

**Master's Thesis**

**Transparency in The Implementation of Procurement in Indonesia**

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## **Certification Page**

I, Hario Dharma Bhaktiono (Student ID 51217626) hereby declare that the contents of this Master's Thesis are original and true, and have not been submitted at any other university or educational institution for the award of degree or diploma.

All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

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HARIO Dharma Bhaktiono

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## Summary

Procurement is an essential key in the development and, when implemented, especially in Indonesia, it can present a decisive part in contributing more effective government services. Especially with the use of internet media as the basis for implementing procurement, it will increasingly streamline and transparency the performance activities of public organizations. This thesis intends to attain out how considerably the procurement process in Indonesia implements the principles of transparency and accountability. This study had done in the Regional Office of Environmental Health and Disease Control Surabaya, one of the Technical Implementation Units under the Ministry of Health to focus more on the technical implementation of its procurement activities. In this research, it discovered that the application of e-procurement at the research site had carried out properly, and following suitable regulations. The problem occurs not of the e-procurement practice, but rather from the interpersonal relationships of the actors in the procurement process within the institution itself. Bad planning and lack of communication and coordination cause the procurement process potentially hampered. There needs to be a better internal communication channel to compensate for a sound procurement practice.

*Keywords: Procurement, transparency, implementation*



# Chapter 1. Introduction

## 1.1. Background of the study

Procurement is an essential key in the development and, when implemented, especially in Indonesia, it can present a decisive part in contributing more effective government services. Moreover, it also acts as a development tool with enormous positive impacts on inclusive and faster growth and good governance (World Bank Group, 2016). Nations that can restrain corruption in the government procurement sector can apply sufficient individual and financial resources, draw more foreign and domestic investment, and improve faster on development. The Indonesian government has also sought to respond to this call through various activities, such as building an electronic procurement system (e-procurement) and strengthening the capacity of officials working on public procurement (Wibowo, 2017).

The Government of Indonesia is currently in the process of bureaucratic reforms that are expected to achieve targets to realize good governance by 2025. Bureaucracy reform encompasses several aspects. (1) **The institution**, the establishment of a bureaucratic organizational structure that is slim in shape and rich in functions. (2) **Human resources**, creating professional and competent human resources. (3) **Management**, creating efficient and effective business processes. (4) **Supervision and accountability**, creating transparent and accountable business processes. (5) **Public service**, providing public services that are fast, precise, cheap, easy, non-discriminatory, and satisfactory.

One of the government's resolutions to obtain the objective is by improving the procurement process of goods and services using the e-procurement system. E-procurement has commenced being implemented in Indonesia, especially in the public sector since 2010, after the introduction of Presidential Regulation No. 54 of 2010 that regulate e-procurement of specific goods and services as a mandatory procurement method. However, by 2010, this e-procurement system still used to be voluntary. This kind of electronic trade adopted from e-business and e-commerce due to the accelerated developments in the application of ICT (information, communication, and technology) (Walker & Harland, 2008). Just like e-business and e-commerce, e-procurement also has the value of transparency, efficiency, and effectiveness with aims to improve accountability and transparency; improve market access and fair competition; improve procurement process efficiency; support monitoring and auditing processes; and meet the need for real-time access to information (as stated in Presidential Regulation No. 54 of 2010). E-Procurement implementation procedure carried out by optimizing the utilization of information technology development to achieve good governance through the procurement of goods and services that free from corruption, collusion, and nepotism. The goal of the E-Procurement system is to provide a transparent, competitive, effective, efficient, equitable, and non-discriminatory and accountable procurement process.

Implementation of E-Procurement is generated to establish a network of management systems and work processes of government offices in an integrated manner with the parties that would become engaged in the procurement process of goods and services. In application, however, e-procurement practices still have some constraints, such as the lack of human resources with outstanding ICT skills, inadequate internet connections, and the unpreparedness of corporations to face the implications of digital transformation (Walker and Harland, 2008).

Therefore, the establishment of Procurement Services Unit introduced as the executor of the procurement process of goods and services in Indonesia, following regulations concerning Procurement of Government Goods and Services in Presidential Regulation Number 54 of 2010, which has undergone four amendments until stipulated in Presidential Regulation Number 4 of 2015. However, the four changes that have taken place aim to improve several articles in the Presidential Regulation Number 54 of 2010 which are still considered unclear. So, in this study, the author only wrote Presidential Regulation Number 54 of 2010 as the basis of the regulations without the need to mention any changes.

In this regulation, the Procurement Services Unit is a permanent unit that can be stand-alone or attached to other existing units. The Procurement Services Unit may contain in a separate structural unit whose establishment is guided by the legislation governing the government institution. The Procurement Services Unit attached to existing units integrated into structural units that functionally perform the tasks and functions in the field of procurement of goods and services. The Procurement Service Unit structure consists of Head; Administration/Secretariat; and Working Group. The Procurement Service Unit itself formed so that the process of procurement of government goods and services can be implemented effectively, efficiently, transparently, and accountable. It expected that the establishment of the Procurement Services Unit could eliminate the problems that often arise in public procurement, namely the high rates of manipulation on construction funds originating from government procurement of goods and services.

All procurement activities are carried out centrally by promoting the optimal utilization of information technology by the Procurement Service Unit. The officers in the Procurement Service Unit are selected people who must be able to learn quickly, have a right level of hospitality, and do not stutter the development of technology, especially

in operationalizing the computer. Many Procurement Services Units independently managed, although there are still many attached to the district secretariat or Technical Implementation Unit. At the beginning of its establishment, this unit got much negative sentiment. Those skeptical of the Procurement Services Unit are usually those who are reluctant to learn new ways and new work models. Not even a few providers/suppliers are underestimating this unit, especially those whose offer is not eligible to win. Indeed, the system built by the government in the Procurement Service Unit is considered an excellent and transparent step, where the contact between the parties concerned made as small as possible. Anyone who becomes the winning bidder is a bidder who has all the administrative completeness and best offer value (not just the bidder with the lowest score only). By maximizing information technology, the opportunity to commit a crime is estimated to be close to zero. Even if there are harmful actions that could damage the reputation of the government, they should be able to detect and take immediate action quickly.

In practice, the procurement of government goods and services has still found many problems due to the practice of collusion, corruption, and nepotism. Procurement of goods and services in Government agencies accompanies an excellent opportunity for fraud. The deviation may increase the cost of the project from its actual value, by avoiding the auction procedure established by the regulation or procuring counterfeit goods and services. Many such cases of procurement of goods and services are finally dragging the holder of governmental power including ministers, heads of regions, and procurement officials into the position of prisoners.

## **1.2. Statement of the problem**

Theoretically, the electronic procurement of goods and services is more profitable than the manual one, both for users and providers of goods and services. However, something right in theory is not always useful in its implementation. According to a survey conducted by multilateral banks (ADB, World Bank, and The Inter-American Development Bank), there are various problems in the implementation of e-procurement in Europe, Asia, Oceania, and South America. These problems include (Multilateral Development Bank, 2007): (i) lack of trust from suppliers to the system; (ii) lack of integration of the system; (iii) different processes and documents; (iv) the system not supported by regulations related to electronic procurement; (v) lack of market information and price references, and (vi) technology related issues. Based on these data, the implementation of e-procurement is not easy even for European countries that are relatively advanced, and there are still problems related to e-procurement.

Meanwhile, procurement of Goods and Services Practices in Indonesia began regulated since the issuance of Presidential Decree number 80 of 2003 and its amendments. This regulation, however, had some weaknesses (Kamal, 2012):

- Not able to accelerate the implementation of expenditure in State Revenue and Expenditure Budget (Anggaran Pendapatan dan Belanja Negara/APBN) and Regional Revenue and Expenditure Budget (Anggaran Pendapatan dan Belanja Negara/APBD) and has not been able to encourage innovation, the growth of the creative economy and the independence of domestic industries;
- There are still multiple interpretations and unclear things;
- The absence of adequate reward and punishment mechanisms.

With some of the above weaknesses and the development of the national system in Indonesia which put forward the democracy, regional autonomy, information technology, and international strategic environment, it needs more adequate rules, systems, methods, and procedures, while maintaining the corridor of good governance and ensuring the competition healthy and efficient. Government Procurement of Goods and Services that regulated in Presidential Regulation No. 54 of 2010, providing a clear direction for change to better practice, such as creating a conducive climate for healthy competition, the efficiency of state expenditure and accelerating the implementation of APBN/APBD. Moreover, this regulation is also introducing rules, more straightforward methods, and procedures while maintaining good governance, clarifying rules, and introducing a fairer reward and punishment mechanism.

The changes of procurement policy in Indonesia marked by the establishment of the Procurement Service Unit and implementation of Procurement of Government Goods and Services through contractual frameworks, e-catalogs, and e-purchase. Moreover, clear disclosures about the types of procurement, the number of initial payments, administrative data, reasonable incentive optimization for the perpetrators of Procurement of Goods and Services, and the design of the blacklist mechanism also become components of that changes.

However, some projection of implementation toward the change has consequences and risks that must be observed. For example, in Article 83 of Presidential Regulation number 54 of 2010 implies that the Procurement Service Unit declaring the valid tender if the number of participants who pass the qualification and the number of participants who proposed the offer document/other construction/service works is not less than three participants. Then, the lowest bid price corrected is not higher than the self-estimated price. Moreover, the selection of consultants declared valid if participants who

pass the qualification of not less than five (for wide selection) or no less than three for simple selection. Then, the lowest cost bid corrected and all incoming cost bids for lump sum contracts are not above the budget ceiling.

This article can be misinterpreted by stakeholders who involved in the procurement of goods/services, both by prospective suppliers of goods/services, commitment-making officials and by procurement service unit. They ignore other provisions that lead to obtaining efficient prices. For this reason, they made "arrangements" in such a way that formally the auction/selection seemed to be under Presidential Regulation Number 54 of 2010, but substantively the prices of goods/services purchased were high and inefficient. This arrangement attempted by raising the self-estimated price so that it seems higher than the price offered by the prospective provider. Besides, to meet the minimum requirements for the number of bidders/selection participants, prospective providers can borrow the name of the company so that all bidders are in one command.

Otherwise, procurement of goods and services of the government occupies a very strategic position, not only in the matter of realizing a good and clean government but also for the development of the nation and the welfare of society. Purchase of goods by the government in part in the form of capital expenditure is a form of investment. This investment is needed for increasing the capacity of the economy as well as for the creation of multiple effects. Investments that are not necessary but done because of corruption will undoubtedly result in less capacity in the economy, less income multiplier effects, and ultimately a relatively low economic growth. The relatively low economic growth of the nation means the relatively low ability of the state to prosper its people.

Purchases of goods and services are needed to provide government services to the public. Purchasing goods that are low in priority will cause the low quality of government

services and will undoubtedly also result in lower community welfare, what is more, if some of the funds are misused or corrupted.

The other problem in procurement is corruption. Based on the annual report of Indonesian Corruption Watch (ICW) in 2017, there are at least 576 cases of corruption with 1298 suspects and a bribe of 211 billion rupiahs, causing a state loss of 6.5 trillion rupiahs. Despite the use of e-procurement and electronic auction systems, ICW notes that there are at least 4 cases of fraud in the procurement of goods and services in Indonesia, such as deviations in implementation, unclear procurement receipts, and 2 cases that illustrate the incompatibility of planning with implementation.

