

# CHAPTER I

## INTRODUCTION

### 1.1 BACKGROUND

Public procurement has an important role in the development of a country (Simatupang & Kartika, 2013: 73). Without public procurement, the government is unable to perform its duties and functions. For a simple example, the availability of office stationery on a governmental institution or department will give a sequential effect on its entire activities and functions. When an institution or department is not equipped with office supplies such as office stationery or any other equipment, indeed any coordination, public serving and decision making or policy stipulation would be hampered (Santosa, 2011: 5). Hence, procuring the needs of bureaucracy is essential to fulfill the needs of society in the end. However, considering procurement as an essential activity which is financed by a huge amount of funds from the government, somehow it becomes very tempting for some people to commit fraud. Therefore, public procurement is the area in the institution of Indonesia's government where most of corruption cases are occurred (Nurmandi & Kim, 2015: 198).

Public procurement spends approximately 35-40% of the state budget (APBN) (Simatupang & Kartika, 2013: 74). Therefore, by considering the amount of fund allocated for public procurement, besides acquiring goods, services, or construction work with the best value of money, it also has to be regardful with the related issues one of which is corruption (Sadikin, 2008: 589). A survey by Indonesia Procurement Watch (IPW) on 2010 showed that 70% of corruption cases occur in

Indonesia are related to public procurement (Transparency International Indonesia, 2011). Moreover, 89% providers have committed bribery with 72.3% of them being initiated by government officials (Basuki, 2011).

Various distortion act has been identified on public procurement such as (Patriastomo, 2005 as cited on Zulmi & Salomo, 2013: 2): 1) Procurement with take turns on winning the project tender or "*arisan*"-like procurement and *kick-back* during the procurement process; 2) Bribes to win the project tender; 3) Non-transparent procurement process; 4) Institution which does not announce the procurement plan; 5) *Mark up* or the supplier who set a higher price; 6) Take certain group or company who has a close relationship as the project winner; 7) No access for other participant from precincts; 8) Make the technical specifications only able to be supplied by particular businessman or company; 9) Ineligible winner; 10) The use of certain procuring method for a certain intention (using direct appointment method for a project that supposed to be auctioned); 11) Splitting procurement package which not in accordance with the stipulation.

Indonesia has a poor record in terms of public procurement. Issues and problems on public procurement such as corruption does not only happen in a developing country like Indonesia, but also in many other developing and developed countries (Bahagia, 2011: 10). Irrelevancies and corrupt practices in public procurement activities has been the concern of international community since the 60's and various attempts have been made to find the solution (Christopher & Gross, 2006

The use of information communication and technologies (ICT), specifically e-procurement, is considered as one possible solution to prevent corruption in public procurement by increasing transparency and accountability of the budget process (Nurmandi & Kim, 2015: 199). ICT have been considered as a cost-effective and convenient means to promote openness and transparency and to reduce corruption (Bertot, Jaeger, & Grimes, 2010: 264). This is because ICT would enable the provision of information to all related parties on the procurement process, which resulted in enhancement of the procurement official's accountability. In terms of technology, openness has been an intended purpose for a long time (Dighe, 2012: 4). Other than that, the use of ICT would reduce the frequency of any direct contact between procurement officials and suppliers, which would also minimize the chance of corruption or any other irrelevancy.

Furthermore, adopting ICT on public procurement has been envisioned to bring enormous benefits. Research have found out find that there are many benefits from e-procurement implementation, such as it being cost efficient; time effective; healthy competition and non-discriminatory; wider opportunity for small and medium enterprises and more environmental sustainability (paperless process); as well as a more transparent and accountable procurement (Bertot, Jaeger, & Grimes, 2010: 4; Soekiman & Saputra, 2010: 120; Ballard, 2012: 2). However, the success of adopting ICT as a means of transparency on public procurement will depend on the issues of implementation, education, and cultures among others (Bertot, Jaeger, & Grimes,

