

HOW CAN INDONESIA ACHIEVE A MORE TRANSPARENT PROCUREMENT REGIME?

OPEN CONTRACTING AND THE FUTURE OF INDONESIA'S
PROCUREMENT SYSTEM



RESEARCH NOTE

1. Why contracting needs to be transparent

Governments spend an estimated USD 9.5 trillion annually through public contracts¹, but there is minimal information publicly available as to how, when, and where this money is spent. The Open Contracting Data Standard (OCDS)² has been developed to provide a robust specification and guidelines for the effective publication of procurement data and documents: making information on the entire contracting process available to a wide range of users, including civil society organisations (CSOs) and private companies. Through improved, standardised disclosure of data, the publication of data in OCDS format can contribute to a fairer system of government contracting, delivering better value for money and more competitive procurement processes, whilst also supporting scrutiny of procurement to strengthen government transparency, accountability, and responsiveness.

In Indonesia, the procurement of goods and services on behalf of government agencies accounts for approximately 30% of the country's national budget (MCA, 2014). It has been estimated that 60% of foreign development assistance is spent on the procurement of goods and services (Buehler, 2012). Yet, the public procurement system in Indonesia is often marred with inefficiencies and lack of accountability and transparency, resulting in an estimated loss of \$15 billion annually (MCA, 2014).

Procurement reforms initiated by the government aim to reduce these inefficiencies. Public procurement has undergone comprehensive reforms since 2003, following the adoption of Presidential Decree No. 80/2003, and succeeded by Presidential Regulation (Perpres) No. 54/2010 in 2010. As a result, in 2007 the National Procurement Agency (LKPP) and Procurement Service Units (ULP) were established. Since 2012, ULPs have been mandated to adopt electronic procurement systems (SPSE).

These reforms provide the foundation for the potential adoption of better open contracting practices, and implementation of the OCDS to support high quality and standardised disclosure of the increasing amount of procurement data now being gathered.

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¹ See: <http://standard.open-contracting.org/latest/en/>

² The OCDS version 1.0 was developed by the World Wide Web Foundation, with support from the Omidyar Network and the World Bank, as a core product of the Open Contracting Partnership (OCP). The OCP exists to make contracting information available, accessible, and useful for civil society, governments, and businesses. View the OCDS website at <http://standard.open-contracting.org/>, and the OCP website at <http://www.open-contracting.org/>

2. What we set out to find

This study, conducted by the Web Foundation's Open Data Lab Jakarta, explores the readiness for the implementation of the OCDS in Indonesia. It takes a close look at capacities of key stakeholders, including government, civil society and the private sector. The assessment also seeks to explore the level of interest for the implementation of open contracting and the OCDS in Indonesia, and the challenges and opportunities in undertaking the same.

To answer these research questions, the research used a mixed methods approach to capture at least three levels of information – data, processes, and people – and used triangulation of information sources to validate findings at each level. Understanding the contracting cycle requires an understanding of the interface in these three factors to understand what processes occur, who are responsible in making these happen, and what sorts of data are produced as a result.

The process component maps out the current landscape of e-procurement in Indonesia, recognising the importance of digital procurement systems for effective OCDS adoption. Drawing on a literature review, we identified key challenges for e-procurement implementation, subsequently explored in later sections of this paper.

The data component explores the characteristics of current procurement datasets, and employs social network analysis³ to look at relationships between datasets. A detailed field-level assessment against the OCDS has been carried out.

The people component draws upon Focus Group Discussions (FGD) and Key Informant Interviews (KII) with individuals involved in the procurement lifecycle inside government, and with users of procurement data (selected based on a stakeholder analysis). Public interest in contracting and procurement-related information was explored using a media analysis of major national daily papers.

