

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1. Previous Research**

There are several previous studies of assessing information system and good governance in public procurement that has been done. This follows several previous types of research that used as references in this thesis:

1. User Satisfaction of E-government Procurement Systems in Developing Countries: An Empirical Research in Indonesia, conducted by DongBack Seo and Gumala Warman in 2011. An electronic-procurement system becomes important for governments to make their procurement procedures more efficient, effective, and transparent in order to decrease cost, corruption, and abuse of public resource, particularly in developing countries. However, the literature on the e-procurement system has been developed in a lop-sided manner. Many studies have been focused on the supply (government's) perspective in developed countries using a case study method. To fill this gap, this paper studies an e-procurement system that the Indonesian government provides in the demand (vendor's) perspective using a quantitative data (the survey of 49-vendor) analysis. Particularly, this research concentrates on how multi-dimension service convenience and performance failure of the e-procurement system are related to user satisfaction through positive and negative disconfirmation constructs. Perceived benefit convenience and information failure among other factors

in service convenience and performance failure are the most significant factors that are positively and negatively related to user satisfaction, respectively.

2. In 2011, Alistair Brandon-Jones and Sinead Carey conducted a research entitled *The impact of user-perceived e-procurement quality on system and contract compliance*. The purpose of this paper is to examine the extent to which user-perceived e-procurement quality (EPQ) (operationalised through the dimensions of professionalism, processing, training, specification, content, and usability) influences both system and contract compliance. This research using a quantitative method, user perceptions of EPQ were examined in four UK organizations using survey data from 274 respondents. The main findings of the study are substantial evidence found of a positive relationship between user-perceived EPQ and both system and contract compliance. System compliance was most strongly influenced by professionalism and content dimensions while contract agreement was most strongly influenced by processing, specification, and content aspects.
3. *An Integrated Success Model for Evaluating Information System in Public Sectors* a study of Abdel Nasser H. Zaied (2012). The purpose of this study was to explore the possibility to create a new model for evaluating information systems success (ISS). This study uses a quantitative approach with the questionnaires and interviews. The survey consists of 34 elements and 68 statements. The sample in this research is 500 randomly selected participants based on their experience in the use of information systems. The model employed in this study is the integration of the concept of the Technology Acceptance Model (TAM) and update DeLone & McLean IS

success model (D&M). The results indicated that information quality has a strong significant influence on IS success (81.9%) followed by Behavioral intention (80.2%); Perceived usefulness (78.8%); whereas the least one is user involvement (70%). The overall results show that the proposed model can be beneficial for decision makers in organizations on evaluating the implementation of information systems.

4. The governance evidence of e-government procurement, conducted by Siriluck Rotchanakitumnuai in 2013. This study aimed to present the factors of e-government procurement (E-GP) that can create good governance in government through e-auction. The Thai Government has implemented E-GP to be more efficient and to enhance procurement governance and reduce corruption. This approach provides effectiveness, accountability and fairness. The results from this survey show that a procurement process has a positive impact on cost effectiveness, accountability, transparency, and reducing the collusion of vendors. E-GP is not a guarantor of enhanced governance and reduced corruption. It requires commitment and strong rule enforcement also penalties to achieve successful implementation of E-GP.
5. Willingness to adopt e-procurement to reduce corruption Results of the PLS Path modeling a study conducted by Arjun Neupane, Jeffrey Soar, Kishor Vaidya and Jianming Yong (2014). The aims of this study is to evaluate the potential bidders willingness to adopt e-procurement in providing goods and services to the government of Nepal. The research method used is survey with quantitative approach, a questionnaire given to 220 bidders who have formally registered with the government of Nepal. Attribute anti-corruption in

this study illustrates the effect of 4 latent variables, namely the monopoly of force, asymmetric information, trust and transparency and accountability in adopting e-procurement. Results from this study is the role of anti-corruption in the e-procurement as a key to achieving integrity in the public sector and as an agenda to strengthen the use of technologies that are relevant for procurement reform.