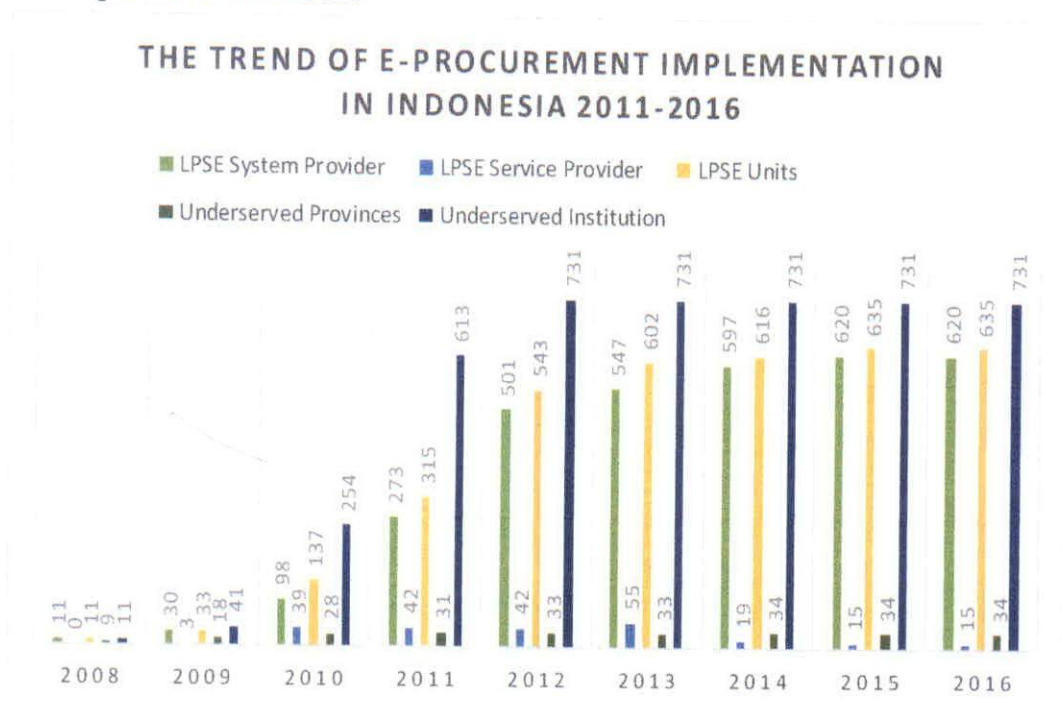
Indonesia has tried using ICT on public procurement or e-procurement since 2001. It was the Department of Civil Works that embarked the use of ICT on an initial test of semi e-procurement system and the Government of Surabaya City which released *www.lelangserentak.com* as a pioneer of e-procurement site in 2004 (Soekiman & Saputra, 2010: 119). Furthermore, in 2007, as a follow-up and serious response regarding this trial, the government officially established the National Public Procurement Agency (LKPP) with the intention to realize a more effective and efficient public procurement as well as implement the principle of a healthy competition, transparent, open and fair for all parties (Presidential Decree Number 106 of 2007). LKPP is a non-ministry institution that lied under and responsible direct to the president. LKPP is the only government institution which is responsible for the policy formulation, implementation and supervision of all activities of public procurement in Indonesia (Presidential Decree Number 154 of 2014 *jo.* Number 54 of 2010). Along with it, the government stated its motivation to develop the use of ICT for public procurement (e-procurement) in Indonesia. It generated the formation of the electronic-based procurement service unit (LPSE) through the presidential decree number 54 of 2010 as the legal basis.

LPSE is a unit or function of a unit formed by a ministry, local government or any government institution (K/L/D/I) tasked to implement and facilitate the use of electronic-base public procurement service system (SPSE) (*Peraturan Kepala* LKPP Number 2 of 2010). Basically, LPSE was established with the aim to provide transparency of procurement process in all government agencies and institutions that

used the state budget for its procurement activity. This transparency should be provided for all parties involved in the procurement process such as the budget user, procurement committee, providers of the goods and services, the LKPP, and the society as well to minimize fraud and corruption.

Until November 2016, there are 620 LPSE System providers, 15 LPSE Service providers and 635 autonomous e-procurement services, which serve 34 provinces and 731 agencies (Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah (LKPP), 2016). Here is the trend of LPSE adoption throughout departments, institutions, and local government in Indonesia in the period of 2008-2016:

**Figure 1.1. Trend of e-procurement implementation in Indonesia in the period of 2008-2016**



Source: Direktorat Penelitian dan Pengembangan Komisi Pemberantasan Korupsi (KPK), 2016

Figure 1.1 shows the number of escalation in the adoption of LPSE across Indonesia for the period of 2008-2016. However, in actual, the implementation of e-procurement in Indonesia has not fully executed. Nurmandi (2013) found that only around 10.26% of the procurement budget of central government institution including ministries and 21.10% of local government procurement budget did procure through e-procurement (Nurmandi, 2013: 350).

Central Sulawesi Province (local name, *Provinsi Sulawesi Tengah*) as one of the autonomous regions in Indonesia has begun embarking trials on e-procurement since 2008 (Candra, 2016). Until 2011, it has 249 LPSE units widespread throughout various departments, institutions, and local government in the area of Central Sulawesi Province. In the provincial level, they had 6 LPSE units, which are the LPSE of *Pemerintah Provinsi Sulawesi Tengah* ([www.lpse.sulteng.go.id](http://www.lpse.sulteng.go.id)), which will be further mentioned as the LPSE of Central Sulawesi Province; *Universitas Tadulako* ([www.universitastadulako.ac.id](http://www.universitastadulako.ac.id)); *Pemerintah Kabupaten Parigi Mautong* ([www.lpse.parigimautongkab.go.id](http://www.lpse.parigimautongkab.go.id)); *Pemerintah Kota Palu* ([www.lpse.palu.go.id](http://www.lpse.palu.go.id)); *Pemerintah Kabupaten Tojo Una-una* ([www.lpse.tojounaunakab.go.id](http://www.lpse.tojounaunakab.go.id)); and *Pemerintah Kabupaten Donggala* ([www.lpse.donggala.go.id](http://www.lpse.donggala.go.id)) (Muhtar, 2011: 45). Nonetheless, this research only focuses on the LPSE *Pemerintah Provinsi Sulawesi Tengah* or the LPSE of Central Sulawesi Province ([www.lpse.sulteng.go.id](http://www.lpse.sulteng.go.id)), due to the issues encountered which will be annotate hereafter.