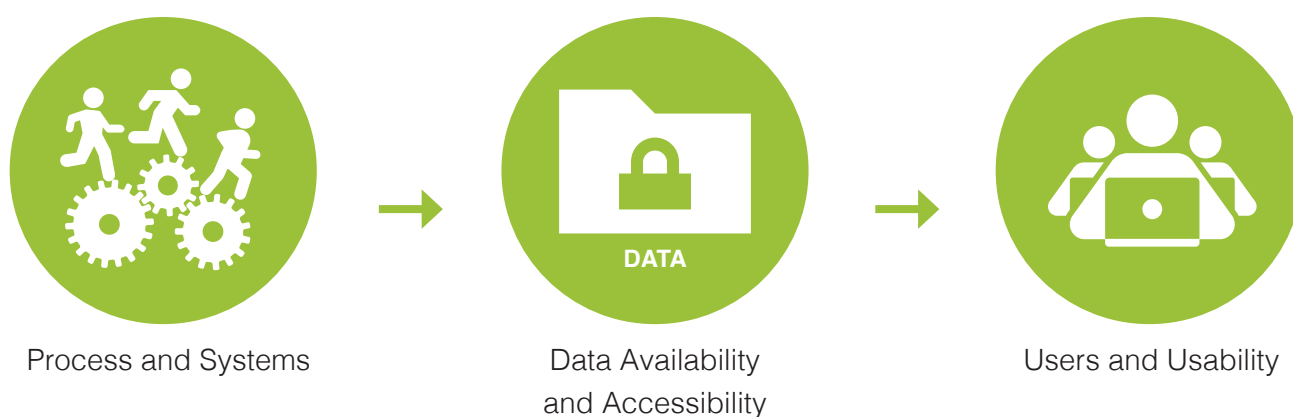


Figure 1. Overall methodological framework

³ Social network analysis looks at a social structures and the network of people and their interconnectivity. For this study, we analysed the relationships of government agencies and bidders involved in contracting data during the period of March to July 2014 in the province of Jakarta. In layperson's terms, this refers to the number of contracts that a supplier receives from government agencies.

3. What we found

PUBLIC DISCLOSURE OF CONTRACTING INFORMATION NEEDS IMPROVEMENT

The table below shows the six core stages of a typical public contracting process in Indonesia, along with data availability and potential challenges in OCDS adoption.

Stage	Process	Data availability	Potential Challenges
1 Planning	<ul style="list-style-type: none"> Budget authority (Pengguna Anggaran - PA) or the proxy of budget authority (Kuasa Pengguna Anggaran - KPA) prepares the general procurement plan (Rencana Umum Pengadaan - RUP) The commitment-making officer (Pejabat Pembuat Komitmen - PPK) prepares the procurement implementation plan (Rencana Pelaksanaan Pengadaan - RPP) The PA/KPA uploads the RUP in the public procurement planning system (SiRUP) 	Only the RUP is available in SiRUP without links to the original document	Weak links to budget process because procurement planning is not built into the budget process
2 Announcement	<ul style="list-style-type: none"> The procurement service unit (Unit Layanan Pengadaan - ULP) creates the e-tender package in the online procurement system called SPSE SPSE registered vendor asks questions regarding the e-tender package or submits bids 	Only the e-tender package is available for viewing by registered users	Not all procurements are carried out through the e-procurement platform. There are also offline processes occurring which vary in the data they collect and share
3 Selection	<ul style="list-style-type: none"> ULP downloads bid documents from SPSE and decrypts the bidding documents 	Only the tender evaluation sheet and tender winner letter are available online.	<i>See Stage 2 Potential Challenges</i>

3. What we found

Stage	Process	Data availability	Potential Challenges
	<ul style="list-style-type: none"> The ULP Working Group (Kelompok Kerja - POKJA) conducts an administrative evaluation (accuracy, sufficiency) 	These do not contain links to the original documents	
4 Award	<ul style="list-style-type: none"> If a bid is selected to have won, ULP prepares a proposal to the PA/KPA if goods and services procured are valued at over 10 billion rupiah (app. USD 692,000). If PA/KPA agrees, ULP announces the results. If PA/KPA does not agree, it will instruct ULP to re-evaluate the bid or to declare the bidding process a failure For goods or services below this threshold, ULP announces the bidding results Contract is issued to winning bidder 	Contract letter and contracts are not disclosed publicly	Online and offline processes vary. Different systems are in use for direct awards by some agencies
5 Performance	<ul style="list-style-type: none"> The supplier delivers commitments based on contract Government monitors compliance of the supplier with the terms of the contract 	There is no information within the tender systems that disclose performance data (e.g. how contractors perform contract deliverables) proactively	Limited information captured at the contract process level in digital systems, though Monev Online summarises overall contract activities
6 Termination	Contract ends, e.g. with completion of contracted work, or failure to comply and fulfil the contract	No data available within tender systems that disclose data on contract terminations	Limited information captured in digital systems