In 2016 annual report, Indonesia's Corruption Eradication Commission (Komisi Pemberantasan Korupsi/KPK) conducted 96 preliminary investigations, 140 investigations and 77 prosecutions of both new cases and the cases which had commenced in the previous year. Besides, KPK enforced 81 final and binding court decisions. More than 497.6 billion were recovered and paid to the state treasury in the form of non-tax state revenues (Pendapatan Nasional Bukan Pajak/PNBP) from the handling of corruption cases. When viewed from the type of case, bribery was most common type, with 79 cases, followed by crimes in the procurement of goods/services, with 14 cases, and three cases of money laundering.

In other words, the emergence of Presidential Regulation no. 54 of 2010 about Government Procurement of Goods and Services, does not guarantee that corruption reduced, but opens the door to another opportunity to commit misconduct. There are at least three weak points in the implementation of procurement, starting from the planning stage, bidding stage, and to the technical implementation. According to Alexander Marwata, KPK Deputy Commissioner, in general, corruption practices begin from the intervention of the elements in the agency and the executive. The intervention occurs



since the planning stage. Even in the auction stage, it is not uncommon for the winning bidder to be known. If the winning bidder has determined from the beginning, then there is inevitably a corrupt practice. (Kompas.com, 2016).

### **1.3. Research objectives**

Along with the development of regulations regarding the procurement of goods and services, the practice of procurement of goods and services in Indonesia is looking for the right formulation in its implementation in the regulatory realm, especially in terms of the implementation of transparency. Therefore, this research was conducted to meet the objectives of this study, which is to identify, explain, and analyze the application of the principle of transparency in the procurement process in Indonesia.

### **1.4. Research questions**

Research in Public Procurement has been widely documented for implementation and impact of public procurement, alongside with e-procurement system in the governmental institution, such as Walker and Harland (2008), Quesada et al. (2010), Jones (2013), Nurmandi and Kim (2015), and Prabowo (2016) focusing on the implementation of e-procurement. Although those researches provide significant findings, most of them rarely focus on transparency in the implementation of procurement in Indonesia.

Previous research that was conducted in the City Government of Magelang, Central Java, Indonesia by Sadono, et al. (2017), stated that the e-procurement process was far more efficient in terms of costs and processes, compared to conventional

procurement. However, the average time required was still longer than stipulated in the regulation. This extended time needed causing by the lack of human resources available in the Procurement Service Unit. This research will utilize those gaps by exploring more on transparency in the implementation of procurement in Indonesia.

In sum, this research addressed a question: To what extent the principle of transparency applicate in the procurement process in Indonesia?

## **Chapter 2. Review of Related Literature**

### **2.1. Principal Agent Theory**

Principal Agent (PA) theory has featured since the late 1980s (Jensen & Meckling, 1976; Klitgaard, 1988). The overall concept originates from economists who consider actors as clients or customers. PA literature is closely related to specific social relations, namely, delegations, which involve two actors to exchange resources. The principal is an actor who, despite having several resources, still cannot fulfill his goal because he does not have the appropriate skills. Furthermore, the principal then needs agents who receive the appropriate resources and are willing to fulfill the principal's needs. In this case, the agent becomes an "extension of self" of the principal through the delegation (Braun & Guston, 2003).

In the latest PA theory shows that principals are actors who can represent different interests - e.g., public interests. Agents are different actors who have to take jobs for principals - for example, to accommodate several public services. PA theory often promoted as one of the most valuable tools for learning and understanding the difficulties associated with corruption - when someone does something wrong is when they not watched (Widmalm, 2016). PA theory defines problems that occur when the parties to an agreement have various objectives; at that time information asymmetry was formed between them (Ferris & Graddy, 1998). This model is the basis for creating formal models of contractual relationships so that it is easier to understand how governments manage to produce publicly available services.

However, sometimes the agent is trying to pursue his interests, not the interests of the principal. This condition is also known as the "agency" problem. According to P.A.

theory, agency problems arise when there is a kind of "information asymmetry" between principals and agents. In other words, the principal does not know what the agent is doing. The principal must trust the professional expertise and knowledge of the agent. However, the agent-principal model starts with the idea that the players in this new relationship act reasonably and according to different interests. Therefore, the principal wants to get maximum results by devoting resources to a minimum, while the agent aims to maximize his resources by minimizing his obligations with the principal. This difference is stronger when emphasized by the fact that agents have an advantage.

To try to overcome this knowledge gap and get the implementation of a decent settlement, the actors try to build a monitoring system to ensure adequate, and quality information flows. However, this control system must meet two conditions. First, they may not regulate in such a way as to neutralize the benefits associated with the autonomy and specialization of agents. As a result, control can only be carried out using ex-ante contract stipulations and with a system to observe the results of ex-post agents. Besides, the control system must take into account the costs required. Establishing interrelational rules and ensuring that these rules correctly implemented cannot be done without adding human, financial, and logistical resources. So control may not require higher costs than developing efficiency produced by agent specialization and autonomy (Strausz, 2004; Verhoest, 2000; Kalhil & Lawarée, 2001).

Public procurement is the proper presentation of how PA theory had implemented in real conditions. Principals (contracting governments) and agents (private contractors, state governments, or public bureaus) can have various intentions, and these agents can have the advantage of information used for their strategic advantages. Thus, such arrangements, which often pursue efficiency gains (reduce production costs), may require significant transaction costs to ensure public accountability.

## **2.2. Electronic Government**

### **2.2.1. Definition**

The digital age has made government organizations develop their services using modern technology. This more advanced government service is also called E-Government. E-Government is an abbreviation of Electronic Government. E-Government is a form or model of a government system that based on the power of digital technology, where all administrative work, service to the community, supervision, and control of resources belonging to the organization concerned, finance, taxes, retribution, and also employees controlled in one system. E-Government is a new development to expand public services based on the application of information and communication technology so that public services become more transparent, accountable, effective, and efficient.

According to Indrajit (2002), E-Government is a new interaction mechanism between the government and the community and other interested parties, involving the use of information technology (especially the internet) to improve the quality of service. E-Government is the implementation of electronic-based governance to improve the quality of public services efficiently, effectively, and interactively. The point is, E-Government is the use of information technology that can develop relations between the government and other parties (residents, entrepreneurs, and other institutions).

Furthermore, Indrajit (2002) states that the definition of E-Government is different from the definition of E-Commerce and E-Business, which tend to be

universal. E-Government often described with somewhat different connotations by each person or community. This difference is due to various factors:

- a) Although the concept of E-Government has universal basic principles, the interpretation regarding the scope of E-Government becomes diverse in each nation because of the different implementation situation;
- b) The variations concerning the implementation of E-Government applications are comprehensive, given the many tasks and responsibilities of the government that have a role in regulating society through various types of interactions and transactions;
- c) The application of E-Government in a country did not separated from the internal circumstances of both the macro and micro of the country concerned, and its understanding had mostly determined by history, culture, education, political views, economic situations of the nation; and
- d) The unique vision, mission, and development strategy of a nation have produced various procedures and situations in the country's development process that affect the development of national priorities.

E-Government is a form of application of the implementation of duties and governance using telematics technology or information and communication technology (Rianto et al., 2012). E-Government applications provide opportunities to improve and optimize relations between government agencies, the relationship between the government and the business world and society. The mechanism of the relationship is through the use of information technology, which is a collaboration or combination between computers and communication network systems.

Furthermore, there are at least four key indicators of the success of E-Government (Rianto et al., 2012):

- a) Availability of data and information on data centers.
- b) Availability of data and information for local promotion needs.
- c) Availability of E-Government applications supporting office work and public services.
- d) Availability of public dialogue applications in order to improve communication between governments, between the government and the private sector and the public through e-mail applications, SMS or teleconference.

Also, to implement this purpose, the development of E-government is directed to achieve four objectives according to Presidential Instruction No.3 of 2003 concerning National E-Government Development Policy and Strategy:

- a) Establishment of information networks and public service transactions that have quality and scope that can satisfy the wider community and be affordable in all parts of Indonesia at any time not limited by time barriers and at affordable costs by the public.
- b) Establishment of an interactive relationship with the business world to improve national economic development and strengthen the ability to face change and competition in international trade.
- c) Establishment of mechanisms and channels of communication with state institutions as well as the provision of public dialogue facilities for the community to be able to participate in the formulation of state policies.

- d) Establishment of a transparent and efficient management system and work process which facilitate transactions and services between government institutions and autonomous regional governments.

The benefits obtained by the application of the concept of E-Government for a country include (Indrajit, 2002):

- a) Improve the quality of government services to its stakeholders (community, business, and industry), especially in terms of performance effectiveness and efficiency in numerous courses of state life.
- b) Improve control, transparency, and accountability in the administration of government in the structure of implementing the notion of Good Governance.
- c) Reduce the total costs significantly of interactions, administration, and relations undertaken by the government and stakeholders for daily activities.
- d) Provide opportunities for the government to obtain new sources of income through its interaction with interested parties.
- e) Create a new community environment that can precisely respond to various problems faced in line with various global changes and existing trends.
- f) Empower communities and other parties as government partners in the process of making various public policies equally and democratically.

The most important benefit of implementing E-Government is the realization of a government that is more accountable for its citizens. Also, more people will be able to access information, governance is also more efficient and effective, and government services will be created, which will be better suited to



the needs of the community. It hoped that with better utilization of resources, processes, and information technology, there could also be better governance.

### **2.2.2. E-Government Relation Types**

The types of E-Government relations, according to Indrajit (2002), are as follows:

a) Government to Citizen/Government to Customer (G2C)

Government to Citizen is the delivery of public services and one-way information by the government to the public, which allows the exchanges of information and communication between the community and the government, for example: online taxes, job-seeking, social security services, personal documents (birth and marriage certificate, passport application, driving license), immigration services, health services, scholarships, disaster management.

This G2C type is the most common E-Government application, which is where the government builds and implements a variety of information technology portfolios with the primary objective to improve the interaction with the community. In other words, the main idea of the development of the G2C type of E-Government application is to lead the government closer to the people within various access channels so that the community can easily reach its government to fulfill various daily service needs.

b) Government to Business (G2B)

Government to business is electronic transactions where the government provides various information needed for business people to transact with the government. Leading to the marketing of products and services to the government to help the government become more efficient through improving business processes and electronic data management. Applications that facilitate G2B and B2G interactions are E-Procurement systems. The benefits are: (i) Taxpayers can efficiently run web-based applications to calculate the amount of tax that must be paid to the government and make payments via the internet. (ii) The tender process for government projects involving a number of private parties can be done through the website (thus saving transportation and communication costs), starting from the process of taking and purchasing tender forms, retrieving Term of Reference information forms, to the mechanism of the tender itself which ends with an announcement of winner of the tender. (iii) The process of procuring and purchasing government agencies' daily necessities (for example for back-office and administration) can be carried out efficiently if a concept such as E-Procurement is applied (connecting between government offices and suppliers). (iv) Companies that want to carry out the process of mergers and acquisitions can quickly consult concerning the regulatory and legal aspects with various relevant government agencies; and others.

c) Government to Government (G2G)

Government to government is enabling online communication and information exchange between government departments or agencies through an integrated database, such as online consultations, blogging for

legislative circles, online education, integrated services to the public. In addition to the above mentioned the government's achievements in implementing a better government, the application of E-Government can provide more benefits to the community: (i) Improving the quality of government services to its stakeholders (community, business and industry), especially in terms of performance effectiveness and efficiency in various fields of state life. (ii) Increasing transparency, control, and accountability in government administration in the framework of implementing the concept of Good Governance in the government to create governance that is free of corruption, collusion, nepotism. (iii) Significantly reducing the total costs of administration, relations, and interactions issued by the government and stakeholders for daily activities. (iv) Providing opportunities for the government to obtain new sources of income through its interactions with interested parties. (v) Creating a new community environment that can quickly and accurately respond to various problems faced in line with various global changes and existing trends. (vi) Empowering communities and other parties as government partners in the process of making various public policies equally and democratically.

d) Government to Employees (G2E)

This application is also intended to improve the performance and welfare of civil servants or government employees who work in several institutions as public servants. For example, health insurance and education systems for government employees have n integrated with health institutions (hospitals, polyclinics, pharmacies) and educational institutions (schools, colleges, vocational).

