

# **Indonesia Procurement Network Strategic Planning Report**

**11-12 October 2010**



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## Introduction

On 11-12 October 2010, representatives of Transparency International-Indonesia, Indonesia Corruption Watch, Indonesia Procurement Watch, Indonesia Budget Center, PATTIRO, YASCITA, Bandung Institute for Governance Studies, B-Trust, and the National Public Procurement Office gathered in Bogor, Indonesia for a strategic planning session to develop transparency, accountability, and participation in government procurement transactions.

In general, the goal is to make better strategic interventions by understanding the present situation and the factors influencing it. The specific objectives are to (1) understand the Indonesian procurement reform situation, (2) form the Indonesian Procurement Network, and (3) draft a six months to one year action plan.

## Expectations

Day 1 began with the setting of expectations. It clarified what the participants wish to accomplish at the end of two days and several months after the workshop. The participants' short-term expectations are to:

- (1) set the network's action plan,
- (2) share experiences to develop a good plan, and
- (3) develop a program on procurement reform.

Their long-term expectations are to:

- (1) raise public awareness about the benefits of procurement reforms,
- (2) engage citizens in monitoring procurement, and
- (3) enact better procurement/budget policies and transparent systems.

## Scoping the Situation

The second session focused on understanding the current situation affecting procurement reform efforts in Indonesia. The participants were asked to understand the purpose of pursuing the reforms rather than just knowing which path to take.

To give everyone a broader view, the participants had to identify important issues on procurement, the trends, the pressures that create these trends, the forces driving these pressures, and the current responses to these pressures. In summary, three key issues were identified:

Issues	Trends	Pressures	Responses
<b>Low public awareness/engagement on procurement</b>	<ul style="list-style-type: none"><li>• corruption on procurement (kickback and collusion)</li><li>• low quality of procurement</li></ul>	<ul style="list-style-type: none"><li>• government staff make it appear complex</li></ul>	<ul style="list-style-type: none"><li>• regulation for public access</li><li>• e-procurement</li><li>• use of information technology</li></ul>
<b>Complex procurement</b>	<ul style="list-style-type: none"><li>• 70% of</li></ul>	<ul style="list-style-type: none"><li>• control of</li></ul>	<ul style="list-style-type: none"><li>• dialogue</li></ul>

system impacts bad budget	corruption cases related to procurement	authorities on the budget	between government and CSOs, business sector
<b>Budget oligarchy</b>	<ul style="list-style-type: none"> <li>• people has unresolved problems or needs</li> </ul>	<ul style="list-style-type: none"> <li>• low awareness and participation of society</li> </ul>	<ul style="list-style-type: none"> <li>• people to organize, monitor, audit</li> <li>• push for access to information and guarantee to participate</li> </ul>
	<ul style="list-style-type: none"> <li>• budget serves political interests</li> </ul>	<ul style="list-style-type: none"> <li>• interference of incumbent KPU/bureaucrats</li> </ul>	<ul style="list-style-type: none"> <li>• push for budget transparency</li> <li>• push for corruption case of incumbents</li> <li>• change law on "otonomi daerah"</li> </ul>
	<ul style="list-style-type: none"> <li>• bad political will</li> </ul>	<ul style="list-style-type: none"> <li>• budget controlled by elite, local boss, family of government officials, political party, or mafia</li> </ul>	<ul style="list-style-type: none"> <li>• push for independent political capacity</li> <li>• voter's education</li> <li>• push law on conflict of interest</li> <li>• change political law</li> </ul>

The first issue of low public awareness on procurement seems to create more opportunities for corruption in the form of kickbacks and collusion. Since these common trends are tolerated by government officials, there is a positive tendency to regulate public access to information and to push for electronic procurement.

The second issue of a complex procurement system is being linked to about 70% of corruption cases, which is further complicated by politicians who control the budget. But there are on-going dialogues among CSOs, government, and private sector to simplify procurement regulations and processes.

The third issue of budget oligarchy seems to be a deeper problem linked to unresolved problems of citizens, use of budget for political interests, and bad political will. There is a strong belief that these trends are perpetuated by the elite, political parties, or maybe even by a mafia who have been making the procurement process look complex and less transparent so they can

use the budget to benefit themselves. This cycle seems to continue because citizens have no appropriate knowledge on procurement and lack the ability to participate in the process.