Table 1. Indonesia's contracting life-cycle and data availability

3. What we found

In general, Indonesia's e-procurement system mirrors the contracting process described in OCDS, except most of the documents are not published online. Those published do not contain links to the original documents and in critical contracting processes, such as performance and termination, there are no documents or data that are publicly available. However, there is considerable scope to increase the public disclosure of information about procurement processes and performance in Indonesia as open data. For example, Money Online⁴ is a government website owned and run by LKPP, and is dedicated to the monitoring and evaluation of procurement profiles. It shows the status, progress, and realisation of spending and budget activities, e.g., by displaying comparisons of their planned versus actual figures. Thus, performance data exists that can readily be published as open data.

The OCDS can provide an effective model to bring together data from both online and offline processes, recognising the different levels of detail that can be disclosed in each case. However, it must be noted, that the processes outlined above exclude procurement activities of state-owned enterprises, as well as procurement of infrastructure. For example, although the Presidential regulation applies to all levels of government, the procurement by state-owned energy company, Pertamina, is still governed by the Law on State-Owned Enterprises. Similarly, the Ministry of Public Works (Kementrian Pekerjaan Umum - KPU) runs a separate procurement system under the law on construction (Yulianto & Oeyoen, 2011). The current initiative of the Government of Indonesia in consolidating procurement-related legislations provide an opportunity for OCDS to be incorporated into the national legal framework for procurement reform.

TECHNICAL CAPACITY REQUIRES SIGNIFICANT INVESTMENT

At the policy level, there is strong high-level leadership in procurement reform at the national level, mostly promulgated through Presidential Decrees. Drafting of a general procurement law, which will consolidate different procurement regulations in the country, is currently underway. A total of IDR 14 trillion, or USD 1.2 billion, has been allocated in 2015 for integration of e-government systems in Indonesia, and this includes the contracting process.⁵

Turning to technology, the national agency, LKPP, has an IT division developing an e-procurement system, and although most of the decentralised Electronic Procurement Service Units (LPSE) use these applications, they implement them locally and may not all have online front-ends available. Some LPSEs have developed additional separate systems for noncompetitive awards and performance reporting. Overall, LPSEs have limited technical capacity, and the roll out of OCDS functionality within SPSE would require a long-term plan, both to roll-out updated functionality, and to harmonise standards and classification systems between SPSE implementations.

⁴ Visit Money Online at <http://monev.lkpp.go.id/>

⁵ See: <http://www.antaranews.com/en/news/96803/process-of-procuring-goods-and-services-to-be-streamlined-jokowi>

3. What we found

The use of common SPSE software by procurement agencies offers a route to making OCDS disclosure a default option for local procurement units (ULP). However, the distributed nature of the system, with over 600 different local implementations, and issues of connectivity and digital infrastructure, suggest the need for a long-term plan on OCDS roll-out, and either an extensive support offering, or a strong strategic partnership with LKPP to support implementation. Alternatively, a phased approach, securing access to the existing APIs onto SPSE, and converting data to OCDS using external code, could be pursued, working through ULPs one at a time according to a strategic priority list.

INDONESIAN PROCUREMENT CAN TRANSITION TO OCDS

An analysis of the published data from SPSE reveals that information to meet the basic level of OCDS is available. The fields that can be used to generate a unique contracting process identifier are accessible, thereby making the distributed publication and aggregation of information easier. This relates to the OCDS' set of publication patterns, which outlines the fields and documents that are required to be disclosed in the various basic, intermediate, and advanced levels. An explanation of the the levels of publication are explained in the box below.