6. Dean Neu, Jeff Everett, and Abu Shiraz Rahaman (2015), conducted a research entitled Preventing corruption within government procurement: Constructing the disciplined and ethical subject. This study aims to determine the role of internal control and monitoring practices and how to control and formed a moral practice and ethics in the organization, especially in preventing corruption in public procurement. This study used library research with qualitative approach. Public procurement is a fertile ground for corruption, because the public procurement using substantial financial resources, can not be separated from politics and the difficulty of determining the impact on the market price of opening up opportunities for corruption. To prevent possible corruption internal controls and audits carried out electronically against potentially corrupt activity.
7. *E-procurement dalam Pengadaan Barang dan Jasa untuk Mewujudkan Akuntabilitas di Kota Yogyakarta* (E-procurement in the Procurement of Goods and Services for Achieving Accountability in Yogyakarta), conducted by Kodar Udoyono in 2012. This study reviews the implementation of the e-public procurement in Yogyakarta City to achieve accountability in the public procurement. The method used in this research is a case study with a qualitative approach. The main finding in this study is divided into two. First,

the dimensions of feasibility in the e-public procurement must meet eligibility value as the regulatory, institutional support, the support of stakeholders, public support for the implementation of e-procurement. Second, the dimensions of accountability include the lack of responsibility of regulation, internal political accountability, and fiscal responsibility are still closed. Factors that limiting the accountability of e-procurement is the lack of monitoring, abuse of authority, the contract irregularities, collusion, and weak human resources.

8. *Analisis Keberhasilan E-Procurement Pemerintah Kota Surabaya Menggunakan Information System Success Model* (The success of E-Procurement Analysis of Surabaya City Government Using Information System Success Model), conducted by Rizka Marsa Pramadani and Mudjahidin in 2013. This study measures the successful implementation of e-procurement in the city of Surabaya with DeLone and McLean method. This study was conducted by using a quantitative survey of 100 samples. With details of sample respondents, 20% of the working units in Surabaya City Government, 78% of business entities of bidders, and 2% of experts in the field of e-procurement. The hypothesis of the present study was developed from the IS Success Model Updated from DeLone and McLean. The results of this study indicate that the e-procurement system that has been applied to the Surabaya City Government declared successful from the viewpoint of users. Also, the e-procurement system is considered to have brought benefits to the user.
9. Implementation of Good governance Principles in Public Procurement for Empowerment of Micro Small Enterprise: Empirical Study in Bitung City

North Sulawesi Province, Indonesia, a research by Jufri Jacob and Indah Susilowati (2014). The purpose of this study is to describes about the application of good governance principles as an effort to empower micro small enterprise as stated in Presidential Regulation Number 54/2010. In addition, it also aims to understand the worthiness level and formulate empowerment strategy for small micro enterprise as supplier of public procurement. Qualitative methods used interviews and focus group discussions, while quantitative methods used surveys, questionnaires and documentation. The results showed that 47 SKPD has implemented the principles of good governance in the public procurement according to Presidential Regulation Number 54/2010. While the results of research on the worthiness of the 50 analyzed the micro small business as a supplier to the government's public procurement is very low.

10. Rachmat Hidayat (2015) conducted a study entitled Local Government E-Procurement Practices in Indonesia: Accountability, Efficiency, and Barriers. This study is aimed to know about the implementation process of e-procurement in four regencies in East Java: Sampang, Kediri, Surabaya, and Jember with emphasis on the accountability and efficiency issues. There are three points for improving the current practice of e-procurement in Indonesia: first, creating indicators/criteria of transparency and accountability in the internal e-procurement implementation; second, injecting the value and the importance of leadership and personal integrity; third, it needs to reformulate a new system of e-government that compatible with e-procurement; fourth, increasing the role of the government monitoring unit.

Previous studies are summarized in the following table:

**Table 2. 1. Previous Research**

No.	Author/Title	Research Objectives	Technique of Analysis	Research Results	Relevance to this study
1	DongBack Seo and Gumala Warman (2011), User Satisfaction of E-government Procurement Systems in Developing Countries: An Empirical Research in Indonesia	To examines an e-procurement system that the Indonesian government provides in the demand (vendor's) perspective	Using a quantitative data (the survey of 49-vendor) analysis	Perceived benefit convenience and information failure among other factors in service convenience and performance failure are the most significant factors that are positively and negatively related to user satisfaction	As a basis to develop the advantages of e-procurement in net benefit variable
2	Alistair Brandon-Jones and Sinead Carey (2011), The impact of user-perceived e-procurement quality on system and contract compliance	To examine the extent to which user-perceived e-procurement quality (EPQ) (operationalised through the dimensions of professionalism, processing, training, specification, content, and usability) influences both system and contract compliance	Using quantitative method, variable were examined in four UK organizations using survey data from 274 respondents	System compliance was most strongly influenced by professionalism and content dimensions.	As a basis for developing relationships and the use of quality systems to the net benefit of the e-procurement system