The execution of the first e-procurement activity of the Central Sulawesi Province LPSE commenced on 2010. Since then execution of e-procurement have

continued to hold until today. The figure below represent the status of e-procurement activity of Central Sulawesi LPSE from 2011-2015. The following data are the processed data derived from the official LPSE website of Central Sulawesi Province LPSE ([lpse.sultengprov.go.id](http://lpse.sultengprov.go.id)).

**Figure 1.2. Number of Public Procurement Tender Packages in LPSE of Central Sulawesi Province in the period of 2011-2015**

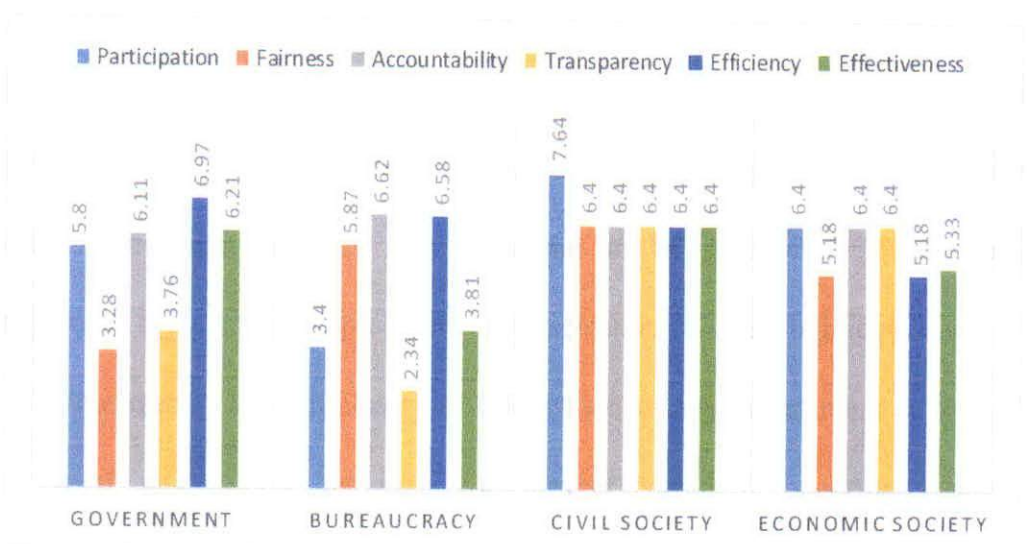


Source: Central Sulawesi Provinces' LPSE website (<http://lpse.sultengprov.go.id/eproc/>), 2016.

Figure 1.2 described the trend of e-procurement tender packages of Central Sulawesi Province LPSE in the period of 2011-2015. It shows enhancement in general for the 2011-2014 e-procurement packages. Meanwhile it decreased dramatically in 2015. This is due to the absence of e-procurement data for 2015. The researcher cannot find any data related to e-procurement held in 2015. Whether this matter has relation to the e-procurement that has not been fully implemented or lack of transparency on the information of procurement data or anything to do with political interest, the researchers feel this finding is very interesting to be studied

Moreover, this problem is compounded by a finding from the Indonesia Governance Index (IGI) research on 2012. IGI is an assessment of local government on four governance quintessential arenas which are government, bureaucracy, civil society and economic society (Articles About IGI, n.d.). Those arenas measured based on a set of objective and measurable criteria. They currently measure provincial government performance only. They have examined the performance of 33 provinces in Indonesia which resulted to Yogyakarta as the best province which attained a 6.80 point out of 10 and got the first place of the list (Indonesia Governance Index , n.d.). Meanwhile, Central Sulawesi Province was in the ranked 25<sup>th</sup>, which were counted as the bottom 10 provinces with the worst performance on the governance index (Waskito, 2014). The following data are details of performance assessment for Central Sulawesi Province on the governance index by IGI:

**Figure 1.3. The Performance Assessment of Central Sulawesi Province by IGI in 2012**



Source: [youthproactive.com/2014/10/for-your-information/palmouran-indonesia-governance-index](http://youthproactive.com/2014/10/for-your-information/palmouran-indonesia-governance-index)



study, the researcher expects a better relationship between people and the government through transparency and trust.

## **1.2 RESEARCH QUESTIONS**

Built upon a brief explanation above concerning e-procurement issues in the Central Sulawesi Province LPSE regarding the importance of transparency and disclosure of information, the researcher has formulated the following research questions:

1. Why there is no e-procurement data on the official website of Central Sulawesi Province LPSE for 2015 fiscal year?
2. Does the non-existence of e-procurement data have any correlation with the lack of transparency or disclosure of information?
3. What is the impact of the absence of e-procurement data on the official website of Central Sulawesi province LPSE for 2015 fiscal year?

## **1.3 RESEARCH OBJECTIVES AND BENEFIT**

### **1.3.1. Objectives of the Research**

This study is conducted to analyze a public organization's performance in the aspect of transparency and disclosure of information concerning e-procurement implementation by Central Sulawesi Province LPSE and discover the explanation and impact from the phenomenon that arose in Central Sulawesi Province LPSE for 2015 fiscal year.

