational of Kudus' LPSE especially for training to users, Department of Transportation, Communication and Informatics allocate:

Table 5.1 Budget for LPSE

No.	Year	Amount
1.	2011	Rp 139.400.000,-

2.	2012	Rp 121.763.000,-
3.	2013	Rp 150.000.000,-
4.	2014	Rp 150.000.000,-

(Source: Kudus' LPSE 2014)

Budget is supporting factor for the e-Procurement implementation in Kudus local government. The budget required to run LPSE, especially for operational costs, network maintenance and training for users.

5.3 Summary of Chapter 5

Based on the research conduct in Kudus' LPSE, it can be concluded that the establishment of Kudus' LPSE appropriate with the standard operating procedure that required by LKPP.

a. Communication and Information Division at Department of Transportation, Communication and Informatics as working group in the implementation of e-Procurement at Kudus regency.

b. The Regent Regulation number 10 of 2011 on Guidelines for Procurement of Goods / Services Electronically in Kudus Local Government and the Regent Decree number 027/064.1/2011 on the stipulation of Steering Board and the Element of Implementation Electronic Procurement Service (LPSE) in Kudus Local Government as the legal basis for e-Procurement at Kudus local government.

c. The executive element of Kudus' LPSE has 1 head of LPSE, 1 secretary, 1 Coordinator, 3 people of verifier, 2 people of help desk, 2 people of trainers and 3 administrators.

d. Kudus' LPSE has adequate Hardware-Software Setup and Network Setup for e-Procurement application system. The hardware-software and network not only be in Kudus' LPSE, but also scattered in several agencies.

e. Kudus' LPSE have given training for 325 users in 2011. The training continued in 2012 and 2013. There are 200 users were trained in the year 2012, 150 users in 2013 and they have given training for 325 users in 2011. The training continued in 2012 and 2013. There are 200 users were trained in the year 2012, 150 users in 2013, and 120 users in 2014.

Supporting factors obtained from the interviews and data research. The interview was conducted to stakeholders. The supporting factors in the implementation of e-Procurement in Kudus local government are;

a. Executive mandate or government will,

   The law require all agencies in Kudus local government to implement e-Procurement appropriate with regulations

b. Vision and mission of Kudus' LPSE,

   Vision and mission will provide guidance to Kudus' LPSE for implementing e-Procurement

c. Budget for infrastructure and operational of Kudus' LPSE.

   The budget required to run LPSE, especially for operational costs, network maintenance and training for users

CHAPTER 6: PRACTICE, ACTIVITIES, AND ACHIEVEMENTS OF E-PROCUREMENT IMPLEMENTATION AT KUDUS LOCAL GOVERNMENT

6.1 Community in E-Procurement Implementation

There is a large literature that discusses about community. In general, I conclude that the community can be defined as a group of people that have same interests and trying to achieve the goals. When we examined again, the community usually have their own boundaries such as area, scope of work or administrative.

Discusses about the implementation of e-procurement, we certainly cannot be separated from the discussion of stakeholders. The stakeholders of e-Procurement implementation at Kudus include of Kudus local government, Kudus' LPSE, procurement committee and providers of goods-services. The stakeholders can be categorized as community based on interests, work areas, administrative tasks and their goals.

Community member based on e-procurement stakeholders:

- Kudus local government: the structure of local government ranging from regents, vice regent, agencies, district, and village in which each part of them have performs administrative and leadership roles. Kudus' local government also arranges the budget for their activities. They have source information of projects in local government and something that we call

inputs in policy structure such as human resources, funds, regulations, etc. They also want to share the information to public through web site.

- Kudus' LPSE: as organisations that facilitate and manage the implementation of e-procurement at Kudus local government. The purpose of this unit is to achieve the e-procurement policy objectives. Kudus' LPSE as well as a place to conduct e-procurement activities, ranging from registration, the announcement of packages / projects until the announcement of the procurement winner. They have role as facilities of knowledge transfer to the community through training for users. They also serves as a networking between Kudus local governments / agencies and communities.
- Procurement committee: as representatives of agencies in the implementing procurement at their agency. They have a primary duty to conduct the procurement at their agency. The goal of procurement committee is to acquire goods or services in accordance with the desired standard. They announce their projects, their procurement process at LPSE website and give wide chance to all providers to join the procurement process.
- Providers of goods and services is individuals or private sector / corporate who want participate in the procurement of goods and services. They can access the information related with procurement via LPSE website. And of course they can participate in the procurement process through LPSE website.

- Society is individuals or group that what to know the procurement of goods-services process. They can access the information related with procurement and monitor its process through LPSE website.

6.2 Cycle of Procurement

Procurement of goods and services, or better known as procurement, mostly conducts by government agencies and the private sector. According to the Presidential Decree of the Republic of Indonesia Number 70 year 2012: Government procurement of goods and services, hereinafter referred to as Procurement of Goods / Services are activities to acquire goods / services by Ministry / Agency / Regional Working Units / Institutions that started from planning process until completion all activities to obtain goods / services.

Kudus' local government every year conducts procurement of goods and services that are implemented through their departments and agencies. Number of procurement conducted each year at Kudus local government are not always same, this is because the amount of available funds is not constant and the more important is the need for the type of goods and services is not same every year. Need for the type of goods and services are usually proposed by the agencies who served as executive activities in the field. For example, Department of Transportation, Communication and Informatics *(Dishubkominfo)* will conduct the procurement of goods and services based on the real needs such as traffic signs that need to be replaced or damaged traffic light. Figure 6.1 shows the Cycle of Procurement.

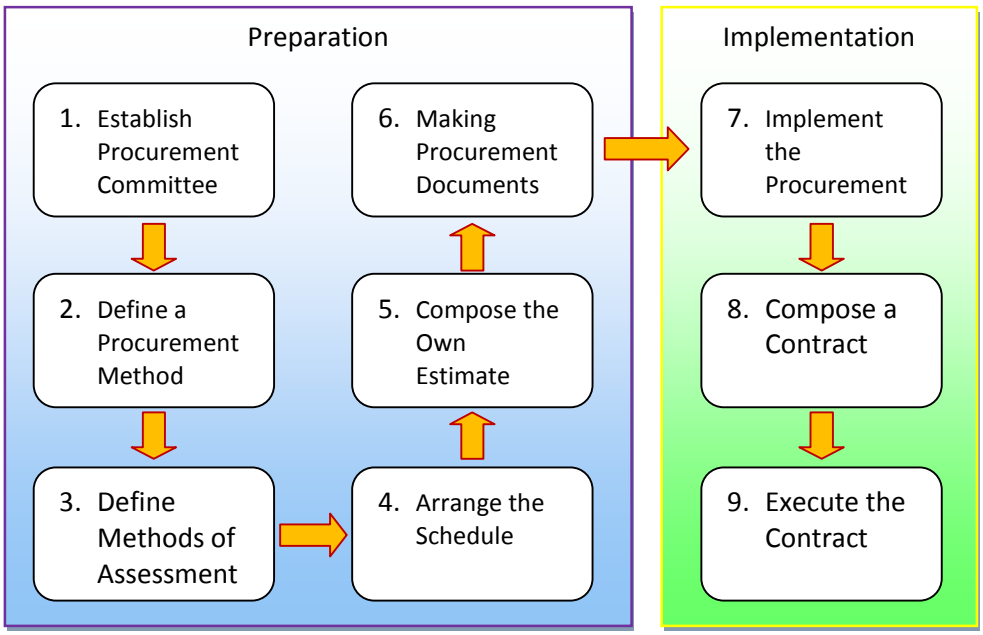

Figure 6.1 The Cycle of Procurement

Researcher analyzes and compare between the procurement process before and after e-procurement system implemented, before researcher conducted study about the activities of e-procurement by users (procurement committee and provider of goods/services). It is useful to know the process and the differences of both systems in theory before explore and obtain information from users related these systems. Udi Waluyono, the head of Kudus' LPSE, explains the comparison of procurement before e-procurement system (conventional procurement) and after using e-procurement system. In general, the difference of this two types is in terms of the use of electronic systems. The next section, researcher will explain the differences of two systems in each stage of process.

6.3 Conventional Procurement Process

Generally, after the procurement committee is formed, the process of conventional procurement starts from the procurement announcement until the signing of the contract. Figure 6.2 shows the stages of conventional procurement process.