Level	Data	Document
Basic	Requires the publication of buyer name and address; tender identifiers, titles, descriptions, status, procurement method, period, item descriptions and quantities, documents associated with the tender; award identifiers, titles, descriptions, dates, values; selected supplier names and addresses; contract identifiers, titles, status, period, values, item descriptions and quantities	Requires the publication of award notice, contract notice, completion certificate, procurement plan, tender notice, bidding documents, technical specifications, evaluation criteria
Intermediate	Requires the publication of above plus the following: organisation identifiers for buyers and suppliers; detailed classification of line items in tender, award and contracts; planning information including budget details and associated documents; tender award criteria, anticipated values and submission information; tender enquiry	Requires the publication of the above plus evaluation report, contract text, signed contract, implementation milestones, physical progress reports, financial progress reports, final audit, public hearing notice, market studies, eligibility criteria, clarification to bidder questions, shortlisted firms

3. What we found

Level	Data	Document
	periods details; details of the number and a list of their names; contract documents; the data of contract signature; information and dates for contract implementation milestones; documents related to implementation of the contract.	
Advanced	Requires the publication of the above plus the following: structured information on project milestones at the tender stage; regularly updated milestone information during contract implementation; detailed unit, quantity and cost information for line items at tender, award and contract stages; identifiers for each tendering organisation; information on spending transactions to suppliers during contract implementation;	Requires the publication of the above, plus winning bid, complaints and decisions, annexes to the contract, guarantees, sub-contracts, environmental impact, assessment of government's assets and liabilities, needs assessment, feasibility study, project plan, project management of risks and liabilities, bill of quantity, information of bidders, conflict of interests uncovered, debarments issued.

Box 1. Publication Levels in OCDS

Indonesia can transition to OCDS at the basic level by making all documents and contracts required (see Box 1) to be published. The requirements at the basic level are available for publication but some of them are not publicly or proactively disclosed (e.g. evaluation criteria). In order to move to intermediate and advanced publications, policies and advocacies that secure the publication of additional data fields and documents are required to be set in place. Additionally, it would be fruitful for future technical development approaches and processes to outline a map translating SPSE data into OCDS structures. Finally, a push for the explicit open licensing practice of both data and documents is important for full OCDS implementation.

The nature of publication is also important. OCDS makes use of the 5-star model⁶, where at the very initial step (1 star) governments upload basic open contracting information to the web, in whatever format it is currently available. Going beyond this would mean making the data available online under an open license, such as Creative Commons, and preferably as structured data, such as Excel, rather than flat image scans or PDF, as basic features.

⁶ The five-star linked open data model suggested by the inventor of the Web, Sir Tim Berners-Lee, is at <http://5stardata.info/en/>. A mapping of the OCDS against the five star model is at <http://standard.open-contracting.org/latest/en/implementation/levels/>.

3. What we found

USERS EXPRESS HIGH INTEREST IN CONTRACTING INFORMATION

The research identified six main categories of stakeholders with interest in procurement data:

- The government itself;
- Academia (including universities, research institutes, and training centers);
- Civil society organisations (including watchdogs and advocacy organisations);
- International non-government organisations (including donors);
- Media;
- Business.

Across our online survey of 21 potential users, the greatest interest was in future tenders, and procurement plans, followed by details of who bid for, and won tenders, and finally, the details of the contracts entered into. This was confirmed by a total of six key informants, four from civil society, and two from the private sector.

Most respondents are interested in data related to the procurement of goods and services for public service delivery. This includes, among others, procurement for the delivery of basic services such as education, health, and agriculture. There was virtually no interest in land data among those we surveyed. For those who indicated “others” in the responses, one respondent indicated interest in data related to disaster management; all others did not specify their focus interest.