### 1.3.2. Benefit of Research

This study is expected to bring benefits to the basic understanding of e-procurement and its relation with transparency on the public procurement execution. Findings of the study are hoped to be generalized as a reference of e-procurement implementation case experience. Based on the purpose and objectives of the study, the benefits expected from this study are:

#### a. Theoretical Benefit

Concerning the development of concept, this study is expected to *first*, add basic reference material for the study of government science, especially regarding to transparency and disclosure of information on a public organization and in specific related to e-procurement in LPSE of Central Sulawesi Province. *Second*, as reference for the government of Central Sulawesi province to develop their strategies for a better public procurement and e-procurement implementation.

#### b. Practical Benefit

This study is also expected to bring some practical benefits for the better execution of e-procurement in Central Sulawesi province, hence, the findings of this study is ought to better the relationship between people and the government by creating transparency and trust.

## 1.4 LITERATURE REVIEW

No.	Author/Title	Content
1.	Gyoo Gun Lim, Rene B. Kim, and Han Bae Lee/Public E –	Case study of a successful e-government system development and implementation in Korea, known as Korean On-line E- Procurement System

	<p>Procurement: The Korean On-line E-Procurement System (KONEPS) (2008)</p>	<p>(KONEPS) since 2002. Through KONEPS, Korean Government has realized annual transaction cost savings up to \$4.5 billion. KONEPS has been recognized as one of the most advanced e-procurement system in the world and won several awards from UN, OECD, WITSA and AFACT as a best practice. This study also discussed several essential preconditions that contribute to the successful adoption and implementation of KONEPS. <i>First</i>, role of the government in setting keen policy and legal framework to promote and facilitate the adoption and implementation of the system. <i>Second</i>, infrastructure that supported the system execution. <i>Third</i>, active participation and collaboration among stakeholders.</p>
2.	<p>Khi V. Thai/ Key Issues in E-Procurement Implementation and Operation in the Public Sector (2009)</p>	<p>An experiences-based research of the operational issues in e-procurement from local authorities and national civil government departments in U.K. Examined five main themes in e-procurement literature, such as <i>cost-efficiency benefits; impact of e-procurement system on the form and nature of supplier governance; system implementation; Information Technology (IT) infrastructure issues; and Organizational and relational issues</i>, this study formed seven key issues arising from those experiences. Those are external and internal price efficiencies, rollout experiences, system selection, integration, and organizational commitment and support for e-procurement.</p>
3.	<p>John C. Bertot, Paul T. Jaeger, and Justin M. Grimes/Using ICTs to Create a Culture of Transparency: E-government and Social Media as Openness and Anti-corruption Tools for Societies (2010)</p>	<p>This study explored the potential impact of information and communication technologies (ICTs) especially e-government and social media on cultural attitudes about transparency. Recently, many government entities are seen ICT as a cost-effective and convenient means to promote openness and transparency due to reduce corruption. Case studies and statistical analyses indicate that ICT hold a great deal of potential for anti-corruption, particularly by enhancing the effectiveness of internal and managerial control over corrupt behaviors and by promoting government accountability and transparency. There is an initial indication that ICT can create</p>

		an atmosphere of openness that identifies and stems corrupt behavior. However, the challenges are also exist, but it less technological. The success of ICT-enabled initiatives is depend on the issues of implementation, education, and culture among others.
4.	Tutang Muhtar/ <i>Implementasi Pengadaan secara Elektronik (E-Procurement) di LPSE Provinsi Sulawesi Tengah</i> (2011)	This study examined the magnitude readiness of the government of Central Sulawesi province in implementing the full e-procurement system with the point of view from the users of the system, which is the procurement official. Muhtar examined the magnitude readiness to apply the system through three precondition aspects to be met, there are laws, technique and management. The result shows that Central Sulawesi is almost fulfilled all the aspects, which means ready and eligible enough to implement the system, yet there is an issue about electrical power problem that frequently happens.
5.	Arjun Neupane, Jeffrey Soar, Kishor Vaidya, dan Jianming Yong/ <i>Role of Public Procurement Technology to reduce Corruption in Government Procurement</i> (2012)	Discusses the potential of technology in reducing corruption in public procurement. This study examined 15 countries for the case study. The main benefit of technology applied in public procurement is transparency and accountability. Other benefits are increasing competitiveness among providers/bidders; best quality of work and services; and public procurement consistency, which will lead to corruption reduction.
6.	Togar M. Simatupang dan Fanny Kartika/ <i>Manajemen Pengadaan Publik</i> (2013)	Togar argued that nowadays, public procurement often regarded as a function of budget execution only. Hence, the procurement activity prioritize the numbers of budget realization apart, than selecting the appropriate goods and services needed. Performance assessment based on budget realization is the causal problems, which is actually based on the presidential decree that envision development acceleration through effective public procurement implementation. However, it implementation is less on target, because developing strategy to increase value of procurement itself is more essential to be consider. Togar promoted the implementation of sustainable procurement that will enable the

