# Updates on the Public Procurement Reform in Indonesia

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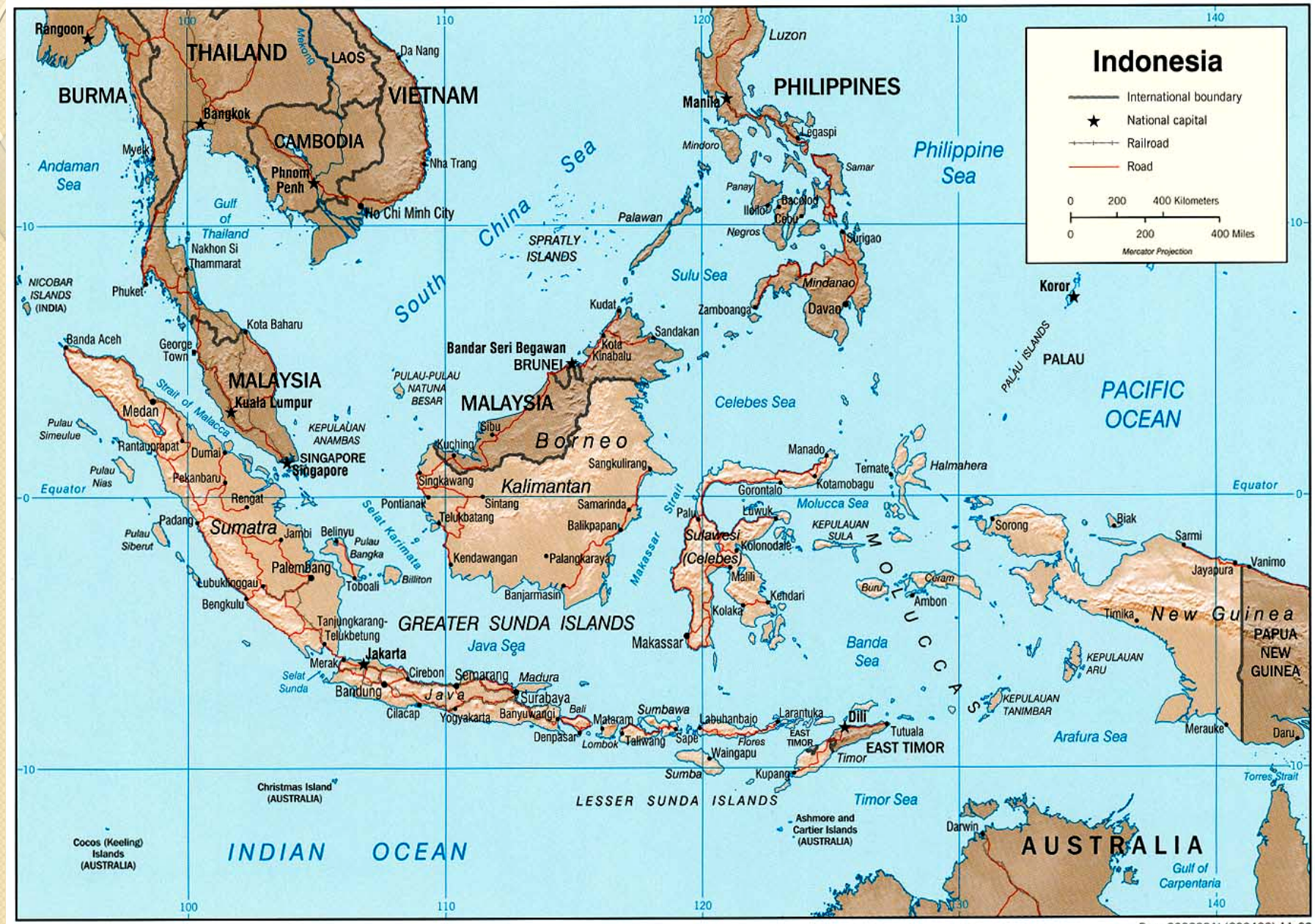


Base 802899AI (C00429) 11-02

# Background

| Government level | Budget Allocation | Share of procurement in the Budget | Corruption in procurement |
|---|---|---|---|
| **National** (79 Ministries/ National Agencies) | **70%** | **30%** | **30%** (source: KPK) |
| **Sub-National** (33 Provinces, 497 districts/ municipalities) | **30%** (IDR 444 trillion or USD 49 billion) | **40%** | |

# Strengths

- Existing draft of the Act on Public Procurement
- Support from CSOs & media to push the approval of the Act on Procurement (to strengthen the umbrella for Perpres 54/2010)
- Support from many companies (unsuccessful contractors/service providers), many politicians in the House of Representatives

# Weaknesses

- Different commitment among government agencies on the draft Act on Public Procurement
- Very low awareness and capacity of CSOs to monitor procurement

# Opportunities

- Unlike Law/Act, Presidential Decree No 54/2010 has no power to impose sanctions
- The draft Act had been included in National Legislation Program since 2010, but has not yet been passed
- Many Ministries and national agencies have high expectation that Indonesia will pass this Act on Public Procurement

# Threats

- Threats from “black politicians” who are also contractors
- Various kinds of conflict of interest in the procurement contracts

# Regulatory Framework

| Aspects | Keppres No 80/2003 | Perpres No 54/2010 |
|---|---|---|
| Procurement Organisation | The organisation has not been clearly classified | PA/KPA, PPK, ULP/Pejabat Pengadaan, Panitia/Pejabat Penerima Hasil Pekerjaan |
| ULP institution | Has not been accommodated | Head, Secretariat, Support Staff, Working Group |
| Authority to establish ULP | Has not been accommodated | Minister/Head of Agency/Head of Local Government/Head of Institution |
| ULP functions | Similar to committee, for procurement value of more than IDR 50 million | Procurement of goods/constructions/other services above IDR 100 million<br>Procurement of consultancy services above IDR 50 million |
| ULP working group | Similar to committee with odd number minimum of 3 (three) personnels in response to the value of the project | Odd number minimum of 3 (three) participants<br>Can be added as required by the complexity of the project |
| Duties, authorities & responsibilities of ULP | Formulating procurement document<br>Proposing award winner | Defining procurement document<br>Assigning contract winner for<br>-procurement of goods/construction/other services under IDR 100 billion<br>Procurement of consultancy services under IDR 10 billion<br>Responding to objections |
| Other authorities | Not clearly accommodated | Can propose to PPK on<br>- Changes of owner estimate<br>- Changes of specification |
| E-procurement | It is not a compulsory | For some project packages must be undertaken from 2012 |
| LPSE | Not yet accommodated | The Head of Local Government must establish LPSE |
| e-procurement system | Not yet accommodated | To be developed by LKPP |
| E-tendering | Not yet accommodated | From announcement of tender to winner publication |

# Current CSO advocacy efforts

- E-procurement implementation by 2012
- Establishment of institutional units (ULP or Procurement Service unit)
- Procurement business process
- Capacity building
- Improvement in procurement monitoring/complaint handling