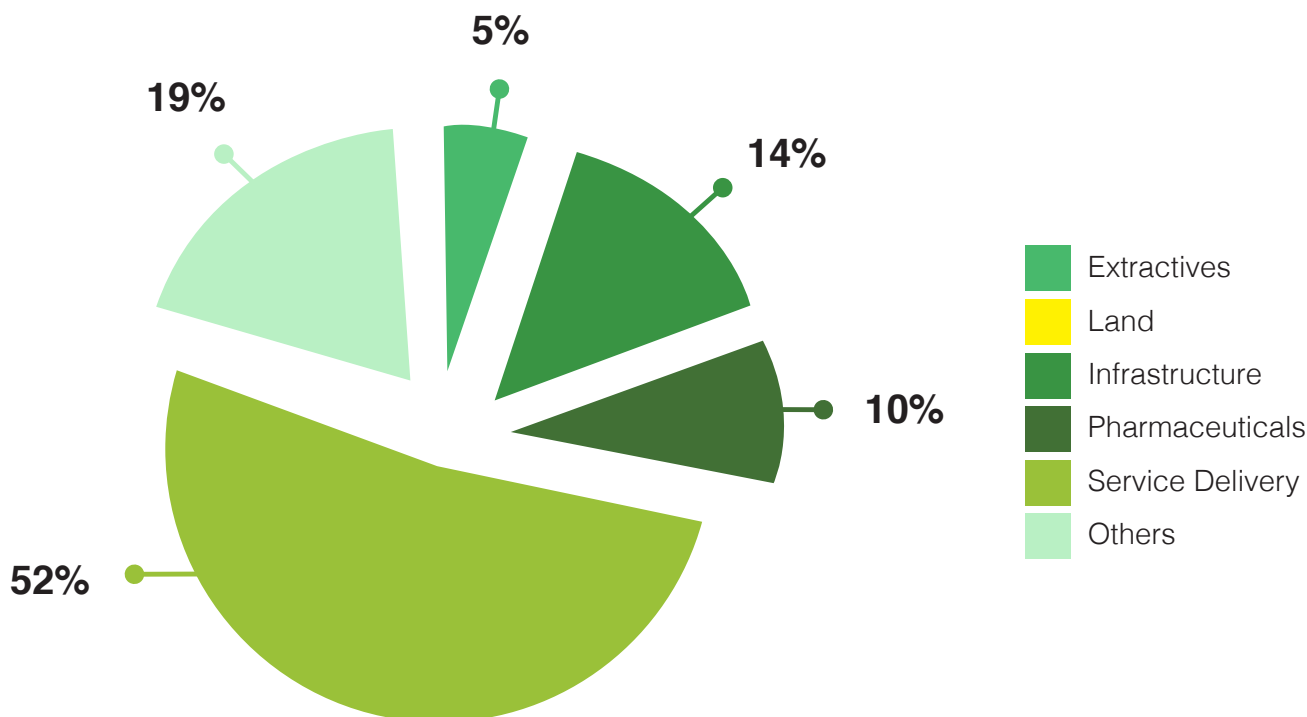


Figure 2. Sector data that users are interested in

3. What we found

CSOs and non-governmental organisations (NGOs) both local and international, were primarily interested in monitoring the procurement process, and being able to use data to advocate for reforms. These include improvements in government transparency particularly concerning issues of budget and spending, and space for increased citizen participation, e.g. where CSOs are given access to comprehensive data about procurement in a given policy area.

A number of civil society groups we spoke to had sector-specific needs, and there was strong curiosity specifically in extractives contracts, which are not managed within the public procurement systems. The procurement activities of the extractive sector are currently done through their own systems, following Indonesia's complicated legal structure wherein the law concerning state-owned companies including in the oil and energy sectors, predate and trump the presidential decree mandating the compliance with e-procurement. Other CSOs have named specific interests in the implementation stages of contracts and look for milestone and project reporting data, which are not currently captured by most e-procurement systems.

Businesses were interested in data that enables participation in the bidding process, lowering the current cost of searching for procurement opportunities. Academic users were interested in being able to measure government agencies' performances. Media users focused on data used for investigative reporting.

Existing CSO users currently access procurement data through a mix of invoking the Freedom of Information Act (FOIA) and submitting requests to specific government bodies, purchasing information, and through special arrangements with LKPP.

Business users focus on monitoring the SPSE systems of particular interest to them. Within the current distributed system, businesses have to make regular visits to distributed LPSE websites to discover entrepreneurial opportunities in specific targeted sectors or cities, or go through INAPROC⁷, a recently launched portal by LKPP that aggregates submitted LPSE data. However, unlike the case in some other countries, there are still no existing markets of third-parties that provide tender opportunity notification services.