		government to choose provider with value-to-money project-based.
7.	Erlangga Atmadja/ <i>Sebuah Peta Jalan Profesionalisasi Pengadaan di Indonesia</i> (2013)	This study examined the key feature to enhance professionalism on public procurement execution through its human resources using previous experience of “best practice” procurement experience of Indonesia’s oil and gas (Migas) industry. Bring back peoples’ trust of government especially in public procurement is one of the motivation on preventing corruption. The old paradigm regarding the stigma of official procurement expert that only has minimum competency and low position is needed to be changed into the perception that it is a promising, prospective and professional position. The changes can be realized through professionalism and benchmarking from the successful experience on managing public procurement by Indonesia’s oil and gas industry. From the experience, it is known that to create a competent and qualified human resources Pertamina established a comprehensive career development program without diminishing pre-employment training, and other supportive human resources development program such as training, human development, and career development by and for all the employee who take care of procurement processes.
8.	Achmad Nurmandi, et al/ <i>E- procurement System Technology: An Analysis in Electronic Procurement Service Unit (LPSE) of Kepulauan Riau Province</i> (2014)	A study of e-procurement system implementation conducted in LPSE Kepulauan Riau Province. The problems highlighted are geographical factors, lack of infrastructure and human resources. However, it showed that the implementation of e-procurement system in LPSE Kepulauan Riau is already effectively done, with value 3.27 from the “List of Parameter Effectiveness Index Level up Ascending Descending”. It calculated implementation value with indicators of clear objective and goals; type of system website; regulations, clarity of information planning; human resources; efficiency and effectiveness; and infrastructure and networks. This study also aimed to examine the influences of political process to the e-

		procurement implementation that resulted in the fact that political process is indeed influenced the implementation of e-procurement.
9.	Susanne Khun and Laura B. Sherman/ <i>Curbing Corruption in Public Procurement A practical Guide</i> (2014)	This guide was established under Transparency International, a global movement with a vision to make a free corruption world, which provides government officials, business and civil society a practical introduction to the risks of corruption in public procurement. It also outlines key principles and standards which could protect public contracting from corruption. Respecting the procurement principles throughout its implementation will minimize corruption risks and maximize the realization chance of economic, social, environment and political benefits from public procurement.
10.	Badzlina D. Novitaningrum/ <i>Akuntabilitas dan Transparansi Pengadaan Barang dan Jasa Pemerintah Melalui Elektronik Procurement (Best Practice di Pemerintah Kota Surabaya)</i> (2014)	This study examined how accountability and transparency of public procurement can be performed by the government after the use of electronic procurement system. Using purposive sampling for the determination of informant, in order to gain deeper and reliable information, this study resulted that Surabaya city government effort on embodying transparency and accountability of public procurement through e-procurement have been admitted. In the terms of accountability, e-procurement have been create an accountable atmosphere on the public procurement processes, meanwhile in term of transparency, e-procurement ensure the government to provide information related to the auction processes, that shared on the official LPSE Surabaya city website. In other words, with creating transparency and openness of procurement information through e-procurement system, the government of Surabaya city has been able to realize their accountability.
11.	Dessy Arista/ <i>Transparansi Informasi Situs web Resmi Pemerintah Daerah Sulawesi Selatan sebagai Implementasi Keterbukaan Informasi</i>	Transparency as one of the <i>good governance</i> principles is the background of this study. The existence of local government's official web site is an effort to the implementation, it is considered a as a function of communication and information medium between the government, community and stakeholder recipients of public services.

	<i>Publik</i> (2015)	Based on her analysis regarding the websites of local governments in South Sulawesi, Dessy explained that the highest indicator of official websites existences is reached up to 97, 4%. While for the implementation of public disclosure an indicator reaches 27 points from 33 points indicator. It can be concluded that the existence and implementation of public disclosure on local government's websites in South Sulawesi are undone pretty well.
12.	Achmad Nurmandi and Sunhyuk Kim/Making e-procurement work in a Decentralized procurement system; A comparison of three Indonesian cities (2015)	This study developed a hypothesis concerning on relation of efficiency and effectiveness of e-procurement with dependent variables, which are leadership, policies and regulations, human resources, policy and planning, infrastructure and standardization and private integration. Focused on three local governments in Indonesia, there are Yogyakarta city, Tangerang city, and Kutai Kartanegara Regency, this research results that human resources have an important influence on determining its local government performance, including general e-procurement initiatives. Furthermore, this study finds that there are important factors for a successful e-procurement implementation, such as synergy between central and local governments, effective response of local to central governments and reinforcement of local capacity and willingness to fight corruption through e-procurement.

## 1.5 THEORETICAL FRAMEWORKS

### 1.5.1. Evaluation

Evaluation is part of the management system which consists of planning, implementation organization, then monitoring and evaluation (Susanti, 2016: 10). The OECD (Organization for Co-operation and Development, 2002) defines evaluation as *"the systematic and objective assessment of an on-going or completed project, program, or policy including its design, implementation and*

*results*” (OECD, 2002: 21). Thus, Chikane (2011) construed evaluation as an activity that systematically and objectively assesses the relevance, performance, challenges and successes of program and projects based on a predetermined time. Evaluations should also apprise whether the underlying theories and assumptions were valid, worked or did not work and why (Chikane, 2011: 5).