### **2.2.3. Development of E-Government**

At present, the actual rules and regulations regarding E-Government systems in Indonesia have been quite complete since they were first initiated, including:

- a) The Instruction of the Republic of Indonesia's President Number 6 of 2001, concerning the Development and Utilization of Telematics in Indonesia.
- b) Minister of Communication and Information Circular No. 65/2002, concerning the development of electronic government services to various government agencies, both at the central and regional levels.
- c) National Information Technology Framework (NITF)
- d) Presidential Decree No. 9 of 2003 concerning the Indonesian Telematics Coordination Team.
- e) Presidential Instruction number 3 of 2003 concerning National Policy and Strategy for E-Government Development.
- f) Local Government Website Implementation Guide - Information communication department, 5 August 2003.
- g) Minister of Communication and Information Regulation No. 28/2006, concerning the Use of the 'go.id.' Domain Name for Official Central and Regional Government Websites.
- h) The mandate of Law No. 14/2008 concerning Public Information Openness.

In the attachment of Presidential Instruction No. 3 of 2003 concerning National E-Government Development Policies and Strategies, taking into account

current conditions, it is clearly stated that the achievement of E-Government strategic objectives needs to be implemented through six closely related strategies, as follows:

- a) Developing a service system that is reliable, trusted, and affordable to the broader community. The targets include, among others, expanding and improving the quality of the communications network throughout the country. Another target is the establishment of information portals and public services that can integrate the management system and work processes of government agencies.
- b) Organizing the management system and work process of the government so that it can adapt information technology progress quickly.
- c) Utilizing information technology optimally. The targets to be achieved are standardization relating to the interoperability of information exchanges and transactions between government portals. Standardization and procedures relating to electronic document and information management are to establish.
- d) Increasing the participation of the business world and developing the telecommunications and information technology industries. The aim to be achieved is the participation of the business community in accelerating the achievement of E-Government strategic goals.
- e) Developing human resource capacity, both government and society.
- f) Carrying out systematic development through realistic and measurable stages in E-Government development, which implemented with four levels, namely: preparation, maturation, stabilization, and utilization.

## **2.3. Public Procurement**

### **2.3.1. Implementation of E-Procurement**

Effective procurement practices give governments the means to realize social, environmental, and economic reforms. Conversely, malpractice in public procurement is the primary source of corruption and financial loss of the government and required special attention in the implementation. Masterman (1992) categorized the procurement system into three categories:

- a) Separated and co-operative procurement system; where the responsibility for the design and construction aspects of a project is a separate organizational responsibility, architects and engineers are responsible for the design. Quantity surveyors are also involved in the design phase, where they suggest the cost implications of the suggested design. After that, the contractor is appointed based on the design calculated by the design team by the client. The stages that occur must do sequentially.
- b) Integrated procurement systems; where design and construction become the responsibility of one organization, clients do not have to contract with design consultants and then contractors, so the process of moving from one company to another is eliminated by this procurement system.
- c) Management-oriented procurement systems; where the emphasis placed upon overall management of the design and construction of the project, management organizations are appointed to handle all phases of public projects, including design and construction work. There are several types of

procurement management systems: design and management, contract management, and construction management.

In Indonesia, the development of procurement system already stepped into the third Masterman's category, management-oriented procurement systems, because of the introduction of technology in the procurement system that developed into electronic-based procurement (e-procurement). E-procurement is a technology designed to facilitate the procurement of goods and services over the internet. All procurement activities prepared electronically, and the function of procurement supported by electronic communications (Sadono et al., 2017). Based on various studies conducted, the implementation of e-procurement in various countries is actually to reduce or prevent the level of corruption (Neupane et al., 2012). E-procurement can improve efficiency over traditional procurement methods (Hanna et al., 2011). The process of procurement of goods and services electronically clearly has eliminated paper use for goods and services providers or budget users. The providers upload all documents by the existing web site without coming to the office. E-procurement can also reduce the less significant projects, which mean only the projects needed by the people should sell at auction. However, this assumption only applies in economically advanced countries. In developing countries, projects are still being proposed by politicians for their benefit (Murray, 2009).

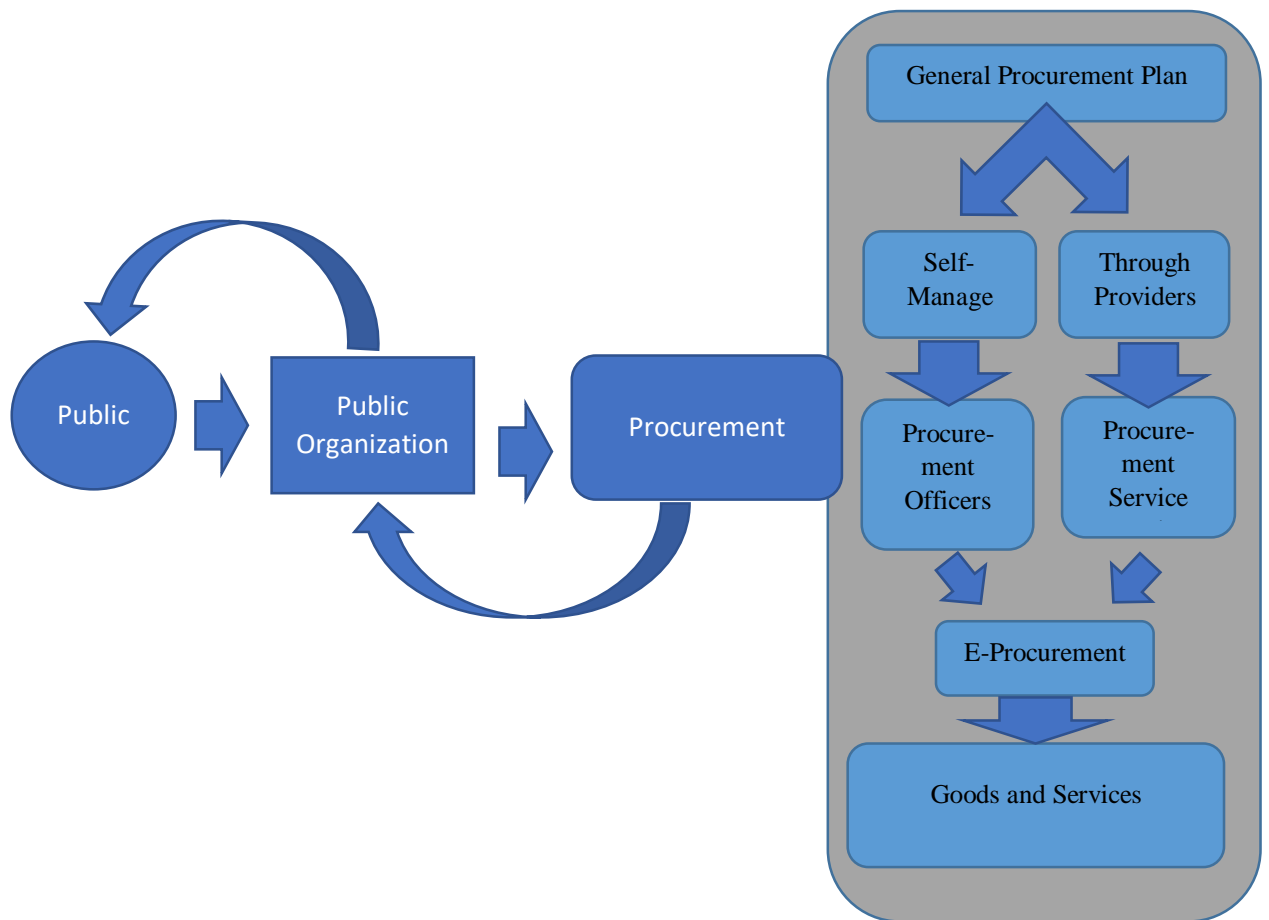
The e-procurement ensures the submission of secure online offers and full access to the opening event of the offer to the procurement entity as well as the bidder from anywhere and anytime. The main benefits of electronic procurement, when compared to offline tenders, (Panduranga, 2016), are: (1) Wider publicity: Bidding documents get wide publicity because government entities are required to issue tenders on websites/portals so vendors can easily find tenders where they can

participate. (2) Easy to participate: vendors can easily participate in public procurement because of tenders posted on the website/portal. All documents required for the tender process will be scanned and uploaded. This system results in the recognition of online tender submissions, and there is no need to submit documents in the mail, so there are no worries about postal delays, as well as cheaper submissions online. (3) A large number of bidders: Procurement entities can expect more bids if through online tenders because this widely publicized and vendors are easy to bid. However, at the initial stage, there was still resistance to change and the slow adoption ability for online tenders. (4) Transparency: Transparency is the main thing in public procurement. One bidder can see the offer submitted by another bidder so that the procurement entity cannot discriminate against any bidder. Therefore, all bids evaluated following the applicable tender norms. (5) Check on corruption: In offline tenders, there is still the possibility of corruption. However, this problem is supposed to disappear under e-procurement through its effect of transparency.

Based on Presidential Regulation No. 54 of 2010 on Procurement of Goods and Services, procurement services begin with the preparation of the General Plan of Procurement. The procurement process performed by using the e-procurement system finally produces output in the form of goods or services.

In this procurement process, it is performed independently or through providers of goods and services. If self-managed, procurement may be conducted directly by the relevant institution through a designated official to carry out direct procurement. Whereas if the project activities need to use the services of a third party, then the role of the Procurement Services Unit is required here. The whole process of procurement activity can describe in figure 1 below.





**Figure 1.** *Procurement Process in Indonesia (Illustrated from Presidential Regulation 54/2010)*

### **2.3.2. Procurement Service Unit**

Based on the Republic of Indonesia's Presidential Regulation Number 54 of 2010, the roles and responsibilities of procurement organizations explained as follows (Sadono et al., 2017).

- a) Governmental Procurement Policy Agency (Lembaga Kebijakan Pengadaan Pemerintah/LKPP) is a non-departmental government agency whose main task is to prepare and formulate policies and strategies and determine standard procedures for public procurement; it also has a responsibility to

develop information systems and monitoring the implementation of e-procurement.

- b) Procurement Service Unit (Unit Layanan Pengadaan/ULP) is a government organization that has the function of carrying out e-procurement.
- c) Electronic Procurement Services (Layanan Pengadaan Secara Elektronik/LPSE) is a unit created across ministries, institutions, and regional governments to manage electronic procurement services and facilitate ULP in carrying out electronic procurement.