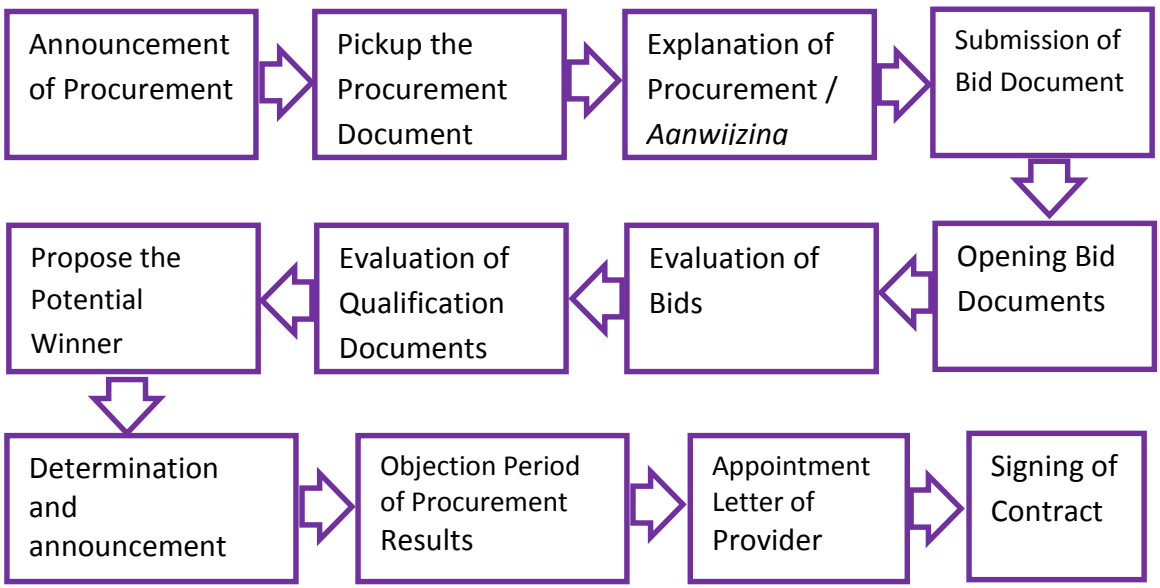

Figure 6.2 Stages of Conventional Procurement Process

Source: Kudus' LPSE 2014

The following is an explanation of Conventional Procurement Process per stages:

1. Announcement of Procurement (7 days)
    - Procurement committee announced the procurement in a national newspaper and at their office.
    - Providers / suppliers should search for procurement announcements in newspapers or go to the office and look directly in notice board at the office that conducts procurement.

2. Pickup the Procurement Document (6 days)
    - Procurement committee must print out the procurement documents and provide it for providers.
    - Providers should take documents directly at the office that conduct procurement.
3. Explanation of Procurement / Aanwijzing (1 day)
    - Procurement committee determines the time and place of procurement explanation.
    - Providers / suppliers should come directly for explanation of procurement at the time and place that determined by procurement committee.
4. Submission of Bid Document (7 days)
    - Providers should come to the procurement committee office for submit a bid document. Bid document in the form of hard copy with the sealed envelope.
5. Opening Bid Documents (3 days)
    - Procurement committee open all bid documents from pproviders manually.
6. Evaluation of Bids (7 days)
    - Procurement committee evaluates all bid documents one by one.
7. Evaluation of Qualification Documents (3 days)
    - Procurement committee evaluates all qualification documents from providers.

8. Propose the Potential Winner (2 days)
    - Procurement committee proposes the potential winners, at least 3 candidates.
9. Determination and Announcement the Winner (1 day)
    - Procurement committee determines the winner and announcing it at their office.
    - Providers can come to the procurement committee office to look the winner announcement.
10. Objection Period of Procurement Results (5 days)
    - Provider reserves the right to convey objections to the procurement committee regarding determining the winner of procurement.
    - Providers can come directly to the procurement committee office or by mail to convey objections.
11. Appointment Letter of Provider (1 day)
    - Procurement committee issued an appointment letter for the winner.
12. Signing of Contract (1 day)
    - Provider who win the procurement should come to the procurement committee office and signing a contract letter.

6.4 E-Procurement Process

Furthermore Udi Waluyono explains the stages of e-procurement process system. He said that it stages process is same as conventional process, but it is different because e-procurement using internet/online system. The users (procurement committee and providers of good/services) conduct procurement via online.

In addition, e-procurement process is starting to involve LPSE as the unit that manage and organize the implementation of e-procurement system. Figure 6.3 shows the stages of e-procurement process, start from announcement of procurement at LPSE website until signing contract by winner.

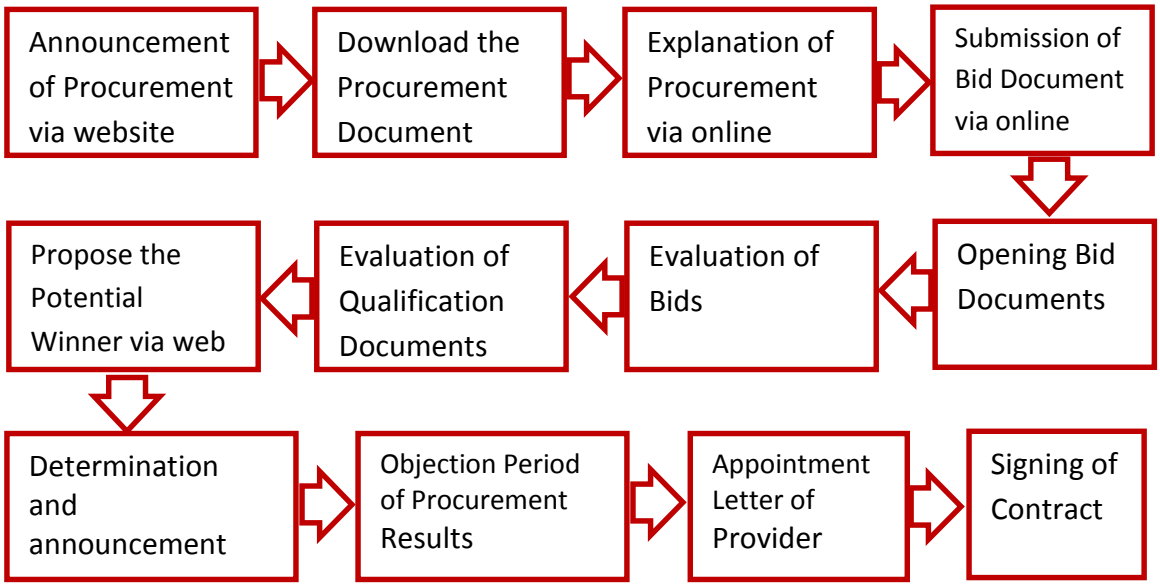

Figure 6.3 Stages of E-Procurement Process

Source: Kudus' LPSE 2014

The following is an explanation E-Procurement Process per stages:

1. Announcement of Procurement (7 days)
    - Procurement committee announced the procurement at LPSE website.
    - Providers / suppliers can search for procurement announcements in LPSE website.
2. Pickup the Procurement Document (6 days)
    - Procurement committee uploads the procurement document at LPSE website.
    - Providers download the procurement documents from LPSE website.
3. Explanation of Procurement / Aanwijzing (1 day)
    - Procurement committee explains the procurement via online.
    - Providers may ask about procurement via online.
4. Submission of Bid Document (7 days)
    - Providers can submit an electronic bid document by upload it via LPSE website with encrypts.
5. Opening Bid Documents (3 days)
    - Procurement committee open all electronic bid documents from providers with decrypts it.
6. Evaluation of Bids (7 days)
    - Procurement committee evaluates all electronic bid documents one by one.

7. Evaluation of Qualification Documents (3 days)
    - Procurement committee evaluates all electronic qualification documents from providers.
8. Propose the Potential Winner (2 days)
    - Procurement committee proposes the potential winners, at least 3 candidates.
9. Determination and Announcement the Winner (1 day)
    - Procurement committee determines the winner and announcing it at LPSE website.
    - Providers can look the winner announcement via LPSE website.
10. Objection Period of Procurement Results (5 days)
    - Provider reserves the right to convey objections to the procurement committee regarding determining the winner of procurement. Providers can communicate with procurement committee by online to convey objections.
11. Appointment Letter of Provider (1 day)
    - Procurement committee issued an appointment letter for the winner.
12. Signing of Contract (1 day)
    - Provider who win the procurement should come to the procurement committee office and signing a contract letter.