Our analysis showed that media primarily focus on issues of e-procurement implementation and procurement complexity, alongside covering potential corruption cases, especially related to budget overruns and padded budgets. Media coverage of procurement issues are mostly on the national level, with only a few stories looking at local procurement cases.

⁷ The INAPROC website is available at <https://inaproc.lkpp.go.id/>

3. What we found

USERS EXPERIENCE SIGNIFICANT BARRIERS TO ACCESS

Users that participated in this research face a number of challenges in accessing and using procurement data, which are summarised in the table below.

	Access Challenge	Limiting Factors
Technical barriers	<ul style="list-style-type: none">• Internet speed & server downtime• Lack of standardisation• Access-control (Required log-in or prior approval)• Restricted access to documents⁸	<ul style="list-style-type: none">• Document formats• Size of documents• Volume of documents (There are thousands of procurement packages a year)
Legal/ Political challenges	<ul style="list-style-type: none">• Non-disclosure of documents• Slow response to FOIA requests	<ul style="list-style-type: none">• Lack of historical data• Selective provision of addendum information
Capacity challenges (human resources & institutional)	<ul style="list-style-type: none">• Lack of knowledge of procurement systems• High cost of accessing information	<ul style="list-style-type: none">• Low use of online systems• Inaccessible language

Table 2. Challenges faced by potential users of contracting data

⁸ Tender documents have parts that are publicly available, with the confidential information usually restricted. On the other hand, contract documents are not publicly available, although these could possibly be accessed through the FOIA request channels. These restrictions are effects of various interpretations of current Indonesian laws, where there is no dedicated statement that all information or contract documents must be published.

4. How can contracting be made more transparent?

In order to realise the benefits of Open Contracting data, work will be needed on multiple fronts and these are summarised in the table below:

Within the Immediate Term	Within the Medium Term
<p>(a) Put in place new policies to ensure that data and documents currently held are more proactively published. The barriers currently preventing wider publication need to be further explored to inform a strategy in this area. It may also be relevant to support local advocacies for increasing the quantity of procurement routed through the e-procurement platforms, e.g. drawing on existing Monev Online data to support this.</p>	<p>(e) Develop a platform of a data broker layer. This would facilitate either the conversion of SPSE data to OCDS, or simply monitor published SPSE data and their proximity in following the OCDS format and after convert it to different formats for different user groups.</p>
<p>(b) Capacity building with both government and civil society to publish and use open contracting data. There are capacity gaps on the part of government to align publication practices with OCDS requirements that can be addressed through training and mentoring. Civil society organisations, on the other hand, need to be trained in the intricacies of procurement law and its processes and how data from the systems can be accessed and analysed.</p>	<p>(f) Introduce or increase ‘tool-building’. This refers to working with the growing global community of open source tool developers around the OCDS to identify, localise or build tools which meet the contracting information needs of CSOs, including tools for more easily monitoring new tender opportunities, and tracking ongoing procurement projects.</p>
<p>(c) More research to understand open contracting in sub-national contexts is needed. This directly ties to finding ways to best ensure that transparent and accountable procurement systems are existing at the local level.</p>	
<p>(d) Ensure documentation of the available data, and provide support to potential users. Work on item (e) and (f) at the medium term column requires the documentation of currently available data so that this will</p>	

4. How can contracting be made more transparent?

Within the Immediate Term	Within the Medium-Term
become the basis for the development of the platform and the building of relevant tools. Providing support to potential users of contracting data is also important and this can be in the form of capacity building, as discussed in (b) above, or in other user engagement strategies as data dives or procurement-specific hackathons with incubation support.	

Table 3. Jakarta Lab's recommendations for more transparent open contracting processes in Indonesia

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➤ If you want to learn more about the project, email us at info@labs.webfoundation.org




➤ If you want to look at other open data projects, see labs.webfoundation.org

➤ If you want to discuss the findings in more detail, contact us, let's talk!

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