The Procurement Service Unit is a permanent unit consisting of several procurement officials in each public organization (Wibowo, 2017). Procurement Service Unit officers are the people of choice, and those assigned to manage the Procurement Service Unit must be able to learn quickly, have a right level of hospitality and do not stutter the development of technology, especially in operationalizing the computer. Procurement Service Unit officers have the power to prepare the procurement document. Also, it has powers to announce tender opportunities, to evaluate bidding proposals, and to answer bid protests (a review mechanism) at first instance (Wibowo, 2017). Many Procurement Service Units independently managed although they may also be attached to the district secretariat or Technical Implementation Unit, as written in Presidential Regulation number 54 of 2010; the Procurement Service Unit is a unit of ministry/institution/local government/institutional organization, which functions to implement procurement of goods and services that are permanent, able to stand alone or attached to an existing unit.

## **Chapter 3. Methodology**

### **3.1. Research design**

The approach used for this research is a qualitative approach. It is different from quantitative research because it often referred to as naturalistic, ethnographic, case study, or phenomenological research. Qualitative research produces descriptive data in the form of written or oral words about observed people or behaviors. Qualitative data are a source of explanations, well-grounded, and rich descriptions of human processes. With qualitative data, one can preserve sequential flow, examine which events led to which consequences, and conclude productive explanations (Miles, Huberman, & Saldana, 2014).

Any researcher, no matter how unstructured or inductive, comes to fieldwork with some orienting ideas. However, for this research, it was conducted using a compact design rather than free design, considering the time limit. Tighter designs are a wiser course for researchers working with well-delineated constructs (Miles, Huberman, & Saldana, 2014). This design also provides clarity and focus for researchers on the research procedures.

### **3.2. Study site**

The study was attended in Regional Office of Environmental Health and Disease Control Surabaya under the authority of Ministry of Health, and focused on the three stakeholders in this process, User (government), Procurement Services Unit, and the agents. The reason for taking this location is because as one of the Technical

Implementing Units of the ministries in the region, the current form of Procurement Service Unit differs from that used in local and provincial governments. If the average Procurement Service Unit in the local government stands as an independent unit, it is different from what happened in Regional Office of Environmental Health and Disease Control Surabaya, where the Procurement Service Unit is a part of the institution. So, this unit independence still can be questioned, and therefore, the researcher picked up this unit for the subject of the case study.

### **3.3. Sources of data**

This study used primary and secondary data. Primary data sources are original data sources, which collected directly by researchers for specific research purposes or projects — primary data collected in various ways, such as surveys, interviews, field observations, and experiments. Meanwhile, secondary data refers to data collected by researchers through the review of preceding researches and other relevant pieces of literature. Natural sources of secondary data for social sciences include censuses, information collected by government departments, organizational records, and data initially collected for other purposes.

In this study, primary data attained from interviews with each stakeholder concerned with Procurement of Goods and Services in the Surabaya Regional Office of Environmental Health and Disease Control, namely the Procurement Service Unit Committee, procurement service users, and partners who have co-operated with this office.

Whereas secondary data obtained from documents relating to Procurement of Goods and Services in the Surabaya's Regional Office of Environmental Health and

Disease Control, such as General Procurement Plans, Progress of Procurement of Goods and Services, budget progress, employee data, and other relevant data.

### **3.4. Data collection techniques**

The primary data had collected through semi-structured interviews. Semi-structured interviews are qualitative data collection strategies in which researchers ask a series of questions for predetermined but open informants. Informants for the research had selected by using purposive sampling. Purposive sampling means that researchers deliberately choose participants who have experiences with central phenomena or critical concepts that explored (Creswell & Clark, 2010). Interviews conducted in conversations; Therefore, data in the form of audio recordings that need to transcribe.

In this research, primary data collected from in-depth interviews with three different sectors in the procurement of goods and services, which are procurement officers, providers, and users. There are 8 (eight) informants who were three officers in procurement processes in the Surabaya's Regional Office of Environmental Health and Disease Control as well as two additional officers from other local government offices, two agents/providers of goods and services, and one user. The additional local government officials are selected to find similarities and differences with the regional office regarding procurement processes. The selected eight informants are:

- a. Informant 1 (I-1) is a Commitment Making Officer in the Regional Office of Environmental Health and Disease Control Surabaya since 2016. She has obtained the Procurement of Goods and Services certificate on October 23, 2015, and is a character that is firm and straightforward, so it is not surprising that she has been serving as Commitment Making Officer for 3 years, which requires her to take firm, fast and precise decisions in dealing with suppliers of goods/services.

- b. Informant 2 (I-2) is Chairperson of the Procurement Service Unit in the Regional Office of Environmental Health and Disease Control Surabaya and has obtained the procurement certificate of goods and services on October 23, 2015, together with I-1. Previously, he had already obtained a certificate of procurement of goods and services but had expired, so he had to go through the certification examination for procurement of goods and services again. Just when he received his certificate for the second time, the Regulation of the Head of the Government's Goods and Services Procurement Policy number 23 of 2015 concerning Operational Technical Guidelines for Basic Level Expertise Certification for Procurement of Government Goods and Services began to be implemented. In this rule, it also explained that the certificate of expertise at the necessary level of procurement of government goods/services, which initially had a validity period of four years is now valid for life. The basis for this change is to expand opportunities and maximize the contribution of all certificate holders. Besides, since the enactment of this regulation, the certificate is given to participants who pass the essential examination will be valid for life.
- c. Informant 3 (I-3) is the Head of the Construction Working Group in the Procurement Service Unit in Surabaya's Regional Office of Environmental Health and Disease Control. He experienced in procurement processes since 2011. Aside from his current role, he also has a responsibility as a Procurement Officer for the administrative materials procurement package and meeting package.
- d. Informant 4 (I-4) is a director of construction service providers who are the partner provider with the regional office after being a winner in a procurement bidding process which is carried at the Ministry of Health's LPSE website with the address <http://www.lpse.depkes.go.id/eproc4>.

- e. Informant 5 (I-5) is a director of goods providers that are also partnering with the regional office.
- f. In order to get clear and comprehensive view regarding the topic, an interview with Informant 6 (I-6) who are the Head of Technology Development and Laboratory that also become a user of procurement in Regional Office of Environmental Health and Disease Control Surabaya conducted. This woman is the person in charge of the use of procurement goods and services related to materials, reagents, and laboratory equipment that needed for environmental and disease purposes of this agency.
- g. Additionally, the author also interviewed two more informants, identified as Informant 7 (I-7) and Informant 8 (I-8) who are the procurement officers from the local government office to get a deep understanding of the role of procurement officers.

Data for this study had collected through observation and documentation. Evidence of observation is useful in providing additional information about the topic studied (Yin, 2009). Observations helped to provide the contextual information necessary to frame the evaluation and understand the data collected by using other methods and learning about sensitive issues that participants may not want to discuss. Besides, to collect more comprehensive data, documentation studies were also undertaken.

### **3.5. Data analysis**

The data analysis in this research used a Miles, Huberman, and Saldana (2014) interactive model, including three simultaneous flows of action: data condensation, data display, and conclusion drawing/verification.

### **3.5.1. Data Condensation**

Data condensation is related to the process of simplifying, selecting, focusing, abstracting, and transforming data that appears in the body full of written field notes, interview transcripts, documents, and other empirical material. Condensation will make the data stronger. It should be noted that the condensation of data is not something separate from the analysis.

Data condensation is a form of analysis that selects, sharpens, discards focus, and arranges data in such a way that "final" conclusions can be taken and verified. By condensing data, it does not need to be quantified. Qualitative data has changed through selection, summarizing or paraphrasing, including in larger patterns, and others. Sometimes, it might be useful to turn data into quantities (e.g., Analysts decide that programs are seen as having "high" or "low" effectiveness), but this is not always necessary.

### **3.5.2. Data Display**

The second primary course of study exercise is a data display. In general, the display is a collection of compressed and organized information that allows action and conclusion. Viewing displays helps to understand what is happening and do something, whether to analyze it further or take action, based on that understanding.

The most common form of display for qualitative data in the past has been extended text. This complicated text is scattered, unstructured, sequential rather than simultaneous, and very large. By only using expanded text, a researcher may find it easy to jump to conclusions that are unfounded, partial, and hasty. Humans are not as healthy as information processors in large numbers. The expanded text



weighs on the ability to process information and prey on the tendency to find patterns of simplification.

A good display is a primary way to carry out robust qualitative analysis. The display includes many types of charts, graphs, networks, and matrices. All are designed to gather organized information so that it is easily accessible and concise so that analysts can see what is happening and draw justified conclusions or move on to the next step of analysis suggested by a view that might be useful.

As with data condensation, the creation and use of displays are not separate from analysis—it is a part of the analysis. Designing displays - deciding columns and rows for qualitative data and deciding which data, which must include in the cell - is analytic activity. (Note that when designing the display, it also has implications for condensation of clear data).

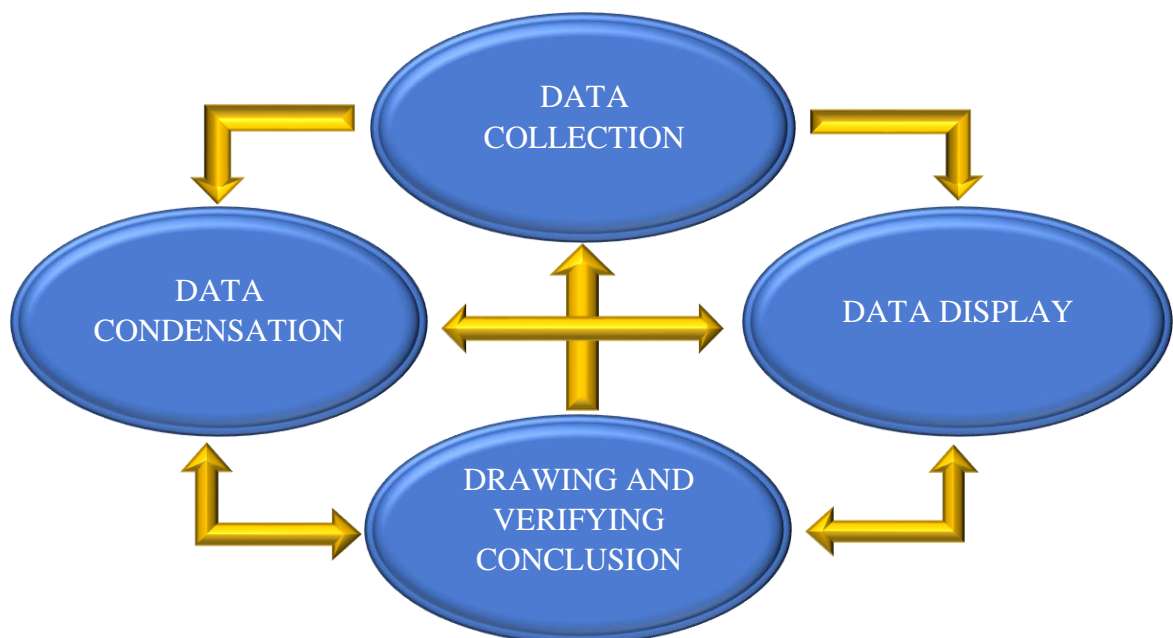
### **3.5.3. Drawing and Verifying Conclusions**

The third part of the analysis activity is drawing conclusions and verification. From the start of data collection, the qualitative analyst interprets what things mean by noting patterns, explanations, causal flows, and propositions. The competent researcher holds these conclusions lightly, maintaining openness and skepticism, but the conclusions are still there, vague at first, then increasingly explicit and grounded. "Final" conclusions may not appear until the data collection is complete, depending on the size of the field record body; coding, storage and retrieval methods used; sophistication of researchers; and deadlines that must meet.