6.5 Comparison of Conventional Procuremet and E-Procurement

Table 6.1 Comparison Stages of Conventional and E-Procurement

No	Stages of Procurement	Conventional Procurement		E-Procurement	
		Procurement Committee	Providers / Suppliers	Procurement Committee	Providers / Suppliers
1	Announcement	• Announce at newspaper (1day) • At office (7 days)	• look in newspapers • come directly to the office	• Announce at LPSE website (7day)	• Search via LPSE website
2	Procurement Document (6 days)	Print out and provide it	Take it in the office at work hours	Upload it at LPSE website	download it via LPSE website, 24 hours
3	Explanation of Procurement	Determines time and place	Come directly	Via online	Via online
4	Submissions of Bid Document (7 days)	-	Come directly to the office at work hours	-	Upload it via LPSE website with encrypt, 24 hours
5	Opening Bid Document	Open all bid documents manually	-	Open all electronic bid documents by decrypts	-
6	Evaluation of Bids	Evaluates all bid documents one by one	-	Evaluates all electronic bid documents one by one	-
7	Evaluation of Qualification Documents	Evaluates all electronic qualification documents one by one	-	Evaluates all electronic qualification documents one by one	-
8	Propose the Potential Winner	Proposes 3 candidates as potential winner	-	Proposes 3 candidates as potential winner	-
9	Determination and Announcement the Winner	Determines the winner and announce it at office	Come to office to look announcement	Determines the winner and announce it at LPSE website	Look the announcement via LPSE website
10	Objection Period of Procurement Results	-	Convey objections by mail or come directly to the office	-	Convey objections by online

(Source: the researcher)

Based on the table above, it can be concluded that the implementation of e-procurement more efficient in terms of time and cost when compared to conventional procurement, not only for procurement committee but also for providers of goods and services. The implementation of e-procurement is more transparent than conventional procurement because everyone / providers can see it through the LPSE website.

6.6 Non E-Procurement and E-Procurement.

Recent regulations procurement is the presidential decree No. 70 year 2012. There are 2 types of procurement based on presidential decree No. 70 year 2012 concerning government procurement of goods and services, namely non e-procurement and e-procurement.

1. Non e-procurement

- Value of procurement ≤ Rp 200.000.000,- may conducted through non e-procurement.
- Procurement committee announced the procurement at LPSE website.
- Providers should take documents directly at the office that conduct procurement.
- Providers should come to the procurement committee office for submit a bid document. Bid document in the form of hard copy with the sealed envelope.

- Although this is a non e-procurement, but the announcement posted on the LPSE website so that all providers of goods and services can read it on the website. If they are interested in participating, they can come to the procurement committee office.

2. E-procurement

- Value of procurement > Rp 200.000.000,- should conducted through e-procurement
- Procurement committee announced the procurement at LPSE website.
- The stages of procurement process conduct via LPSE website.

Researcher further study and analyzes the stories about implementation of e-procurement by the users after researching at the Kudus' LPSE which is organize the service system of procurement electronically and facilitate the implementation of e-procurement. Researcher took 3 samples to be interviewed to find the experience of users, about their experiences in implementing electronic procurement. Three users are consists of 2 institutions and 1 providers / suppliers. The institutions are Department of Transportation, Communication and Informatics *(Dinas Perhubungan, Komunikasi dan Informatika / Dishubkominfo)* and Regional Development Planning Board *(Badan Perencanaan Pembangunan Daerah / Bappeda)* that have a project or in other words that need goods or services. Whereas the other users are provider of goods and services that will make an offer or sell goods and services.

6.7 Case Study at Department of Transportation, Communication and Informatics *(Dishubkominfo)*

Firstly, researcher went to the Department of Transportation, Communication and Informatics *(Dishubkominfo)* at Kudus regency and conduct interviews with the procurement committee. Researchers chose the procurement committee in this department because Kudus' LPSE was established at this institution, although it is located at different division with the procurement committee.

The procurement committee at Department of Transportation, Communication and Informatics *(Dishubkominfo)* totaling 3 people consists of a chairman, secretary and members. They are;

Chairman : Sunyoto, SE

Secretary : Nanang Ary, S.SiT

Member : Sulistiyono, Amd

Researcher interviewed Sunyoto, the chairman of procurement committe, regarding their experience in the implementation of e-procurement at Department of Transportation, Communication and Informatics. Sunyoto is a person who experienced in case of procurement because he has experienced more than 20 years handling the procurement. Before he told about the experience of conducting electronic procurement, first of all he explained about the procurement committee and their duties.

Based on The Presidential Regulation Number 70 Year 2012, the Second Amendment to the Presidential Regulation Number 54 Year 2010 about the

Procurement of Goods / Services, the Procurement Committee is the Auction Committee that tasked to carry out the procurement of goods / services by the head office / work unit / project leader / project sections / officers who equated / appointed, he said.

Duties and responsibilities of the procurement committee are as follows:

1. Prepare the schedules, define how the implementation and location of procurement;
2. Formulate and prepare their own price estimate;
3. Prepare procurement documents;
4. Announced the procurement of goods / services in a LPSE's website;
5. Assess the qualifications of providers through post-or pre-qualification;
6. Conduct an evaluation of the bids;
7. Propose a potential winner;
8. Making a report of the procurement process and the results of the procurement to the officials;
9. Signed an integrity pact before the procurement of goods / services started.

Sunyoto also describes the requirements to become a procurement committee, among others, are:

1. Moral integrity, discipline and responsibility in carrying out the task.
2. Understand the whole job is to be held.
3. Understand certain types of job that tasked to procurement committee.
4. Understand the content of documents, procurement methods and procedures.

5. No family relationship with the officials who set them as members of procurement committee.
6. Have a Certificate of Procurement Expertise in accordance with the required competencies.
7. Sign the Integrity Pact.
8. Civil servants at their institutions or from other technical institutions.

Furthermore, Sunyoto gives a brief explanation about the method of qualification appraisal. The qualification appraisal is activities undertaken by committee procurement to assess the competence and ability of the provider at the time of procurement. The qualification documents that collected by the procurement participants are appraised by procurement committee. Qualification document is a document prepared by the procurement committee and determined by the service user as a guide in the process of manufacture and delivery of data by a qualified provider.

There are 2 methods of appraisal in the procurement process, namely pre-qualification and post-qualification.

1. Pre-qualification

   Pre-qualification is the process of assessing the competence, operation ability, and compliance with certain other requirements of the provider of goods / services BEFORE submitting their bids. Its mean that only qualified companies that can submit bids. This method is implemented to a complex procurement. Consulting services are required to use the pre-qualification.

2. Post-qualification

Post-qualification is the process of assessing the competence, operation ability, and compliance with certain other requirements of the provider of goods / services AFTER submitting their bids. In general, this methode are use in the procurement process.

After getting the determination letter of procurement committee from the head of the agency, they could register themselves at LPSE. Each procurement committee must register in LPSE before announcing electronic auction (e-procurement).

The following figure is flowchart from registration until the announcement at LPSE.