Meanwhile Susanti (2016), on her undergraduate thesis concluded evaluation as a process to determine the success of a program, which can be seen from the impact or result achieved after the program implementation (Susanti, 2016: 12). Evaluation is aimed to determine the relevance and the fulfillment of objectives, development of efficiency, effectiveness, impact and sustainability (OECD, 2002: 21; Chikane, 2011: 5). Furthermore, Kusek & Rist (2004) stated that evaluation will give evidence of *why* targets and outcomes are or aren't being achieved and it seeks the issues of causality (Kusek & Rist, 2004: 29). Evaluation in some occasion involves definition of the appropriate standards, performance examination against those standards, assessment of the actual and expected results and the identification of relevant lessons (OECD, 2002: 22).

## **1.5.2. Public Procurement**

### **a. Definition of Public Procurement**

Procurement is *“a multi-step process of established procedures to acquire goods and services by any individual, company or organization – from the initial needs assessment to the contract’s award and service delivery”*



(Transparency International, 2009: 38). A similar thought from The United Nation that viewed Public Procurement as:

*Overall process of acquiring goods, civil works and services which includes all function from the identification of needs, selection and solicitation of sources, preparation awards of contract, and all phases of contract administration through the end of service contract or the useful life of an asset. (United Development Programme (UNDP), 2007 as cited on Thai 2009: 3).*

According to Khün and Sherman (2014), public procurement is defined as the acquisition of goods and services by a government department or any government-owned institutions, ranging from procuring simple things such as bed sheets for hospitals and textbooks for school to financial and legal services, as well as commissioning large-scale construction such as roads, bridges and airport. Furthermore, they are also account public procurement to all the stages of contracting process, covering the initial assessment, budget allocations and initial market research through to the preparation of the tender, evaluation of applications and award contracts (Khun & Sherman, 2014: 6).

Ballard (2012) also interpreted public procurement as obtaining goods and services on behalf of a public authority, such as a government agency. Meanwhile public procurement according to Harink (1999) is involved in more than the procurement process alone, but also the more important elements that are the strategy and policy of the organization, methods and procedures, personnel and organization, and information (Harink, 1999 as cited on Thai, 2009: 3). On the other hand, Nur Bahagia (2011) annotated public procurement from the viewpoint of the object of procurement, procurement process and the

source of funds. In this term, Indonesia's public procurement uses the *source of funds* comprehension due to differentiate *public procurement* and *private procurement*, which has defined public procurement as all the procurement activities funded by the government or any government-owned institutions (Bahagia, 2011: 13).

#### **b. Public Procurement Principles**

According to Transparency International (2006), good procurement principles are:

- a. Integrity; an honest procurement process and in compliance with respective laws, that the best available, most suitable technical expertise is employed in a non-discriminatory manner.
- b. Transparency; means that laws, regulations, institutions, processes, plans and decision are made accessible to the public at large or at least to the representatives of the public, so that processes and decision can be monitored, reviewed, commented and influenced by the stakeholders, and decision makers can performed their accountability. Principally, transparency requires the government or project agency to be voluntarily and proactively provide full public information through the printed and electronic media about the potential options, plans, designs and programs.
- c. Accountability; means that governments, public (government-owned or –controlled) institutions or corporations and individual officials as

well as, companies, company executives and agents or other individuals that act on behalf of companies must be accountable for the correct and complete executions of their tasks and duties and for the decision and actions being made in their area of responsibility.

- d. Fairness; public funds should not be used to provide individuals or companies interest only; standard and specification are must be non-discriminatory; suppliers and contractors should be selected on the basis of their qualifications and the merit of their offers; there should be equal treatment for all in the terms of deadlines, confidentially and so on.
- e. Efficiency; the procurement rules should reflect the value and complexity of the items to be procured. For small value purchases, it should be simple and fast, meanwhile as contract value and complexity are increased, the more time and complex the rules will be required, due to ensure that the principles are observed.

Khün and Sherman (2014) asserted a similar principle for a good procurement execution, but adding professionalism into it. Professionalization includes allocate sufficient resources to their procurement and auditing offices to attract highly qualified individuals, allow for the payment bonuses and provide courses to enhance professionalism level (Khun & Sherman, 2014: 12). It's crucial considering the risk of corruption if the procurement officials are poorly paid, badly trained or lacking of viable career path. Principles from Khün and

Sherman (2014) and Transparency International (2006) are also underpin and provide guidance on the essential standards to be meet to help ensure a corruption-free public procurement (Khun & Sherman, 2014: 12).

Furthermore, OECD on the *Recommendation on Public Procurement*, highlights several mutually supportive principles which may prevent corruption and stimulate good governance implementation in public procurement, there are (OECD, 2016: 10):

- a. Integrity; upholding ethical standards and moral values of honesty, professionalism and righteousness.
- b. Transparency; promotes accountability and ensures access to information as well as levelling the playing field for businesses and allowing small and medium enterprises to participate on a more equal footing.
- c. Stakeholders participation; involving large range of stakeholders, includes anti-corruption offices, private sector, organizations, end-users, civil society, media and general public on public procurement processes.
- d. Accessibility; access to public procurement contract is important in order to get the best value for money through a fair competition, and also would cut out the opportunities for corruption.
- e. E-procurement; digitalization of procurement processes strengthen internal anti-corruption controls and dedication of integrity breaches

also provides audit services trails that may facilitate investigation activities.

- f. Oversight and control; not only essential in supporting accountability and promoting integrity in the public procurement process, it also generate valuable evidence on the performance and efficiency of the procurement cycle.