### Identifying the Stakeholders

The third session focused on identifying key stakeholders who may gain or lose something in the implementation of procurement reforms. The participants identified the following potential stakeholders, their interests, powers, and roles:

Stakeholders	Interests	Powers	Roles
<b>LKPP/NPPO</b>	<ul style="list-style-type: none"> <li>simple system, less complaints</li> </ul>	<ul style="list-style-type: none"> <li>regulator, advisor</li> </ul>	<ul style="list-style-type: none"> <li>draft law, regulations</li> </ul>
<b>Procurement Officers</b>	<ul style="list-style-type: none"> <li>simple, practical, clear, firm, efficient</li> </ul>	<ul style="list-style-type: none"> <li>select service provider</li> </ul>	<ul style="list-style-type: none"> <li>executor of procurement</li> </ul>
<b>Contractor/Business Associations</b>	<ul style="list-style-type: none"> <li>profit, low cost and efficient procurement process</li> </ul>	<ul style="list-style-type: none"> <li>use of expenditure budget</li> </ul>	<ul style="list-style-type: none"> <li>procurement service provider</li> </ul>
<b>Citizens/Voters</b>	<ul style="list-style-type: none"> <li>quality of product/service, on time, effective</li> </ul>	<ul style="list-style-type: none"> <li>complain, reject results that is below people's expectations</li> </ul>	<ul style="list-style-type: none"> <li>control and monitoring</li> </ul>
<b>Politicians</b>	<ul style="list-style-type: none"> <li>compete for equal distribution of public resources for people or cronies</li> </ul>	<ul style="list-style-type: none"> <li>forming policies including budget documents</li> </ul>	<ul style="list-style-type: none"> <li>legislation, monitoring process and output of policies</li> </ul>
<b>Media/CSOs</b>	<ul style="list-style-type: none"> <li>beneficiary of products and services</li> </ul>	<ul style="list-style-type: none"> <li>influence public opinion</li> </ul>	<ul style="list-style-type: none"> <li>monitoring, sharing information</li> </ul>

### Action Plan

Based on the situational and stakeholders' analyses, three priority goals were identified.

1. Simplify procurement regulations and systems
  - 1.1. Orient IPN core group members on the latest procurement regulation (PR 54/2010) to be given by NPPO
  - 1.2. Develop an orientation module and citizen monitoring system for four (4) pilot areas
2. Raise citizens' awareness and participation in procurement process
  - 2.1. Pre- and post- survey citizens in pilot areas about their sentiments and knowledge of procurement processes
  - 2.2. Develop a communications plan to gain support for procurement reforms

3. Ensure proper allocation of public funds to prevent abuse of politicians
  - 3.1. Identify and select government partners in the pilot areas (possibly formalized via Memorandum of Understanding)
  - 3.2. Identify, acquire, and assess pertinent procurement documents/processes in pilot areas

In the selection of pilot areas, the members agreed on three criteria: (1) strong presence of LKPP and CSOs; (2) presence of good politicians; and (3) presence of people who are willing to cooperate. Based on these criteria, the following areas were selected: (1) West Java – Garut, (2) Sumatera – Aceh Besar, (3) Kendari City, (4) West Sulawesi – Poliwali Mandar, (5) Banten – Tangerang City. The fifth area is a last minute suggestion that should be discussed by the network on their next meeting. To pursue these plans, the IPN designated a chairman (Heny), national coordinator (Famy), area coordinators (Roy, Okto, Nasruddin, Aziz, Wasan), and an adviser (Abubakar).

### **Recommendations**

1. The IPN members are practical. They will not implement any program without funding support. ANSA-EAP must ensure IPN's program design has a component that will deepen personal and institutional commitment to procurement reform.
2. The IPN members admitted that they're not familiar with the latest procurement regulation. They must clearly understand the regulation's benefits and impact to citizens.
3. Distance from each other may affect the network's effectiveness. The IPN members should communicate regularly to strengthen collaboration. They also need to reach out to other partners who were absent during the strategic planning.