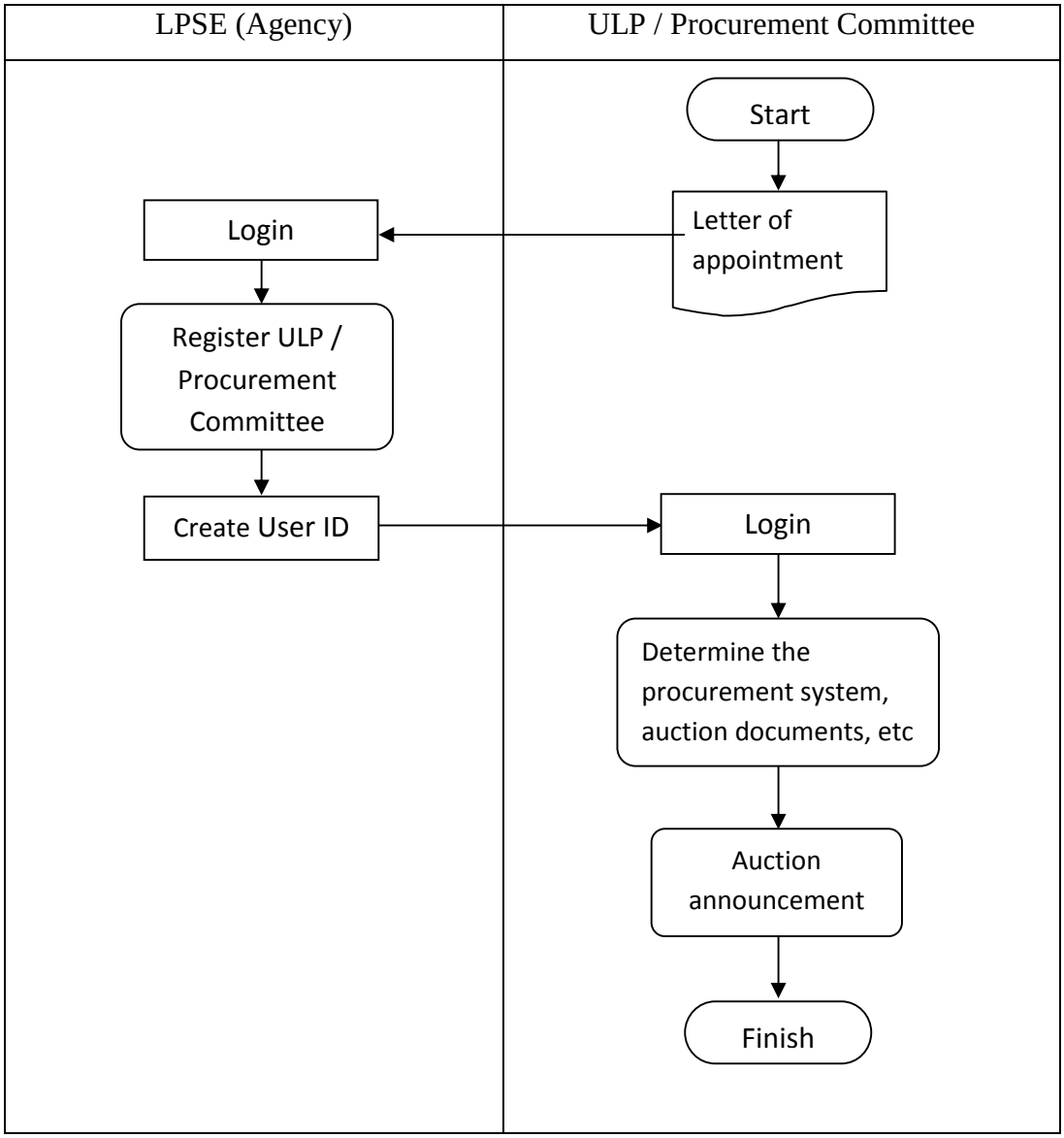

Figure 6.4 Flowchart of Procurement Committee registrations

Source: Kudus' LPSE 2014

6.7.1 Case 1: Bandwidth Procurement

Sunyoto explained that the implementation of electronic procurement in Kudus regency starting in 2011. The procurement committee in the Department of Transportation, Communication and Informatics also conduct e-procurement via LPSE in 2011. One of the procurement cases of e-procurement is the bandwidth procurement.

Since 2009, Kudus local government have started using the internet in terms of financial administration called SIMDA, and it is need not only Internet connection network between institutions but also bandwidth. Department of Transportation, Communications and Informatics *(Dishubkominfo)* in which there is communication and informatics division was given the task to facilitate the use of internet technology. Therefore the procurement of bandwidth handed over to the Department of Transportation, Communication and Informatics.

Bandwidth is a calculated value or the calculation of the consumption of telecommunications data transfer that calculated in units of bits per second or commonly abbreviated to bps that occurs between the client computer and the server computer in a certain time in a computer network. Bandwidth will be allocated to a computer in the network and will affect the speed of data transfer on the computer network, so that the greater the bandwidth in computer networks will make faster data transfer speeds that can be done by the client and the server.

Companies that provide bandwidth services can be said to be rare and not every city / regency have a bandwidth provider company. Generally, these companies are in the provincial capital or big cities.

Sunyoto tells about bandwidth procurement in 2010 and 2011, which in 2010 was still conducted conventionally while in 2011 has been conducted through LPSE.

Bandwidth Conventional Procurement in 2010

In 2010, the Department of Transportation, Communication and Informatics conduct bandwidth conventional procurement. This procurement is to meet the bandwidth requirements with capacity of 10 mbps with duration of one year. After going through the stages of procurement process manually, there are 3 provider results obtained are registering, they are;

- PT. Angkasa Sarana Teknik Komunikasi, Yogyakarta
- PT. Indonet Abadi, Semarang
- PT. Internet Lintasnusa, Semarang

The procurement committee at Department of Transportation, Communication and Informatics furthermore are assessing the qualifications and price bids from the third candidate providers. And the result is PT. Angkasa Sarana Teknik Komunikasi as winner for 10 Mbps bandwidth with the price Rp 288.000.000,- (2,570,000. yen) in one year.

Bandwidth E-Procurement in 2011

In 2011, the Department of Transportation, Communication and Informatics conduct bandwidth e-procurement. All stages of procurement conducted through LPSE, start from the announcement of procurement, the participant registration, downloading tender documents until the winner announcement are conducted

using LPSE. There are 12 providers who signed up for the procurement of bandwidth at 2011, they are;

1. PT. Adi Putra Network
2. PT. Centro Online
3. PT. Jembatan Nusantara
4. PT.Indinternet
5. PT. Media Data
6. PT. Adi Data Mandiri
7. PT. Des Teknologi Informasi
8. PT. Data Utama Dinamika
9. PT. Indonesia Connets
10. PT. Sekawan Global Komunika
11. PT. Grahamedia Informasi
12. PT. Neticon Primatama

Sunyoto explained that in 2011, the implementation of the e-procurement through LPSE at Kudus local government is started, so that the required bandwidth capacity is increasing. Bandwidth procurement in 2011 requires a capacity of 20 Mbps. Procurement bandwidth through e-procurement in 2011 is uses post-qualification methode. The results is PT. Des Teknologi Informasi as the winner of bandwidth e-procurement with an offer price Rp 450.082.500,- (4,020,000. yen) for 1 year with capacities 20 Mbps. PT. Des Teknologi Informasi is a company engaged in the provision of bandwidth services and has been

registered on the Kudus' LPSE on 17 March 2011 with registration number 1257026.

Furthermore, Sunyoto concluded that by comparing the results of the procurement of bandwidth between 2010 that still conventional with 2011 that already utilize e-procurement, e-procurement bandwidth in 2011 more efficient and saves a budget by Rp 125.917.500,- (1,124,657. yen).

Table 6.2 Comparison of Bandwidth Procurement

Year	Type	Participant	Capacity	Price	Price in 20 Mbps
2010	Convent	3	10 Mbps	Rp 288.000.000,-	Rp 576.000.000,-
2011	E-Proc	12	20 Mbps	Rp 450.082.500,-	Rp 450.082.500,-
				Saving	Rp 125.917.500,-

Source : Procurement Committee of Dishubkominfo 2011

6.7.2 Case 2: E-Procurement of Sub-Terminal Getas

Sunyoto also describe other e-procurement held in Department of Transportation, Communications and Informatics at 2012, namely e-procurement of Sub-Terminal Getas Pejaten Project. Sub-Terminal Getas Pejaten Project is a project to renovate the building of Sub-Terminal located in Getas Pejaten village, at Jati district, Kudus regency. The own price estimate (HPS) of this project is Rp 1.485.300.000,- from the budget Rp 1.500.000.000,-. E-procurement of Sub-Terminal Getas Pejaten Project use post-qualification method such as the procurement of goods in general.

Sunyoto added, if we compare the conventional procurement with e-procurement in terms of time schedule, there is no difference, because the time schedule for procurement has been set in a presidential regulation. For example, the Presidential Regulation Number 54 Year 2010 about the Procurement of Goods / Services, in Article 61 paragraph (1) is written that:

- Announcements of procurement / selection carried out at least seven (7) working days;
- *Aanwijzing* / briefing held most fast four (4) working days from the date of procurement announcement;

E-procurement of Sub-Terminal Getas Pejaten Project requires 25 working days, starting from the announcement of procurement until the announcement of winner and contract signing. But if examined more closely, there is a difference time between the conventional procurement and e-procurement. E-procurement has longer working hours than conventional procurement related with work hours. For example at the stage of taking procurement documents, in the conventional procurement only conducted in working hours (9:00 to 15:00) in which the participant (providers of goods and services) must come directly to the procurement committee office, while process of downloading procurement documents via LPSE website in the e-procurement conducted for 24 hours (00:00 to 23:59). This can be interpreted that the time duration of e-procurement longer than conventional systems.