### **1.5.3. Transparency**

Transparency according to Transparency International (2009) refers to the *“characteristic of governments, companies, organizations and individual of being open in the clear disclosure of information, rules, plan, process and action”*. Meanwhile as a principle, it refers to a duty of public officials, civil servant, the managers and directors of companies and organization to act visibly, predictably and understandably.

Transparency is built on the free flow information, directly accessible information for those who concerned, and the availability of adequate information to be easily understood (United Nation, 2007). Transparency requires the government or project agency to be voluntarily and proactively provide full public information through the printed and electronic media about the potential options, plans, designs and programs (Transparency International, 2006). APEC (Asia-Pacific Economic Cooperation), represent an important government commitment with the potential to boost the integrity of public procurement and reduce corruption established the APEC Transparency

Standard on Government Procurement. It covers the following key aspects of public procurement (Transparency International, 2011):

- a. Publication and access to regulations governing public tender procedures;
- b. Publication of draft regulations and opportunities to submit comments;
- c. Access to invitations to public tenders;
- d. Equitable treatment of bidders;
- e. Requirements for publication of information concerning evaluation criteria and contract award decision; and
- f. Availability of review mechanisms for decision involving tenders and prompt and impartial resolution of disputes.

Meanwhile Zulmi and Salomo (2013), set out four elements to assess transparency of e-procurement implement in a government institution, there are *clarity*, that means all rules, regulation and information are easy to understand by the public; *accessibility*, means easy to follow and supervised with two-way information exchange for all stakeholders (providers and public); *integration*, explain and provide additional information needed by the community; and *rationality*, means a consistent, standardized, formal and upgradeable process (Zulmi & Salomo, 2013: 8).

#### **1.5.4. E-Procurement**

E-procurement in general refers to the use of information technology (IT) by the government in tendering their projects (The World Bank, 2003 as cited on

Soekiman & Saputra, 2010: 120). Furthermore, E-procurement according to Corruption Eradication Commission (KPK) Directorate of Research and Development (2007) refers to procuring goods and services online via internet with the announcement process, registration, bidding process, *aanwijzing*, and bids evaluation result are carried out by utilizing information and communication technology infrastructure (Komisi Pemberantasan Korupsi, 2007: 3).

Meanwhile OECD (2016), defined e-procurement as the use of information and communication technologies in public procurement, that could increase transparency, facilitate access to public tenders, reduce direct interaction between procurement officials and providers, increasing outreach competition, and ease detection of irrelevancy and corruption (OECD, 2016: 22). E-procurement will help the interaction between procurement officials and the participants by increasing effectiveness and efficiency in the management of government procurement (Wardiyanto, 2012 as cited on Novitaningrum, 2014: 7).

Transparency International included e-procurement as one of the strategies and initiatives of preventing corruption in public procurement. Due to realize an effective e-procurement system, Transparency International suggested some key features that should be provided by e-procurement (Transparency International, 2006):

1. General procurement information of every government departments;
2. Tender announcement (details of good specification, etc.);
3. Bidding documents;
4. Notes or recordings of bidders' conferences;

5. Bids submission;
6. Bids received;
7. Report of award proceedings, e.g. who won and what's the price; in Chile they even provide details on economic and technical evaluations and in Singapore details of conditions for winning the bids are provided;
8. Contract details;
9. Comparison of prices paid by other buyers for the same goods or services; and
10. Payment process, i.e. electronic payment possibility.

Meanwhile World Bank (2009), stated that besides improving accountability and reducing corruption, e-procurement can also be used as a means for monitoring and evaluation of public procurement indicators that be categorized as follows (World Bank, 2009 as cited on Zulmi & Salomo, 2013):

- a. The guide that discusses on Transparency and Accountability
  - Number of procurement announced electronically;
  - Number of documents uploaded electronically;
  - How extensive e-procurement provide opportunity to the providers to compete;
  - How much is the reduction of disclaimer that appear on each procurement package; and



- E-procurement can be used to monitor the performance of the providers. This includes categorizing the black list for companies who does not have integrity.
- b. The guide that discusses Effectiveness and Efficiency
- How much e-procurement reduces the cost and time needed to conduct the procurement process; and
  - How close is the price offered to the market price.

## 1.6 CONCEPTUAL DEFINITION

Definitions that support the terms used in this study are as follows:

- a. **Evaluation** is a systematic and objective assessment conducted in order to know the progress of an on-going or completed project/program. It is including the relevance, performance, challenge, impact, and result of the implemented project/program.
- b. **Public procurement** defined as the activity that involves all the process of acquiring goods and services from the needs assessment, provider selection through the end of service contract that are initiated and funded by the government due to fulfilled the needs of people at large. There are several key principles of conducting good public procurement that would prevent corruption and assist the economic, social, environmental and political benefit, there are *Integrity, Transparency, Accountability, Fairness, Effectiveness, Efficiency, Stakeholders participations and Oversight and control*

- c. **E-procurement** is the use of Information and Communication Technology (ICT) on public procurement activity, which would increase transparency, facilitate access to the public tenders, reduce direct interaction between procurement officials and providers, and ease detection of irrelevancy and corruption.
- d. **Transparency** as a good public procurement principle is require the government or procurement officials for being open and make any information disclosure and accessible, except for a legally protected information, to the public and all parties involved in the procurement processes.