Conclusions verified as analyst results. Verification may be as short as the second thought that comes to the analyst's mind during writing, with a short visit back to the field notes; or it may be thorough and elaborate, with lengthy

argumentation and review among colleagues to develop "intersubjective consensus" or with extensive efforts to replicate a finding in another data set. The meaning that emerges from the data must be testable, reasonable, robust, can be confirmed — its validity. However, an exciting story about what happened but the truth and use are unknown.

The three types of analysis activity are an interactive and cyclical process, as shown in Figure 2. The researcher steadily moves among these four nodes during data collection and then shuttles among condensing, displaying, and conclusion drawing/verifying for the remainder of the study. The coding of data, for example (data condensation), leads to new ideas on what should go into a matrix (data display). Entering the data requires further data condensation. As the matrix fills up, preliminary conclusions had drawn, but they lead to the decision, for example, to add another column to the matrix to test the conclusion.



**Figure 2.** *Components of Data Analysis: Interactive Model (Miles, Huberman, & Saldana, 2014)*

In this view, qualitative data analysis is a continuous, iterative enterprise. Issues of data condensation, display, and conclusion drawing/verification come into

play successively as analysis components follow each other. Such a process is no more complicated, conceptually speaking than the analysis modes quantitative researchers use. Qualitative analysis needs to be well documented as a process—mainly to help to learn. A data will be more clearly understood what is happening when analyzing data, to reflect, improve methods, and make it in general so that others can use it.

## Chapter 4. Findings and Discussions

### 4.1. General Overview of Regional Office of Environmental Health and Disease Control Surabaya

Regional Office of Environmental Health and Disease Control Surabaya is a Vertical Technical Implementation Unit from the Ministry of Health which is beneath and is responsible to the Directorate General of Disease Prevention and Control. It stated in the Regulation of the Minister of Health number 2349 / MENKES / PER / XI / 2011 concerning Organization and Work Procedure of Technical Implementing Units in the Field of Environmental Health and Control Engineering Disease. Regional Office of Environmental Health and Disease Control Surabaya provides disease prevention and control services to communities in four provinces, namely East Java, Bali, West Nusa Tenggara and East Nusa Tenggara which cover 82 districts/cities, 2428 islands, 50.35 million people or around 20.02% of the Indonesian population.



Figure 3. Service Area Map of Regional Office of Environmental Health and Disease Control Surabaya

Regional Office of Environmental Health and Disease Control Surabaya has offices in two locations, namely the Head Office in Surabaya and the Disease Prevention and Control Laboratory Installation in Nongkojajar, Pasuruan Regency. Surabaya head office is the location of the Laboratory Technology Development Field, Environmental

Health Impact Analysis, Epidemiology Surveillance Field, Administration Section, seven laboratory installations, and five laboratory supporting installations. In the Nongkojajar Disease Prevention and Control Laboratory Installation there are four laboratories, namely Laboratory Installation of Zoonosis and Experiment Animals, Laboratory Installation of Parasites, Vector and Worms, Laboratory Installation of Virology, and Installation of Virology and Microbiology Resistance Tests.

To carry out its role, Regional Office of Environmental Health and Disease Control Surabaya supported by 99 people. The distribution of employees based on education level is 46% with a final education of Bachelor Degree, followed by Master Degree with 22%, Diploma with 18%, Middle School with 13%, and Doctoral Degree with 1%. The distribution of employees based on position is with 50% of employees having General Functional Position, 37% of Specific Functional Position, and 13% of Structural Position.

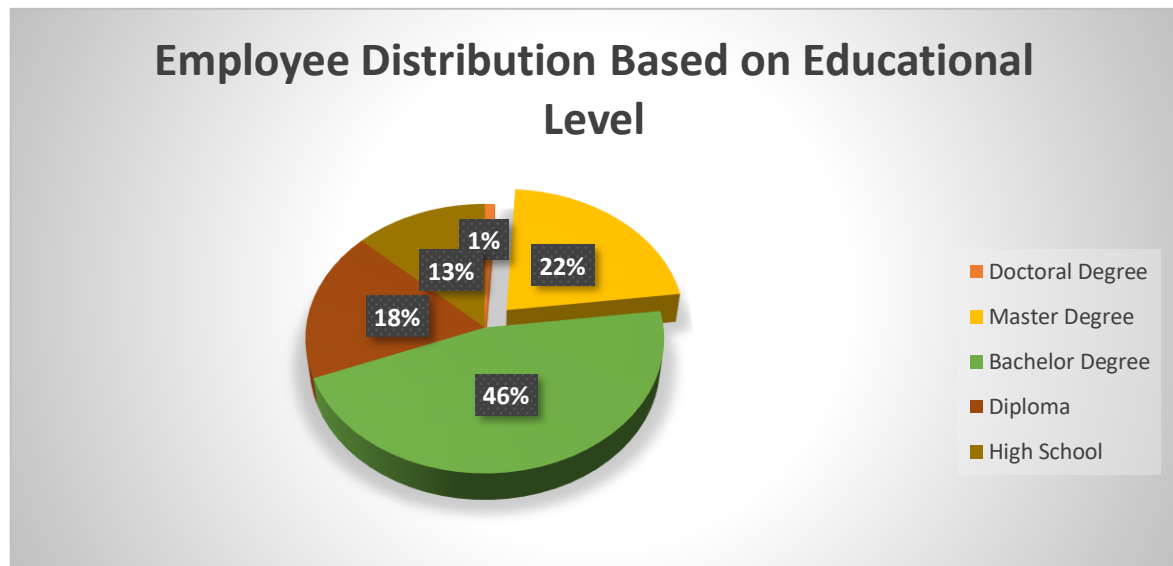
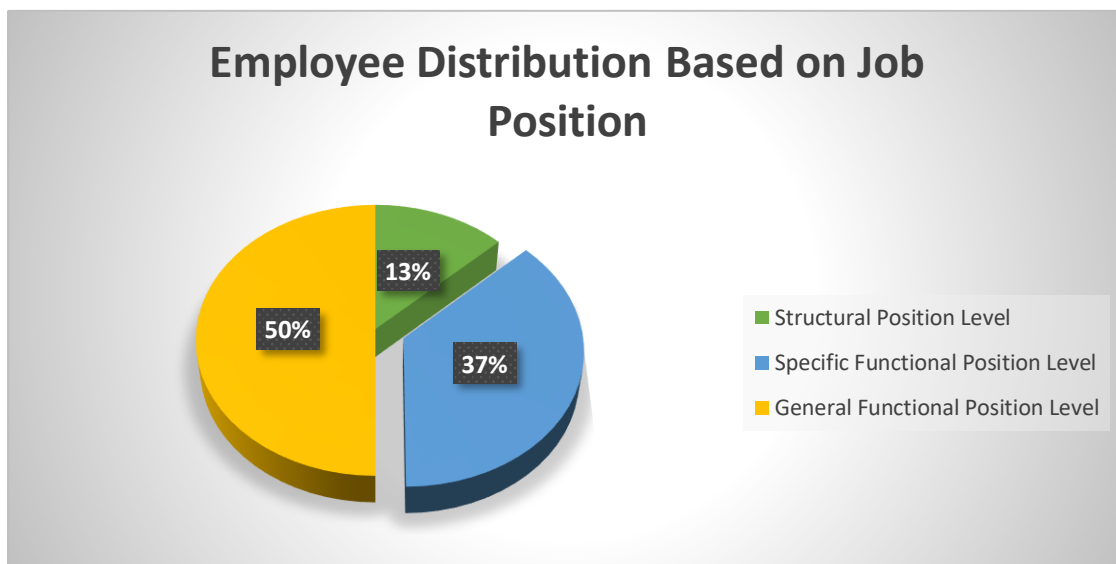


Figure 4. Employee Distribution Based on Educational Level



**Figure 5.** *Employee Distribution Based on Job Position*

The breadth of the service area and a large number of employees in the Surabaya Regional Office of Environmental Health and Disease Control make the role of procuring goods and services very vital to facilitate service activities to the community. Professionalism and good coordination significantly affect the speed of service provided to the community. Moreover, based on the search in the portal of the Government's Goods and Services Procurement Policy Institute ([https://ppsdm.lkpp.go.id/index.php/statistics/procurement\\_experts](https://ppsdm.lkpp.go.id/index.php/statistics/procurement_experts)), out of 99 employees at the Regional Office of Environmental Health and Disease Control Surabaya, only 24 employees have a Procurement Certificate of Goods and Services, which means, only less than one third of employees understand and carry on procurement processes and activities.

#### **4.2. Procurement Service Unit**

The organization of the Procurement Service Unit consisted of the Head, Administration/Secretariat, and Working Groups with qualifications, as shown in table 2. There are several things to consider if looking at the qualifications of the organizational structure of this unit. To be appointed as a Head of Procurement Service Unit, he/she must

have a specific qualification, which is that he/she must have minimum undergraduate education, managerial qualification, and experience in the procurement process. It is slightly different for Working Group members who must have a certificate of government procurement and established as required in the form of procurement working groups for goods, construction works, consulting services, and other services. In the meantime, administration/secretariat position held by administrative/financial staff, planning staff, and legal staff.

<b>Head of Procurement Service Unit</b>	<b>Administration/Secretariat</b>	<b>Working Groups</b>
<ul style="list-style-type: none"> <li>a. Status as a civil servant</li> <li>b. Minimum undergraduate education</li> <li>c. Have technical and managerial qualifications</li> <li>d. Have the ability to make decisions</li> <li>e. Have moral integrity, honesty, discipline, and responsibility in carrying out the task</li> </ul>	<ul style="list-style-type: none"> <li>a. Status as a civil servant</li> <li>b. Have moral integrity, honesty, discipline, and responsibility in carrying out the task</li> <li>c. Understand all types of work that become the tasks of the Procurement Working Group</li> <li>d. Other terms specified in the employment rules for equivalent positions</li> </ul>	<ul style="list-style-type: none"> <li>a. Status as a civil servant</li> <li>b. Have a certificate of government procurement of goods/ services</li> <li>c. Have moral integrity, honesty, discipline, and responsibility in carrying out the task</li> <li>d. Understand the overall procurement job to be implemented</li> </ul>

<p>f. Have experience as a procurement officer/ procurement committee</p> <p>g. Understand all types of work that become the tasks of the Procurement Working Group</p> <p>h. Have no family relationship with the officer who appoints and assigns him/ her as head of Procurement Service Unit</p> <p>i. Other terms specified in the employment rules for equivalent positions</p>		<p>e. Understand all types of work that become the tasks of the Procurement Working Group</p> <p>f. Understand the content of procurement documents/ procurement methods and procedures under applicable procurement rules</p> <p>g. Have no family relationship with the officer who appoints and assigns him/her as Procurement Working Group member</p>
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**Table 1.** *Procurement Service Unit Qualifications (illustrated from related regulation)*

One informant on this unit explained as follows:

*“ULP BBTKLPP Surabaya ini ditetapkan dan disahkan langsung oleh Eselon I-nya, yaitu Direktorat Jenderal P2P Kementerian Kesehatan. Panitia ULP di BBTKLPP Surabaya ini ada 5 orang yang terdiri dari ketua,*



*sekretaris, dan 3 orang anggota. Untuk tahun 2018 ini ada dua Pokja yang ditetapkan oleh KPA, yaitu Pokja konstruksi dan Pokja Belanja Barang dan Jasa. Agak sedikit berbeda dari tahun 2017 kemarin yang terdiri dari 3 pokja, yaitu Konstruksi, Barang, dan Bahan Reagensia.” (interview with I-2, 05/03/2019)*

"The Procurement Service Unit at the Surabaya Regional Office of Environmental Health and Disease Control is stipulated and approved directly by the Echelon I, namely the Directorate General of Disease Prevention and Control, Ministry of Health. The Procurement Service Unit Committee in Surabaya's Regional Office of Environmental Health and Disease Control has five committee members consisting of a chairperson, secretary, and three members. For 2018 two Working Groups are determined by the Budget User Proxies, namely the Construction Working Group and the Goods and Services Shopping Working Group. It is a bit different from 2017, which consists of 3 Working Groups, namely Construction, Goods, and Reagents."