The following is a procurement schedule of Sub-Terminal Getas Pejaten.

Table 6.3 Time Schedule of Sub-Terminal Getas Pejaten E-Procurement

No.	Phase	Begin	Until
1	Announcement of Procurement	31 July 2012 13:00	06 August 2012 23:59
2	Download of Document Procurement	31 July 2012 13:30	06 August 2012 23:59
3	Explanation of Provision / *Aanwijzing*	03 August 2012 09:00	03 August 2012 10:00
4	Upload of Bid Document	04 August 2012 00:00	06 August 2012 23:59
5	Opening Bid Documents	07 August 2012 00:00	16 August 2012 23:59
6	Evaluation of Bids	07 August 2012 07:00	23 August 2012 23:59
7	Evaluation of Qualification Documents	07 August 2012 07:00	23 August 2012 23:59
8	Proving Qualifications	07 August 2012 07:00	23 August 2012 23:59
9	Upload Procurement Results	24 August 2012 00:00	24 August 2012 23:59
10	Determination of winners	27 August 2012 00:00	27 August 2012 23:59
11	Announcement of winners	28 August 2012 00:00	28 August 2012 23:59
12	Objection Period of Procurement Results	29 August 2012 00:00	04 September 2012 09:00
13	Appointment Letter of Goods / Services Provider	05 September 2012 00:00	05 September 2012 23:59
14	Signing of Contract	06 September 2012 00:00	06 September 2012 23:59

(Source : Procurement Committee of Dishubkominfo and Kudus' LPSE 2012)

There are 17 providers of goods and services that register in the Sub-Terminal Getas Pejaten e-procurement. Furthermore Procurement Committee of *Dishubkominfo* evaluating and assessing 17 participants, and the results is 3 providers that offer the lowest price. They are:

Table 6.4 The Lowest Bid Price

No.	Provider	Price
1	CV. Gunung Jati	Rp 1.471.414.000,-
2	CV. Rizky Jaya	Rp 1.467.644.000,-
3	CV. Mega Sakti Perkasa	Rp 1.475.274.000,-

(Source : Procurement Committee of Dishubkominfo and Kudus' LPSE 2012)

Finally CV. Rizky Jaya selected as the winner of Sub-Terminal Getas Pejaten Project by value of the contract Rp 1.467.644.000,-. One reason for choosing CV Rizky Jaya as the winner because they are offers the lowest price.

Nanang Ary, secretary of procurement committee at *Dishubkominfo*, analyze that there are several things that can cause CV. Rizky Jaya offers lowest price, among others are;

1. Location Adjacent

   After observed, the address of CV. Rizky Jaya is desa Getas Pejaten, Rt.03 Rw.01, Getas Pejaten, Kec. Jati. It means that the office of CV. Rizky Jaya and the project site is located in the same village. Due to its proximity, CV. Rizky Jaya could save some costs, such as:

   - The cost of directors' keet. They were not establishing directors' keet because they can supervise the project directly from their office.
   - Save on transport costs. They can save on transportation costs between offices and project sites

2. Local Human Resources

CV. Rizky Jaya could empower local communities for project workers. They could save the cost of lodging for the workers because they do not build a place to stay.

Furthermore Nanang Ary said that the lowest bid price of the Sub-Terminal Getas Pejaten from CV. Rizky Jaya is quite reasonable. It can be obtained by analyzing the cost savings that they could do in this project.

6.8 Case Study at Regional Development Planning Board *(Bappeda)*

Secondly, researcher went to the Regional Development Planning Board *(Bappeda)* at Kudus regency and conduct interviews with the chairman of *Bappeda* procurement committee. Researcher met and conduct interview with Budi Firmansyah, the chairman of *Bappeda* procurement committee.

Budi Firmansyah explained that Bappeda conduct e-procurement for "Preparation of Master Plan for Handling Housing and Slum Areas" *(Penyusunan Masterplan Penanganan Perumahan dan Kawasan Kumuh)* in 2014. This e-procurement is using prequalification method because its procurement for consulting services.

Table 6.5 E-procurement Information at Bappeda

Name	Preparation of Master Plan for Handling Housing and Slum Areas
Agency	Bappeda of Kudus
Category	Enterprise Consulting Services
Procurement Method	E-procurement

Qualification Method	Prequalification
Budget Allocation	Rp 225.000.000,-
Own Price Estimate	Rp 224.534.500,-
Location	Kudus regency

(Source : Procurement Committee of Bappeda 2014)

Further, Budi Firmansyah explained that there were 20 providers who signed up for the "Preparation of Master Plan for Handling Housing and Slum Areas" e-procurement. The procurement committee of *Bappeda* was evaluating the administrative, technical data and bid price from the providers. The results from evaluation process, procurement committee define 3 winner candidates.

Table 6.6 The Winner Candidates

No.	Provider	Qualifying Score	Technical Score	Bid Price
1	CV. Tampomas 15	84,59	76,08	Rp 188.991.000,-
2	CV. Tri Hita Karana	79,06	82,83	Rp 224.345.000,-
3	CV. Adicipta Manunggal	78,82	40,34	-

(Source : Procurement Committee of Bappeda 2014)

The end result of this "Preparation of Master Plan for Handling Housing and Slum Areas" e-procurement is CV. Tri Hita Karana as the winner, because CV. Tri Hita Karana has the highest score in terms sum of Qualifying Score and Technical Score.

Moreover, Budi Firmansyah explaining that the use of e-procurement system carrying out the auction / procurement easier, not only felt by the committee procurement but also by the providers. Because the time schedule for procurement has been set in the Presidential Regulation Number 54 Year 2010 about the Procurement of Goods / Services, the length of e-procurement time schedule is relatively as same as the conventional procurement. But e-procurement has longer time in the working hours, it conducted mostly 24 hours. That distinguish e-procurement with conventional procurement is the use of internet technology in the procurement process. The following is a difference between the conventional procurement and e-procurement in the several phase of time schedule, according to Budi Firmansyah.

Table 6.7 The Comparison between Conventional and E-Procurement

No.	Phase	Manual	E-Procurement
1	Announcement of procurement	In the office and newspaper. Providers must go to the agency office or buy newspaper	In LPSE web site. Providers can access it through the website, wherever and whenever
2	Take on Qualification documents	Providers must go to the agency office at work time	Providers can download through the website
3	Explanation of Provision / *Aanwijzing*	Providers must go to the agency office at time determined	Explanation of Provision via website
4	Submit Qualification documents	Providers must go to the agency office at work time	Providers can submit through the website

No.	Phase	Manual	E-Procurement
5	Announcement of winner	In the agency office. Providers must go to the agency office to see	In LPSE web site. Providers can access it through the website

(Source : Procurement Committee of Bappeda 2014)

Budi Firmansyah added that the procurement using the e-procurement system through LPSE provides many benefits, not only for procurement committee but also for providers of goods and services. The benefits are;

1. For Procurement Committee

- All the processes almost carried out electronically.
- Save the procurement announcement cost.
- Avoiding face to face.
- More efficient in the procurement implementation.
- The availability of procurement informations about technical specifications of goods and services is openly to public.
- The evaluating and assessing processes of documents more effectively because the software can automatically eliminate the provider of goods / services that fail to meet the requirements of procurement.
- Paperless, saving the paper during the bidding process because the requirements and bidding / qualification documents have been uploaded to the LPSE web site.
- Significant administrative cost savings on every procurement package.

2. For Providers of Goods and Services

- All procurement process conducted openly throughout by providing equal opportunities to prospective providers of goods / services and the community to participate in procurement and supervise the procurement process of goods and services.
- The procurement of goods and services that more transparent, fair and participatory promote increasing fair competition in every region where procurement of goods and services conducted.
- Providers of goods and services conducting only one-time registration for participating in the procurement.
- Communication is conducted online so it can minimize the encounter between the providers of goods and services with the procurement committee.
- The auction / procurement process can be monitored directly.
- Significant administrative cost savings on every procurement participation.
- Time savings in the procurement participation, because all processes conducted via the LPSE website.