## 1.7 OPERATIONAL DEFINITION

The following are indicators uses to evaluate the transparency of an electronic-based procurement system units' performance:

1. **Clarity** of rules, regulation and information to ease the public understanding;
2. **Accessibility** so that people can follow and supervise procurement processes with two-way information exchange and real-time information access for all stakeholders (providers and public);
3. **Integrity** to explain and provide additional information needed by all stakeholders and the public;
4. **Rationality** in order to explain the number of procurement announced with its results in detail and rebuttal or complain.

## **1.8 RESEARCH METHODS**

### **1.8.1. Types of Research**

This study applied a qualitative approach wherein data collection and analysis were conducted through interview and documentation or the secondary data. Creswell (2003) have drafted qualitative approach scenarios into two types. *First*, qualitative approach with constructivist knowledge claims, ethnographic design, and observation of behavior, and qualitative approach with participatory knowledge claims, narrative design and an open-ended interview (Creswell, 2003: 21). The researcher used the *second* qualitative approach, with open-ended interviewing to collect the primary data and narrative design to describe information gained from the interviewees as well as build up the findings of the study.

### **1.8.2. Research Location**

This study took place in Central Sulawesi Province, with the case focusing on the electronic-based procurement service unit (LPSE) of Central Sulawesi Province. This locale is chosen because it has been founded that there is no data of e-procurement for 2015 fiscal year on the LPSE of Central Sulawesi province.

### **1.8.3. Analysis Unit**

In this study, the researcher will obtain data and information from several

1. The head of LPSE or from those who are responsible for the Electronic-based Procurement Service execution in Central Sulawesi Province; and
2. 6 randomly chosen providers that consist of companies which has won the procurement tender in LPSE of Central Sulawesi Province for 4 times or more in the period of 2011-2014. With the assumption that they has an intense intercommunication with the procurement officials in LPSE of Central Sulawesi Province.

**Table 1.1. List of Providers**

No.	Providers
1.	PT. Arsindo Mega Kreasi Konsultan
2.	CV. Total Sulteng Jaya
3.	CV. Multi Cipta Konsultan
4.	PT. Total Prakasa Utama
5.	CV. Geometric Konsultan Teknik
6.	CV. Rezky Arnas Mandiri

## 1.9 DATA COLLECTION TECHNIQUE

### a. Interview

In this study, the researcher will use a semi-structured interview which is composed of a planned interview with the questions arranged by the interviewer. This kind of interview is usually conducted when the interview is the only tool to gain the primary data of a research (Hatch, 2002: 92).

## **b. Documentation**

Documentation is data collection technique which uses books, journals, articles, offline and online newspaper, official website or any document that can provide reliable information regarding the problem or case study of a research. In addition, the author will be also collecting data from the official website of LPSE of Central Sulawesi province as the other primary data.

### **1.9.1. Data Sources and Types**

#### **a. Primary Data**

The primary data is a specifically collected data for a particular research problem, with the most appropriate procedures (Hox & Boeijs, 2005: 593). The primary data is the main material uses for the research. In this case, the primary data will be gained through the interview with the officials from LPSE of Central Sulawesi province.

#### **b. Secondary Data**

Secondary data is a supportive data to supplement existing data which is usually gained from previous research (Hox & Boeijs, 2005: 594). This data serves to support the information obtained from the primary data. The secondary data that will be used in this study is collected through literature review of journals, books, report, articles or any reliable documents and some of them are also collected from the interview.

### 1.9.2. Data Classification

**Table 1.2. Data Classification**

No.	Data	Primary	Secondary	Source
1.	General Procurement Plan (RUP) of Central Sulawesi Province of 2015		√	Interview or Official website of SiRUP
2.	The report of RUP 2015 Realization		√	Interview or Official website of SiRUP
3.	Monitoring and Evaluation Report for 2015 fiscal year		√	Interview or Official website of TEPPA

### 1.9.3. Data Analysis Technique

Hatch (2002) defined analysis as a systematic search for meaning. He also stated that this is a way to process qualitative data that has been collected, thereby it can be communicated and disseminated to public. Analysis means collating and checking data that enables researcher to find pattern or any relationship, develop explanations, make interpretation, build a criticism or produce a theory of the research conducted (Hatch, 2002: 148).

The data analysis technique applied in this research is selecting and arranging data obtained from interviews or literature reviews and then inferring a hypothesis when a pattern arises, interpret, and then build a theory or conclusion from the findings of the research.

## 1.10 SYSTEMATIC WRITING

To describe how this study is conducted, the researcher included the system of

Chapter I, the introduction, consists of background, research questions, research objectives and benefits, literature review, theoretical framework, conceptual and operational definition, research method, data collection and analysis technique, and the systematic of writing.

Chapter II, the description of research objectives, presents general information related to Central Sulawesi Provinces' profile in general and the LPSE of Central Sulawesi Provinces' profile in specific.

Chapter III, the findings and discussion, present all information and findings gained from the interview and data collection, as well as the pattern formed from the data and the theory used.

Chapter IV, the conclusion, summarizes all findings formed in the discussion