As stated by the informant, the Working Group in the Procurement Service Unit can change every year according to the focus of activities that will be carried out in the fiscal year.

Other than Procurement Service Unit, there is a position that has the same job, Procurement Officer. Even though both do the procurement, in terms of authority, there are differences. The procurements that can be handled by Procurement Service Units are (1) procurement of goods/construction work / other services with a value up to IDR 100,000,000,000.00 (one hundred billion rupiahs); and (2) procurement of consultancy services with value more than IDR 10,000,000,000.00 (ten billion rupiahs). According to Indonesia's Presidential Regulation Number 4/2015, the procurement officer is a person who is appointed to do e-purchasing and direct procurement for procurement of goods / construction work / other services with a value up to IDR 200,000,000.00 (two hundred

million rupiah) and procurement of consultancy services with value up to IDR 50,000,000.00 (fifty million rupiah).

Based on the results of interviews and observations on the implementation of the procurement process, it found that all officers responsible for the procurement process were fully qualified, according to the table above. However, there are still complaints that the workload they receive is too much.

In terms of existing human resources, according to informants I-1 and I-2, there are still deficiencies. As stated by I-1:

*“Kekurangan SDM di tim pengadaan barang dan jasa juga menjadi hambatan, terutama tambahan tenaga di bidang administrasi. Bukan berarti tim pengadaan ini minta dilayani tetapi ada kalanya overload pekerjaan terjadi pada saat berproses. Kegiatan pengadaan barang dan jasa ini sepertinya sepele, tetapi jika mengikuti peraturan presiden, kegiatan pengadaan barang dan jasa ini sangat banyak sekali. Ambil contoh untuk survei harga reagen, dari item yang jumlahnya ratusan lebih harus disurvei satu persatu, meskipun itu disampling sekalipun. Kemudian pada pengadaan alat laboratorium, dimana untuk secara teknis, panitia pengadaan bukan expert di bidang tersebut sehingga perlu mencari informasi tambahan dari sumber lain, dan itu sangat menyita waktu sehingga perlu tenaga administrasi untuk mengcover pekerjaan administrasi. Bahkan dalam sehari itu bisa sampai 12 jam bekerja.”* (interview with I-1, 5/3/2019).

"The lack of human resources in the goods and services procurement team is also an obstacle, especially the additional personnel in the administration. This condition does not mean that the procurement team asks to serve, but there are times when job overload occurs when processing. The procurement of goods and services seems trivial, but if you follow the administrative regulation, the

procurement of goods and services is extensive. Take the example for the reagent price survey, from items that number hundreds more must be surveyed one by one, even if it is sampled. Then in the procurement of laboratory equipment, where for technically the procurement committee is not an expert in the field, it needs to find additional information from other sources. It is very time consuming, so it needs administrative staff to cover administrative work. Even in a day, it can take up to 12 hours to work."

This is also reinforced by the I-6 statement as user:

*"Usulan pengadaan sudah masuk sejak bulan Februari dan sudah di acc oleh pimpinan selaku KPA untuk segera diproses pengadaannya dan barang yang kami butuhkan belum datang. Pada proses pengadaan ini, kami tidak dapat memonitor sejauh mana proses pengadaan ini berjalan."* (interview with I-6, 6/3/2019).

"The procurement proposal has been submitted since February and has been accredited by the leader, who also acts as the Budget User Proxy, for immediate procurement, but the items we need have not arrived. In this procurement process, we cannot check in which stage our request has been executed."

This lack of human resources in the administrative field can be said to interfere with the service process to the community carried out by the Regional Office of Environmental Health and Disease Control Surabaya. However, according to I-1, this issue has been submitted to the Budget User Proxies and will soon be followed up shortly.

The facilities used by the Procurement Service Unit are fulfilled, including laptops/computers for each member, fast and secure internet access, and particular space to discuss procurement. According to I-2, the deficiency in terms of facilities in the absence of a particular room to store procurement documents, which is caused by the

requirement that the procurement documents should keep for 12 years since the signing of the contract.

However, this archiving problem not found in the procurement service units in the local government. As stated by I-8 as Procurement Officer in Local Government:

*“Untuk pengadaan di Pemerintah Kota hanya memerlukan komputer saja dan jaringan internet, serta karena sudah mulai menerapkan konsep paperless, sudah tidak perlu lagi dokumen-dokumen yang tebal, semua cukup di upload ke aplikasi... Dokumen-dokumen penawaran sudah tidak perlu lagi dikirimkan secara fisik, semua cukup diupload di internet, sedangkan untuk pembuktian kualifikasi cukup pemenangnya saja yang perlu membawa fisik dokumennya.”* (interview with I-8, 12/3/2019)

“Procurement process in the Local Government only requires a computer and internet network, and because it has begun to apply the paperless concept, there is no need for thick documents, all uploaded to the application ... The bidding documents no longer need to be sent physically; all of them fairly uploaded on the internet. Meanwhile, for proof of qualifications, only the winner who needs to bring and shows the physical documents.”

### **4.3. Procurement Process**

Based on the General Plan for Regional Health Office and Disease Control Surabaya in 2018, the total value of the budget for the procurement of goods and services is IDR 10,098,051,431.00, which is divided into 104 packages. As shown in figure 6., the number of procurement packages in Regional Office of Environmental Health and Disease Control Surabaya consists of 3 simple tendering packages, one direct appointing package, 89 direct procuring packages, and 11 e-purchasing packages.

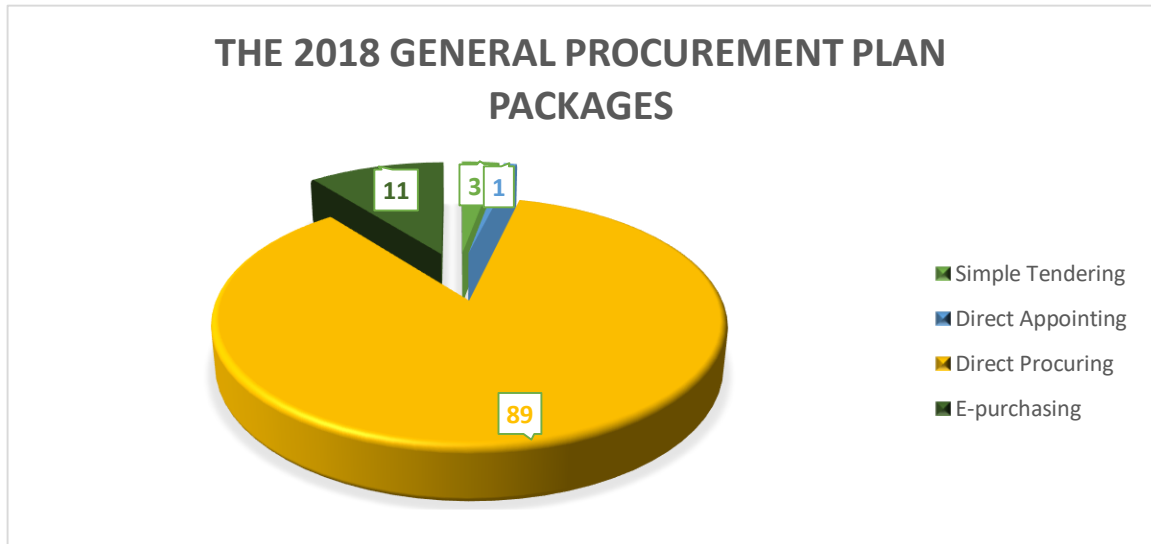


Figure 6. The 2018 General Procurement Plan Packages

The realization of the budget and the procurement of goods and services in the 2018 fiscal year to July 31, 2018, is shown in the following table:

No	Method	Budget	Number of Packages	Progress						Contracted		
				Unprocessed			In Procurement Process			Total	Contract Value	%
				Total	Budget	%	Total	Budget	%			
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Simple Tendering	3,813,084,786	3	0	0	0%	0	0	0%	3	3,589,036,170	94%
2	Direct Appointing	80,480,000	1	0	0	0%	0	0	0%	1	54,000,000	67%
3	Direct Procuring	3,874,819,429	89	31	1,065,154,500	27%	4	228,000,000	6%	54	2,267,292,051	59%
4	e-Purchasing	2,329,667,216	11	0	0	0%	0	0	0%	11	1,953,643,011	84%
<b>TOTAL</b>		<b>10,098,051,431</b>	<b>104</b>	<b>31</b>	<b>1,065,154,500</b>	<b>10.55%</b>	<b>4</b>	<b>228,000,000</b>	<b>2.26%</b>	<b>69</b>	<b>7,863,971,232</b>	<b>77.88%</b>

Table 2. the realization of the budget and the procurement of goods and services in the 2018 fiscal year

From the table above, until 31 July 2018, 69 procurement packages had been contracted with the Goods / Services Provider with a total contract value of IDR 7,863,971,232.00. There are four procurement packages in process, and 31 packages are still not processed. Packages that have not been contracted are all direct procuring with the on progress of IDR 1,293,154,500.00. From total budget IDR 10,098,051,431.00, after deducting the total contract value and the total budget that has not implemented, the

Regional Office of Environmental Health and Disease Control Surabaya saves a value of IDR 940,925,699.00 or 9.32% of the total budget from the Procurement of Goods and Services. It can be said that Surabaya Regional Office of Environmental Health and Disease Control in July 2018 could allocate the remaining budget for other activities that are under their expenditure posts.

The completion of the Procurement Service Unit's main task is not without obstacles. As mentioned before, in 2018, the Working Group in Surabaya's Office of Environmental Health and Disease Control Services Unit had two Working Groups, namely the Construction Working Group and the Goods and Services Shopping Working Group. Informant I-3, who is the Chair of the Construction Working Group in the Procurement Service Unit stated that:

*“Permasalahan di pekerjaan konstruksi ini ada pada tahap perencanaan dimana user belum punya gambaran akan melakukan apa baik itu untuk pemeliharaan dan pembangunan. Untuk pemeliharaan misalnya, panitia baru bisa bekerja ketika ada permasalahan jadi tidak bisa antisipasi sebelumnya. Untuk pembangunan, karena belum ada gambaran di awal, maka akhirnya bergantung pada hasil penilaian konsultan perencana. Ini masalah yang krusial karena akan mempengaruhi proses selanjutnya, berpotensi untuk memperlambat pekerjaan, serta berpotensi untuk timbul masalah di kemudian hari seperti denda, ketidaksempurnaan pekerjaan dan bahkan bisa menjadi temuan auditor.”* (Interview with I-3, 5/3/2019)

"The problem in this construction work is at the planning stage. The user does not have an image of what to do either for maintenance and development. For maintenance, for example, the committee can only work when there are problems, so it cannot be anticipated beforehand. For construction, there is no clear plan at the beginning, and it may ultimately depend on the results of the planner consultant's assessment.