6.9 Case Study at CV. Kresna Tata

CV. Kresna Tata is a company engaged in the field of Consultancy Services, particularly in the areas of service planning, monitoring and studies to help improve the process of good governance. The director of CV. Kresna Tata is Dwi Guntoro, and its located at; Jalan Tanjungkarang No. 17 Rt.04 Rw.01, Tanjungkarang, Kecamatan Jati, Kudus. CV. Kresna Tata has participated in various procurement, not only located in Kudus regency but also outside of Kudus regency.

Dwi Guntoro said that since the enactment of e-procurement system in Kudus regency, his company was already using this system. Providers of goods and services / companies that want to use the e-procurement system must register their company in Kudus' LPSE or other LPSE. CV. Kresna Tata has been registered in Kudus' LPSE since 18th August, 2011 with registration no 355 094.

Furthermore, Dwi Guntoro explained that his company registration in Kudus' LPSE done through the LPSE website. Only once he come directly to the LPSE office for submit a registration form and show the original documents of company such as the deed of company incorporation, tax reports etc. while the flow of the registration process will be shown in the following figure.

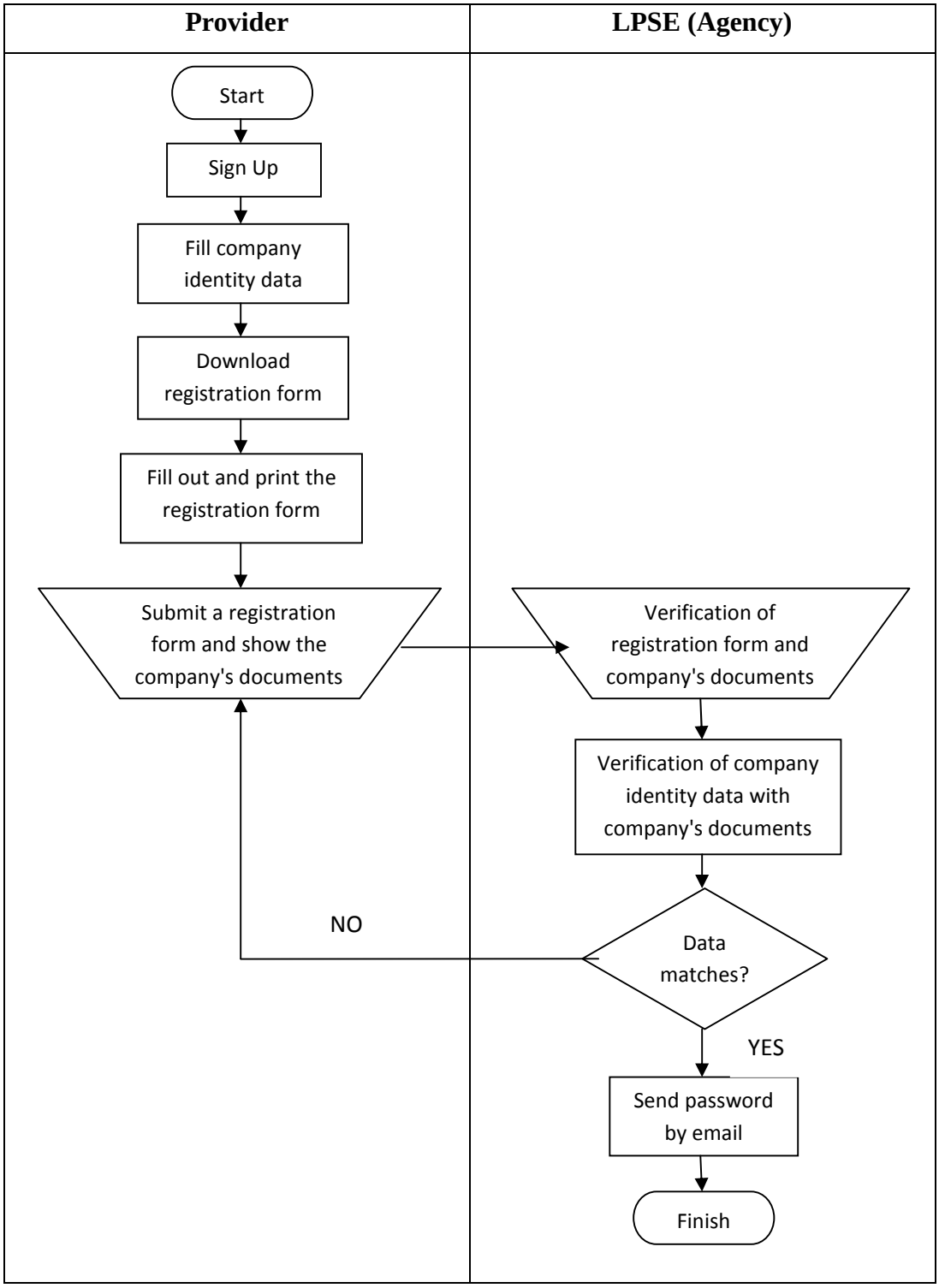

Figure 6.5 Flowcharts of Providers Registrations

(Source: Kudus' LPSE 2014)

Dwi Guntoro argue that the use of e-procurement system makes it easy to providers participating in the procurement of goods and services. Many benefits are obtained by providers from the use of this system, among others:

- Providers easier searching a procurement announcement via LPSE website
- Procurement registration conducted through the LPSE website
- Providers can save administration cost and work time
- Stages of the procurement process can be monitored
- Transparency and fair competition in the procurement

Dwi Guntoro informed that in 2013, CV. Kresna Tata got 16 packages contract. The following table is the packets that conducted by CV. Kresna Tata during 2013.

Table 6.8 The Packages Conducted by CV. Kresna Tata

No.	SKPD/Agency	Name of Package	Value of Contract
1	PA PATI	Perencanaan Teknis Pembangunan Gedung Kantor Pengadilan Agama Pati	47.750.000,-
2	POLRES KUDUS	Perencanaan Teknis Kegiatan Pembangunan Kantor Polsek Mejobo T.305 dan Fasum TA 2013	44.715.000,-
3	DISTANNAKHUT KUDUS	Jasa Konsultansi Perencanaan Studi Kelayakan Pembangunan Rumah Potong Hewan (RPH)	33.500.000,-
4	DISHUBKOMINFO DEMAK	Studi Penataan Tempat-tempat Pemberhentian Angkutan Umum	14.993.000,-
5	DISHUBKOMINFO DEMAK	Survey Potensi Parkir di Tepi Jalan Umum	24.777.500,-

No.	SKPD/Agency	Name of Package	Value of Contract
6	DINAS CIKATARU KUDUS	Pengawasan Pembangunan Jalan dan Jembatan Perdesaan	43.800.000,-
7	DINAS CIKATARU KUDUS	Pengawasan Jalan dan Jembatan APBD Kab. III	24.596.000,-
8	DINAS CIKATARU KUDUS	Perencanaan Jalan dan Jembatan Perdesaan APBD Kab-I	39.795.000,-
9	ORPEG SETDA KUDUS	Analisis Jabatan 2013	49.885.000,-
10	RSUD KELET JEPARA	Perencanaan Gedung Poliklinik VCT dan DOT RSUD Kelet	17.648.994,-
11	RSUD KELET JEPARA	Pengawasan Konstruksi Bangunan Gedung Asrama RSUD Kelet	20.300.005,-
12	RS DONOROJO	Pengawasan Konstruksi Bangunan Gedung Gizi Umum RS Donorojo	5.500.000,-
13	RS DONOROJO	Pengawasan Konstruksi Bangunan Isolasi RS Donorojo	6.000.000,-
14	DINAS CIKATARU KUDUS	Pengawasan Pembangunan Jalan dan Jembatan Perdesaan (Bansarpras APBD Provinsi Jateng 2013 dan Luncuran APBD Prov Perubahan 2012)	43.799.992,-
15	BPMPKB Kudus	Penyusunan Data Siga dan Data Pilah Anak Th. 2013	47.999.996,-
16	DINAS KESEHATAN KAB SEMARANG	Pengawasan Pembangunan IPAL Puskesmas (bulan November 2013)	23.851.000,-

(Source : CV. Kresna Tata 2013)

E-procurement facilitate providers of goods and services in the searching the procurement announcement and facilitate the registration, so the chance of gaining procurement package will be increase, he said.

6.10 The Achievement of E-Procurement Implementation in Kudus Local Government

Procurement of goods / services is essentially the government's efforts as a user of goods / services to achieve or obtain goods / services desired. In the procurement of goods / services that demand for products / services met properly in accordance with the limited financial capacity of the state, the government needs to regulate the norms, principles, and methods of procurement goods / services process. The rules contained in The Presidential Decree Number 80 Year 2003 and its amendment, the Guidelines for Procurement of Goods / Services. Purposes of the Presidential Decree number 80 year 2003 is to regulate the procurement of goods / services that are partly or wholly financed with APBD or APBN. The Presidential Decree is for the procurement of goods / services that are partially or fully funded by APBN / APBD is done in an efficient, effective, open, competitive, transparent, fair / non-discriminatory and accountable (article 2 paragraphs 2). In this research, researcher have analyzed whether implementation of e-Procurement improve efficiency, effectiveness and transparency in procurement.

6.10.1 Efficiency Improvements

For measuring the efficiency improvement, it will be analyzed from the Procurement Committee / Procurement Officer Statements and Providers of goods and services statements. Based on The Presidential Decree Number 80 Year 2003, efficient means of procuring goods and services should be cultivated by using limited funds and resources to achieve the purpose set out in the shortest possible time and can be accounted for. Meanwhile, according to the WTO efficient is

often defined as "value for money". This principle is sometimes misinterpreted with only focus in prices factor and ignores the other elements that really matters. Efficient is not always realized with the cheapest price, because in addition to the price, there are other elements that must be considered as parts availability, longevity plan items, the cost of operation and maintenance, and so that when combined with a price will result in optimal value.

Researcher conducted interviews Procurement Committee / Procurement Officer and Providers of goods / services. Sunyoto, Procurement Committee of Department of Transportation, Communication and Informatics at Kudus regency, said that;

> "The use of e-procurement system could save costs in the procurement process. At least the procurement committee does not have to provide the procurement documents because it was uploaded in LPSEs website, while the provider of the goods and services that participate in e-procurement process will save energy and time. They do not need to come to the agency that organizes tender, simply open the LPSEs website from their office ".

Almost similar to Sunyoto, Budi Firmansyah (Procurement Committee of *Bappeda*) said that:

> "The implementation of electronic procurement makes easy procurement committee in carrying out the procurement, because the committee only uploads all procurement documents on LPSEs website. From the time of procurement reviewed, there was no difference between the conventional and electronics because the number of day's implementation of procurement has been set in the rules that governing the auction, but it is different in working hours. In the e-procurement it can be 24 hours like at stages of downloading procurement documents and at submitting bid documents"

Regarding with efficient of cost, Ali Maskat (Director of CV. Gelora Persada) said that:

> "E-procurement is actually more efficient, because the providers of goods and services do not need to come directly to the agency which organized the procurement, do not need to buy the procurement documents, do not need to buy a stamp, do not need to copy the procrement documents which very troublesome and requires a high cost."

In term efficient is defined as value for money, implementation of e-procurement in Kudus local government from 2011 until 2013 can save the budget approximately 30 billion rupiahs, or 9%. This amount is obtained from the difference between the amount of limit price reduced by the amount of auction results / prices.

Eko Wibowo Saputro explained that from Procurement Data recapitulation of Kudus' LPSE (June 2011 until Dec 2013) the number of package that tendered via e-Procurement is 395 packages. The total amount of limit price is Rp 336.863.427.800,- and the amount of auction price is Rp 306.496.422.957,-. While the numbers of registered providers are 1,841 providers and the Verified provider are 1,714 providers. In term of efficiency, it can be concluded that the implementation of e-Procurement more efficiently when compared to conventional procurement.

This is in accordance with the importance of e-government by OECD (2005, p.15), E-Government improves efficiency. ICTs help improve efficiency in mass processing tasks and public administration operations. Internet-based applications can generate savings on data collection and transmission, provision of information

and communication with customers. It is also appropriate with Government-to-Business (G2B) interactions typically involve the use of the internet to reduce the costs to government of buying and selling goods and services from firms (Bevir, 2006, p. 61). In the term of Government-to-Business, it refers to e-commerce in which government sells or provides services to businesses, as well as businesses selling products and services to government.

6.10.2 Increase the Effectiveness

Effective means that procurement of goods and services process in accordance with the requirements that have been determined and can provide maximum benefits in accordance with the target set. "Aspect of these benefits can be assessed in many ways, such as: best quality, timely delivery, the quantity is met, able to synergize the procurement of goods / services from other projects, and can realize the optimal impact on the overall achievement of the policy or program" (the Presidential Decree number 80 year 2003 article 3).

Budi Firmansyah (Procurement Committee of *Bappeda Kudus*) said that:

> "With the implementation of electronic procurement, the procurement committee is possible to obtain good qualified winning bidder with the best value bidding, because the providers could be from anywhere, without limitation comes from the local area"

Almost similar to Budi Firmansyah, Yogi Kuntoro (Procurement Committee of *Dinas Cikataru Kudus*) said that:

> "Electronic procurement system made procurement committee work easier, and the winning bidder acquired usually the best because the providers of goods and services compete fairly."

From the perspective of providers, Ismed Azhar (Director of CV. Bumi Besito) said that:

> "Through e-procurement system, the providers of goods and services will offer a low price but the quality of the goods in accordance with the qualification and they will compete fairly. Because of that the procurement committee will gain cheap and quality goods."

M. Shidiq Habibi (Director of CV. Ginaris Banyu Bening) said that:

> "The providers of goods and services will provide the best bids (low price with proper qualification goods/services) because the procurement is open widely."

With the implementation of electronic procurement, the procurement committee is possible to obtain good qualified winning bidder with the best value bidding, because the providers could be from anywhere. For providers of goods and services, e-procurement is easier for them to participate in government procurement. They only one-time register and all subsequent activities carried out through the internet. The effectiveness of e-Procurement be achieved because of using of internet technology in procurement make the procurement committee and providers of goods and services can easily implement auction / procurement process.

It can be concluded that the implementation of e-Procurement can reach the purpose of goods and services procurement in term of effectiveness, and the winning bidder of e-Procurement better than conventional procurement.

6.10.3 Increasing Transparency

According to the the Presidential Decree number 80 year 2003 article 3, transparent means all the provisions and information on procurement of goods and services are open to all providers of goods and service who are interested as well as for society at large. In addition, transparency is also closely related to the availability of sufficient time for providers of goods and services candidates. So they can prepare a response to the procurement process.

In the conventional procurement, transparency of information obtained by coming directly to the office / agency conducting the procurement. Phase *aanwijzing* conducted in a conventional procurement felt quite give an explanation for providers of goods / services can come to ask. It is give disadvantages and benefits. The advantage is the answer / explanation given by the procurement committee can be clearly accepted by the prospective candidate providers. However, with the face-to-face between the provider of the procurement committee allows conspiracy in procurement.

Meanwhile, the electronic procurement does not occur face-to-face between the provider of goods / services with the procurement committee considering the information and communications made by the procurement committee based on LPSE website. Questions raised by the candidate of provider goods / services delivered to LPSE website and will be answered by the same method. Debriefing process and results of such communications may be read by all parties.

Sahri Notoutomo (Procurement Committee of *Dinas Bina Marga, Pengairan dan ESDM Kudus*) said that:

> "Procurement through LPSE is more transparent because all information relating to the procurement should be informed in the website and all interested parties (community, public, providers of goods and services) can read it on the website".

M. Sariyun (Director of CV. Faiz Jaya) said that:

> "All providers of goods and services that have been registered in LPSE can participate in e-procurement process. All information pertaining to the procurement can be accessed via LPSE website."

All candidates' suppliers / providers of goods and services obtain the same information, either when *aanwijzing* or information which is uploaded regularly in the form of a document on the LPSE website.

Dwi Guntoro (Director of CV. Kresna Tata) said that:

> "Information regarding the procurement was more transparent when done through LPSE, because information about the procurement shall be in accordance with the rules and can be read by all parties".

Furthermore, Dwi Guntoro mentions the advantages of e-procurement:

- Improving transparency and accountability in the procurement of government goods and services.
- Facilitate sourcing in obtaining data and information about the goods and services and the provider of goods and services.
- Ensure the government procurement of goods and services runs more quickly and accurately.