This unclear plan is a crucial problem that affected the next process. Such poor planning may hinder the whole project effectiveness, as well as the potential for future problems such as fines, work imperfections, and even auditor findings."

From this statement, it appears that construction work is very complicated. This work not only connects users with providers who are executors of work, but also two other providers who are planner consultants and supervisor consultants. Therefore, it is necessary to have continuous coordination from all parties involved. Users also have to do careful planning before submitting work to the procurement team to begin the procurement process. Because crude planning can potentially hinder the process and it is possible that problems will emerge later, I-3 added:

*"Pernah ada pembangunan di luar kota dan pemindahan laboratorium, sehingga Pejabat Pembuat Komitmen bekerja keras untuk mengawasi hampir setiap hari dan harus bolak-balik ke luar kota, bahkan sempat ada temuan, telah diperbaiki, dan tetap masih ada denda yang harus dibayar. Hal ini terjadi karena perencanaan yang kurang baik."*  
(Interview with I-3, 5/3/2019)

"In the construction of buildings and laboratories outside the city, there have been findings of problems from the auditor, causing the person in charge to go back and forth outside the city to participate in supervising. When the problem has been fixed, there are still fines to be paid. This condition happens because of inadequate planning."

Other problems arise in the Working Group at the Expense of Goods and Services. Procurement of laboratory equipment with less detailed specifications also has the potential to hamper the service process to the community. This problem was conveyed by I-6, who is also a user who is responsible for proposing laboratory equipment:

*“... karena tidak bisa memeriksa langsung di e-catalogue, kami tidak tahu bagaimana spesifikasi yang ada di e-catalogue. Jadi ketika alat tersebut sudah datang, ternyata tidak sesuai dengan kebutuhan laboratorium. Spesifikasinya sudah sama namun ada beberapa detail yang berbeda, sehingga alat yang sudah datang masih belum bisa dipakai karena ada beberapa reagen yang seharusnya include dalam paket tersebut. Agar alat tersebut bisa digunakan, masih harus menunggu pengadaan reagensinya...berdasarkan pengalaman, jika ada perubahan spesifikasi alat yang akan dibeli, tidak ada komunikasi dari ULP/PPK kepada user.” (interview with I-6, 5/3/2019)*

"... because we cannot check directly in e-catalogue, we do not know how the specifications are in the e-catalogue. So when the device arrived, it did not meet the needs of the laboratory. The specs are the same, but there are several different details, so the tools that have arrived are not usable because there were no reagents that should be included in the package. Work must be delayed because it has to wait for the procurement of reagents so that the device can be used ... based on experiences, even if there is a change in the specifications of the equipment to be purchased, there is no communication from the procurement team to the user. "

There are two essential points obtained from this I-6 statement. First thing is the user cannot access to the e-catalogue, despite the fact that access to the e-catalogue can be directly made by anyone. This is simply because the user doesn't know this fact, because the user usually considers the e-catalogue system is limited access to the procurement officer. The e-catalog portal with the address <https://e-katalog.lkpp.go.id/> can access without logging in. Lack of socialization of the use of the LPSE application to all employees, not limited to the Procurement Committee for Goods and Services, is the cause of the lack of information obtained by the user.



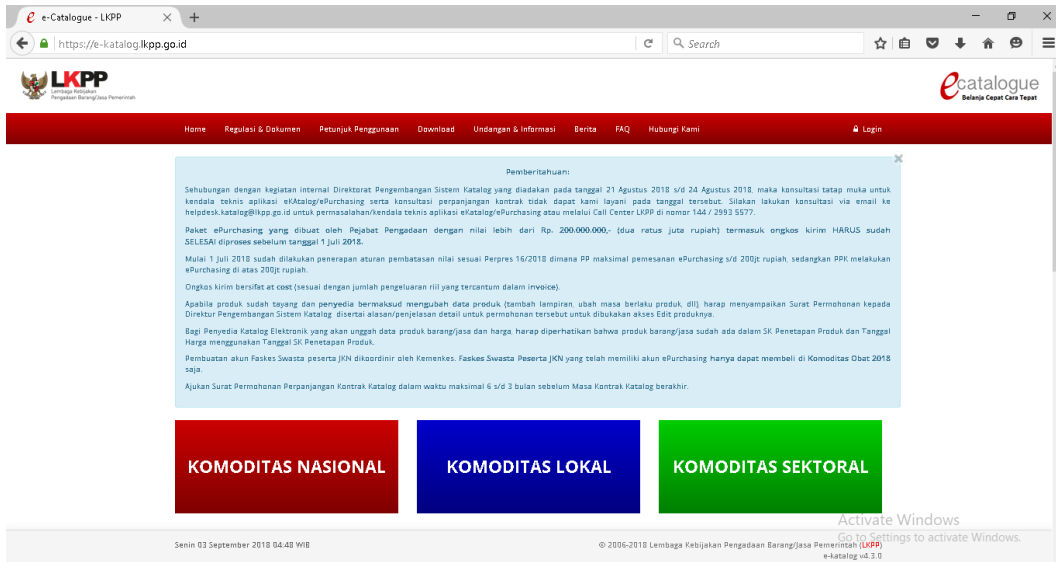


Figure 7. Homepage of E-catalogue

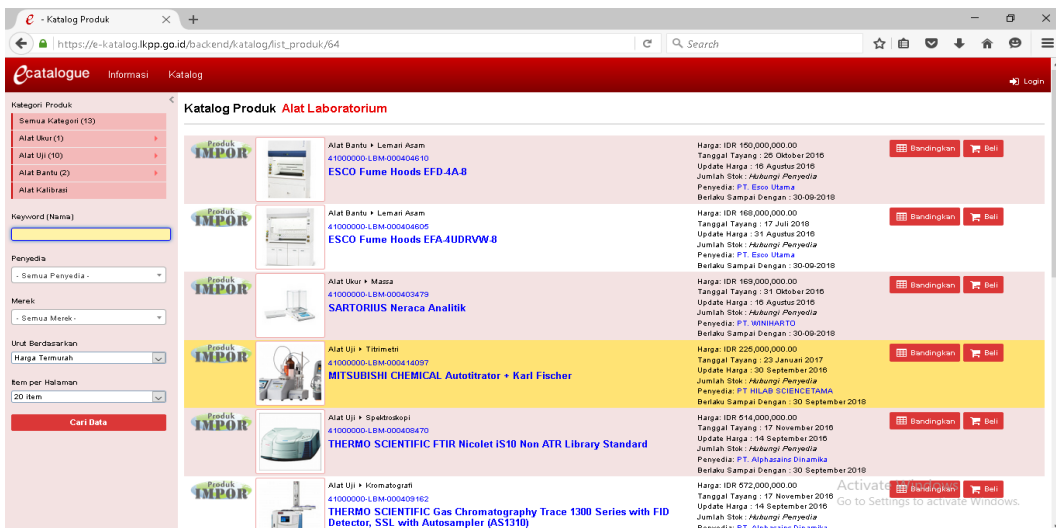


Figure 8. E-catalogue Category

Second, the lack of communication between the user and the Procurement Committee. This problem is a classic one that often occurs in almost every agency. For this reason, there needs to be an appropriate forum to discuss the procurement of goods and services. I-1, as a procurement officer, also justifies this:

*“...namun masih ada yang perlu diperbaiki lagi, yaitu komunikasi dengan user yang sering terjadi miss komunikasi dan menganggap bahwa panitia pengadaan barang dan jasa itu tahu segalanya, dan itu masih perlu diperbaiki lagi.”* (interview with I-1, 5/3/2019)

"... however, there is still something that needs to be improved again, namely communication with users who often miss communication, the users often assume that the goods and services procurement committee know everything, and it needs to be fixed again."

What I-1 wants to state here is that procurement officials have limitations. If users may not inform details of goods and services that they need, it can cause some difficulty for the procurement officers. Communication problem like this must be adjusted so that it does not occur frequently and can lead to misunderstandings between the users and the officers.

From this, it appears that the existing resources and facilities are not a significant obstacle in carrying out the procurement process in the Regional Office of Environmental Health and Disease Control Surabaya. However, as seen from above, the problem may arise at the initial planning stage. Immature planning will disrupt the entire procurement process, even potentially creating new problems at the time of auditing. Another problem that arises is the lack of communication and coordination between procurement officials and users of the institution itself. This problem can also disrupt the smooth procurement process in the Regional Office of Environmental Health and Disease Control Surabaya.

#### **4.4. Implementation of e-procurement**

As stated earlier, the procurement of goods and services in the Regional Office of Environmental Health and Disease Control Surabaya is carried out by two types of officers, Procurement Service Unit and Procurement Officer. These procurement implementers use two types of procurement, namely through self-management and through providers. To facilitate the implementation of procurement tasks, this agency has

also implemented electronic procurement (e-procurement). The e-procurement policy has five objectives, which will be discussed below.

#### **4.4.1. Transparency**

All informants interviewed agreed that the e-procurement system could facilitate the procurement of goods and services in the Surabaya Regional Office of Environmental Health and Disease Control. Through the site <http://www.lpse.depkes.go.id/eproc4/>, all information needed by the Procurement Service Unit Committee and the Provider of Goods and Services are located on the site. Any packages that will be auctioned are displayed, accompanied by regulations and guidelines for their implementation. The website also shows a blacklist of providers who committed violations during the procurement process throughout Indonesia. Informant I-5, who is a goods provider in collaboration with the Regional Office of Environmental Health and Disease Control Surabaya added:

*“Pelayanan di BTKL ini sudah memuaskan, karena server LPSE kemenkes berdiri sendiri, tidak seperti LPSE pemerintah daerah yang bandwidthnya lebih rendah, sehingga untuk upload dokumen saja hanya bisa dilakukan pada jam-jam tertentu.”* (interview with I-5, 6/3/2019)

"This service in the Regional Office of Environmental Health Surabaya has been satisfactory, because the Electronic Procurement Service server of the Ministry of Health stands alone, unlike Electronic Procurement Services in local governments with lower bandwidth, where uploading documents can only be done at certain hours."

E-procurement applies the principle of transparency in the delivery of information. The site has complete information, is easy to access from anywhere,

and uses standard applications. Besides, procurement policies, processes, and instructions are available online. Every procurement process carried out by the Regional Office of Environmental Health, and Disease Control Surabaya is also following the applicable laws and regulations. Informant I-4, who is a provider in construction work, commented:

*“Persyaratan yang diminta BTKL mudah dipahami dan sangat ketat, dimana persyaratan yang diajukan sangat detil dan terinci. Seperti untuk pemeliharaan gedung, perusahaan yang mengajukan penawaran harus memiliki Sertifikat Badan Usaha, tidak hanya untuk pemeliharaan gedung yang umum, tetapi untuk pemeliharaan gedung khusus kesehatan... Jadwal yang diminta BTKL juga tidak berbelit-belit sehingga bisa segera ditentukan pemenangnya. Bagi kami sendiri malah lebih enak karena bisa mempersiapkan dokumen untuk paket pekerjaan lain jika tidak lolos untuk pekerjaan ini.”* (interview with I-4, 6/3/2019).