- Ensure equality of opportunity, access and equal rights for the offender procurement of goods and services.
- Create a situation conducive to a healthy rivalry between the provider of goods / services.

This is in accordance with the importance of e-government by OECD (2005, p.15), Transparency between governments and citizens is fundamental to good governance. ICT can help transparency by enabling citizen engagement in the policy process, promoting open and accountable government and helping to prevent corruption.

.It is also appropriate with one of the eight principles of good governance. According with UNDP, 1997, implementation of e-Procurement that can increase transparency include in principles of good governance, namely “Strive for transparency in their decision-making processes”.

Transparency is based on freedom of information. Those who care about the process and the institution can directly access information that is reasonably available information to understand and monitor them. Application of the rules and regulations are necessary consistency and fairness to ensure that all stakeholders can appreciate to the rules and followed the principle of equality.

It can be concluded that the e-Procurement implementation considered more transparent than conventional procurement, it is because the creation of balanced information on all providers of goods and services in any position and can reduce

the face-to-face between the providers of goods and services with the procurement committee.

6.11 Summary of Chapter 6

Based on the case study and interview with users, it can be concluded that implementation of e-Procurement in Kudus local government improves efficiency, effectiveness and transparency in procurement compared with conventional procurement.

1. In term efficient is defined as value for money or how many budgets can be saved by e-proc implementation.
    - At the case study 1 bandwidth procurement in *Dishubkominfo,* they can save the budget as much as Rp 125.917.500,-
    - The implementation of e-procurement in Kudus local government from 2011 until 2013 can save the budget approximately 30 billion rupiahs, or 9% from total budget.
2. With the implementation of e-procurement, the procurement committee is possible to obtain good qualified winning bidder with the best value bidding.
    - At the case study 2, e-procurement of Sub-Terminal Getas Pejaten Project that use post-qualification in *Dishubkominfo*, procurement committee can choose the best bidding price from 17 providers of goods and services that register in the Sub-Terminal Getas Pejaten e-procurement.

- At e-procurement for “Preparation of Master Plan for Handling Housing and Slum Areas” in *Bappeda*, that using prequalification method, procurement committee determine the winner based on the highest score in terms sum of Qualifying Score and Technical Score.

3. E-procurement implementation can increase transparency because all process of procurement can be access by all users via LPSE website.
    - Case Study at CV. Kresna Tata, it has participated in various procurement, not only located in Kudus regency but also outside of Kudus regency through LPSE website.
    - All providers of goods and services can obtain information relating to procurement through the LPSE’s website.

“Community capacity is invested in the elements of the community (individuals, leaders, organizations, and networks) and is characterized by a sense of community and levels of commitment as well as the community’s collective ability to set and achieve objectives and recognize and access resources for productive use” (Miyoshi and Stenning 2008)

- Kudus’ local government as a representation of regional leaders showed commitment in implementing the e-procurement policy. This is indicated by the publication of legal protection / regulations and financial support to implement the e-procurement at Kudus regency. On the other hand, Kudus’ local government also promotes the creation of good governance by implementing e-procurement, so that information about the project / procurement of goods and services can be easily accessed by community.

Furthermore, the local government could also save budget in procuring and improving the quality of goods and services because procurement conducted openly and transparently.

- Kudus' LPSE as an organization / unit that manages the procurement of goods and services system electronically has been preparing all procedure related to e-procurement requirement, ranging from Human Resources, infrastructure and training for users (Procurement Committee and providers) with the aim that the outcomes of e-procurement can be achieved. In other words, they have created networking in the community between Kudus' local government, agencies and providers of goods and services.
- Procurement Committee at all agencies can carry out procurement more efficiently, effectively and transparent, thus improving the quality of goods and services that purchased. This is one form of activities that support the creation of good government at Kudus regency.
- Providers of goods and services can improve their ability in procurement with attend training given by Kudus' LPSE. Providers can obtain information about the procurement of goods and services, not just those in Kudus regency but also throughout Indonesia via the LPSE website.
- Community can get information related the projects / procurement and can monitor the procurement of goods and services in Kudus regency via LPSE's website.

CHAPTER 7: CONCLUSION

This study tries to analyze the process of e-procurement implementation at Kudus local government and to identify the good achievement on community that represented by users (procurement committee, providers of goods-services) and the implementer policy (Kudus local government, Kudus' LPSE). Researcher analyze the regulation, conduct interviews with some stakeholders and collect data related e-procurement at Kudus regency for gain the objective of study. In this chapter, researcher will answer the research questions and the research objectives based on earned data.

7.1 Summary of Findings

Firtsly, at chapter 4, the data shows that the implementation of e-procurement policy is a top-down policy model. Government of Indonesia is initiative to achieve good government by utilizing of information and computer technology (ICT). In this chapter, researcher describes the birth process of e-procurement policy and the implementation models ranging from central to local government. The Government of Indonesia declared the implementation of e-procurement in government institutions to save the use of budget in the procurement process. They not only issued regulations governing the implementation of e-procurement but also form an agency that facilitate and regulate the implementation of e-procurement.

The agency named LKPP based in Jakarta. LKPP activities include preparing the human resources, infrastructure and software. LKPP also create the

e-procurement implementation guidelines for local government that will implement the e-procurement system. In the end of chapter 4, researcher was describing the beginning of the e-procurement implementation at Kudus local government with the establishment of Kudus' LPSE. In term of community capacity, Chaskin et al. (2001, p.12) characterize what is conducted by central government with LKPP as a function on dimension of community capacity. This is because the central government as decision-makers determine planning and governance to the implementation e-procurement policy.

Secondly, in chapter 5 researcher analyze the standard operating procedure of Kudus' LPSE establishment and the supporting factors in implementation of e-Procurement at Kudus Local Government. The establishment of LPSE must comply with standard operating procedure required by LKPP. Meanwhile LKPP requires several things that must be met in the establishment of LPSE such as; rules or regulations, human resources, infrastructure and technology, and training for user. Based on the study, establishment of Kudus' LPSE have been met with standard operating procedure required by LKPP. While the supporting factor for e-procurement implementation at Kudus local government are; executive mandate or government will, vision and mission of organization, and budget for implementing e-procurement policy. This indicates that the Kudus' local government earnestly and commitment in carrying out of e-procurement policy. The commitment and support from Kudus' local government as a form of local government responsibilities to the comunity underneath.

The last, at chapter 6 describe about practices and activities of e-procurement implementation at Kudus local government. The first case study at Dishubkominfo Kudus shows that the implementation of e-procurement can improve the efficiency in terms of budget. The second case study at Bappeda Kudus shows that the use of e-procurement system increases the effectiveness in the procurement process. While in the third case study at CV. Kresna Tata describes that the use of e-procurement system makes the procurement process be transparent. On the other hand, the implementation of e-procurement opens equal opportunities for all providers of goods - services and creates fair competition. In addition to the case study data, researcher also conducted interviews with some of users (the procurement committee and providers of goods-services). The results obtained from the case study and interviews demonstrate the achievement of e-procurement implementation at Kudus local government. Implementation of e-procurement improves the ability of community, it is indicated from the cost savings and the effectiveness procurement process that conducted by the procurement committee. On the other hand, e-procurement facilitates providers of goods-services in obtaining information and participating in procurement process. E-procurement also provides an opportunity for the community to supervise the procurement process because all the information related with procurement can be accessed through the website LPSE.

7.2 Recommendation for Further Study

This study has found some benefit from the implementation of e-procurement at Kudus' local government. Besides three achievements that already mentioned above, there are many benefits obtained from the implementation of e-procurement system. One of them is the implementation of e-procurement can reduce the amount of corruption, because of avoid face to face. Due to limited time, study has not found a case study that can describe to that phenomenon. Therefore, for further study, it can be focused on research and case study which refers to the reduction of corruption.

While on the other hand, the presidential decree No. 70 year 2012 still allows procurement committee to conduct procurement by means of non e-procurement for goods-services that budget is less than IDR 200 million rupiahs. Researcher believes that e-procurement is very beneficial carried out in all types of procurement based on the data in this study and suggested that all types of procurement can conducted by e-procurement. Therefore, further study is needed on this subject especially in the case study that describes the implementation e-procurement of goods-services on procurement budget that less than IDR 200 million rupiahs.

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