"The requirements requested by the Regional Office of Environmental Health and Disease Control Surabaya are easy to understand and very strict, where the requirements are very detailed. As for building maintenance, companies that submit bids must have a Business Entity Certificate, not only for general building maintenance but for maintenance of special health buildings ... The schedule requested by the Regional Office of Environmental Health and Disease Control Surabaya is also not complicated so that the winner can be immediately determined. For ourselves, it was even better because we could prepare documents for other work packages if we could learn earlier that we did not qualify for this work."

From the statement I-4 above, the fact is that the Surabaya Regional Office of Environmental Health and Disease Control has carried out the procurement process by the procedures contained in Presidential Regulation number 54 of 2010

concerning Procurement of Government Goods and Services. As stated in article 60 in the third amendment, it briefly stated that the procurement process since the announcement of the auction, the submission of bidding documents, to the appointment of providers should be completed within 32 working days or around 6-7 weeks, but this timeframe can be extended for a while.

On this issue, I-2, the officer conveyed:

*“Memang proses pengadaan di BBTKLPP Surabaya selalu memakai batas waktu minimal yang ditetapkan oleh peraturan agar semua yang terlibat mendapatkan manfaatnya. Bagi kami, pihak institusi dan penyedia terpilih mendapat keuntungan agar proses pelaksanaan bisa lebih cepat. Sedangkan bagi penyedia yang tidak terpilih dapat segera mempersiapkan dokumen penawaran untuk proyek lainnya.”* (interview with I-2, 7/3/2019).

“Indeed, the procurement process in the Regional Office of Environmental Health and Disease Control Surabaya always uses the minimum time limit set by the regulations so that all involved get the benefits. Thus, for both the institution and selected provider, the implementation process can be faster. Whereas for non-selected providers, they can immediately prepare bidding documents for other projects.”

The application system called "Layanan Pengadaan Secara Elektronik" (LPSE) or Electronic Procurement Services in Indonesia issued by LKPP is applied nationally. This system allows anyone to access all the information available on the site, including every procurement process carried out by the Surabaya Regional Office of Environmental Health and Disease Control Surabaya.

#### 4.4.2. Competitiveness

This e-procurement application is open to the public under precise terms and procedures. In addition to opening up opportunities for small and medium enterprises, this also opens up opportunities for local entrepreneurs to compete. Therefore, the number of providers participating in the tender has also increased with the tight competition in bidding prices. The committee can easily choose the right provider, like I-2, the procurement officer, described it:

*“Pengadaan di BBTCLPP Surabaya selama ini belum ada paket pekerjaan yang besar sehingga rata-rata yang ikut pengusaha kecil-menengah. Kami sudah komit, untuk pengadaan yang kecil-kecil diserahkan kepada pengusaha kecil, sedangkan untuk proyek yang besar, diserahkan kepada pengusaha menengah dengan catatan sudah pernah mengirim company profile dan telah dipelajari profilnya. Mereka ini dianggap sebagai mitra dan diberi kesempatan untuk bersaing kembali.”* (Interview with I-2, 5/3/2019)

“Procurement at Regional Office of Environmental Health and Disease Control Surabaya so far has not had a large work package, so the average participant is small-medium entrepreneurs. We have committed, for small-scale procurement to be given to small-scale entrepreneurs, while for larger projects, it is entrusted to medium-sized entrepreneurs with the condition that they have sent a company profile in advance and the office has studied their profile. The company which followed such procedures are considered partners and allowed to compete in another work project.”

This statement was confirmed by a comment from I-7, who is a procurement officer from the Local Government:

*“Proyek-proyek yang kecil diutamakan pengusaha kecil dan menengah, kecuali jika tidak ada penawar lagi atau proyek*

*pekerjaan yang kompleks. Sedangkan untuk kesempatan bagi pengusaha local, ULP tidak bisa membatasi apakah pemenangnya harus pengusaha local atau tidak, karena sistem lelang yang terbuka sehingga dari daerah atau kota lain juga bisa memasukkan penawaran. Kecuali untuk kegiatan yang membutuhkan biaya transportasi tinggi, dengan otomatis penawar yang masuk akan mempertimbangkan komponen itu, sehingga yang dekat-dekat yang bisa memberikan harga penawaran rendah.” (Interview with I-7, 12/3/2019)*

“Small projects are prioritized for small and medium entrepreneurs unless there are no such bidders or complex work projects. As for opportunities for local entrepreneurs, the Procurement Service Unit cannot limit the winners to local entrepreneurs, because the auction system is open so that entrepreneurs in other regions or cities can also enter bids, except for activities that require high transportation costs. Every competitor will consider the transportation costs, and those who are in the same region or city can offer a lower bid price.”

Although the competition is conducted openly, there are still limits. Competition is wide open for small and medium entrepreneurs for small-scale work projects, while large entrepreneurs can compete with fellow large employers for large-scale work projects.

#### **4.4.3. Efficiency and Effectivity**

In the procurement process using e-procurement, the period of the announcement given by the Regional Office of Environmental Health and Disease Control Surabaya is sufficient to provide complete procurement information to providers. The process of online *aanwijzing* (the process of giving information and explanation) is beneficial to answer all questions without having to meet with each

questioner. Besides, the evaluation period needed is enough for the committee, and the e-procurement process is much shorter than manual procurement, which also costs much cheaper for all parties, like I-3, the procurement officer said:

*“sistem e-procurement ini membuat proses pengadaan jadi lebih cepat. Tidak perlu lagi mengumumkan di koran yang memakan waktu dan biaya. Proses *aanwijzing* juga bisa dilakukan secara online, jadi waktu yang dibutuhkan untuk bertatap muka secara langsung dapat dikurangi dengan sangat signifikan.”* ((Interview with I-3, 5/3/2019).

“This e-procurement system makes the procurement process faster. There is no need to announce in a newspaper that is time-consuming and costly. The *aanwijzing* process can also do online, so the time needed to meet face to face can be significantly reduced.”

#### **4.4.4. Security**

E-procurement application is browser-based, and the site can be accessed anytime and anywhere, either through a computer or cellphone; and uploading procurement documents and bidding documents can be safely done because it uses the APENDO encryption system. As stated by I-2, the procurement officer:

*“Panitia dan rekanan tidak perlu bertatap muka dan dokumen diupload menggunakan program pengenkripsian, APENDO, sehingga kerahasiaan dokumen terjamin.”* (interview with I-2, 5/3/2019)

"The committee and partners do not need to face to face and documents are uploaded using an encryption program, APENDO, so that the confidentiality of documents is guaranteed."



#### 4.4.5. Fraud Anticipation

The e-procurement system does not allow direct meetings between procurement officers and supplier partners to anticipate fraud. Communication only occurs during the process of *aanwijzing*/question and answer related to the procurement package and can only be done through a website that can be monitored by anyone. I-3, the procurement officer said:

*“Dari sistem yang ada, tidak dapat diketahui siapa saja yang ikut melakukan proses lelang, baru diketahui setelah proses pembukaan dokumen sehingga tidak memungkinkan untuk bertatap muka dengan penyedia yang melakukan penawaran. Proses *aanwijzing* juga by system seperti chatting tapi dengan identitas penyedia tidak diketahui oleh panitia.”* (Interview with I-3, 5/3/2019)

"With the e-procurement system, participators in the bidding process will be unknown, which is known after the document opening process, but it was not possible to meet face to face with the provider who made the offer. The process of *aanwijzing* in e-procurement system allowed the officer and the provider to communicate through online chatting but with the provider's identity unknown to the committee."

I-8 from the local government conveyed the same thing:

*“Proses pengadaan hanya bisa dilakukan melalui chatting di aplikasi tanpa harus tatap muka antara panitia dan rekanan. Komunikasi yang dilakukan pun hanya pada tahap *aanwijzing* saja.”* (Interview with I-8, 15/3/2019)

“The procurement process can only be done through chat in the application without having face to face meeting between the committee and partners. Communication is also done only at the *aanwijzing* stage.”

I-7 from the same local government reinforces this statement:

*“Pertemuan dengan rekanan hanya pada saat pembuktian kualifikasi sebagai pemenang lelang, sebelumnya hanya komunikasi melalui sistem LPSE, termasuk memasukkan dokumen penawaran, dilakukan secara online.”* (interview with I-7, 12/3/2019)

“Meeting with partners is taken place only when provider give the qualification documents as bidding winners. Before qualification approval, officers and providers only communicate through chatting in the LPSE system, including submitting the bid documents, which is carried out online.”

## **Chapter 5. Conclusions and Recommendations**

### **5.1. Conclusions**

The use of e-procurement in the Regional Office of Environmental Health and Disease Control Surabaya has gone well and has been in line with the e-procurement objectives set out in Presidential Regulation number 54 of 2010, which is confirmed through the interviews conducted in this research. Those objectives are to improve transparency and accountability; improve market access and fair competition; improve procurement process efficiency; supporting monitoring and auditing processes; meet the need for real-time access to information.

The process of Procurement of Goods and Services in the Regional Office of Environmental Health and Disease Control in Surabaya has been satisfactory as evidenced by the completion of 69 procurement packages with a budget savings of IDR 940,925,699.00. However, as shown in the findings, the immature planning stage and lack of communication and coordination with several parties hampered the process of providing services to the community. Even some users still do not understand the procurement process carried out at the agency.

### **5.2. Recommendation**

In order for the Procurement Service Unit Performance in the Regional Office of Environmental Health and Disease Control Surabaya to be more productive, more efforts needed to solve the problems related to communication and coordination. It is a good idea to make a particular line of communication between the user and the procurement

committee, such as creating WhatsApp groups or other media that are easily accessible for anyone so that each can always monitor and remind if there are deficiencies or problems. Furthermore, socialization related to the procurement of goods and services must carry out so that users could better understand how the procurement process correctly implemented, even though they do not have a certificate in the field of procurement of goods and services. Support from agencies is also needed to encourage each employee to have a certificate in the field of procurement of goods and services to facilitate the procurement of goods and services in the future.

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# Appendices

## Interview Guidance

### 1. For Procurement Officers

- a. What is the form of the Procurement Service Unit organizational structure in your agency?
- b. Are the existing facilities adequate?
- c. Is there any problem occurred when you do your job?
- d. What is the accessibility and quality of the current e-procurement system?
- e. What is the transparency of the e-procurement system implemented by your agency?
- f. Is the implementation of e-procurement in accordance with applicable regulations?
- g. Is there fair business competition among bidders?
- h. Can e-procurement improve the efficiency of the procurement process in your agency?
- i. Has this e-procurement process supported the monitoring and audit process?

### 2. For Agents / Providers of Goods and Services

- a. How is the service of procurement of goods / services electronically provided by the Procurement Service Unit in government agencies?
- b. How is your response related to e-procurement policy?
- c. Is the process of procurement of goods and services carried out by government agencies transparent? Can you give an example?

- d. Whether during the auction in government agencies all information is available and is it easily accessible?
- e. Have you ever had obstacles during the procurement process in a government agency? What are the obstacles like?

### **3. For Users**

- a. How is the service for procuring goods / services provided by the Procurement Service Unit in your agency?
- b. Do you know the e-procurement policy in your agency? What is your opinion?
- c. Are the services provided by the Procurement Service Unit regarding the procurement of goods and services good? Have there been any problems?