No.	Author/Title	Research Objectives	Technique of Analysis	Research Results	Relevance to this study
3	Abdel Nasser H. Zaied, (2012), An Integrated Success Model for Evaluating Information System in Public Sectors	To seek for the possibility of creating a new model for evaluating information systems success (ISS) using Technology Acceptance Model (TAM) and DeLone & McLean update IS success model (D&M)	Using quantitative method with questionnaire consists of 68 statement. The sample of the study is 500 participant	The proposed model can be beneficial for decision makers in organizations on evaluating the implementation of information systems.	As a basis for the formulation of hypothesis between variables in this study
4	Siriluck Rotchanakitumnuai (2013), The governance evidence of e-government procurement	To present the factors of e-government procurement (E-GP) that can create good governance in government through e-auction	Using quantitative approach with survey questionnaire	Four factors that enhance governance procurement: <ul style="list-style-type: none"> <li>• Transparent e-procurement process;</li> <li>• Committed public managers and political officials;</li> <li>• Honest vendors;</li> <li>• Specific policies and regulation</li> </ul>	As a reference in developing hypotheses about the service quality and impact of net benefit, especially in the implementation of good governance



No.	Author/Title	Research Objectives	Technique of Analysis	Research Results	Relevance to this study
5	Arjun Neupane, Jeffrey Soar, Kishor Vaidya and Jianming Yong (2014), Willingness to adopt e-procurement to reduce corruption Results of the PLS Path modeling	To evaluate the potential bidders willingness to adopt e-procurement in providing goods and services to the government of Nepal	Using quantitative approach with survey questionnaire, a questionnaire given to 220 bidders	The role of anti-corruption in the e-procurement as a key to achieving integrity in the public sector and as an agenda to strengthen the use of technologies that are relevant for procurement reform	As a reference in developing hypotheses about the impact of net benefit, especially in the implementation of good governance
6	Dean Neu, Jeff Everett, and Abu Shiraz Rahaman (2015), Preventing corruption within government procurement: Constructing the disciplined and ethical subject	To determine the role of internal control and monitoring practices and how to control and formed a moral practice and ethics in the organization, especially in preventing corruption in public procurement	Using library research with qualitative approach	The public procurement using substantial financial resources, can not be separated from politics and the difficulty of determining the impact on the market price of opening up opportunities for corruption	As a reference in developing hypotheses about the impact of net benefit, especially in the implementation of good governance

No.	Author/Title	Research Objectives	Technique of Analysis	Research Results	Relevance to this study
7	Kodar Udoyono (2012), <i>E-procurement dalam Pengadaan Barang dan Jasa untuk Mewujudkan Akuntabilitas di Kota Yogyakarta</i> (E-procurement in the Procurement of Goods and Services for Achieving Accountability in Yogyakarta)	To reviews the implementation of the e-public procurement in Yogyakarta City to achieve accountability in the public procurement	Using qualitative method with case study	Accountability limiting factors are the lack of monitoring, abuse of authority, the contract irregularities, collusion, and weak human resources Accountability supporting factors are political will, legislative oversight, and supervision of NGOs.	As a reference in developing hypotheses about the impact of net benefit, especially in the implementation of good governance
8	Rizka Marsa Pramadani and Mudjahidin (2013), <i>Analisis Keberhasilan E-Procurement Pemerintah Kota Surabaya Menggunakan Information System Success Model</i> (The success of E-Procurement Analysis of Surabaya City Government Using Information System Success Model)	To measure the successful implementation of e-procurement in Surabaya City Government with DeLone and McLean model	This study was conducted by using a quantitative survey of 100 samples	<ul style="list-style-type: none"> <li>• Variables influenced by the viewpoint of the user</li> <li>• E-procurement system makes the job easier</li> <li>• E-procurement system saves time</li> </ul>	As a reference for the development of hypotheses. Furthermore, the results of this study are used as a comparison to the research to be conducted.

No.	Author/Title	Research Objectives	Technique of Analysis	Research Results	Relevance to this study
9	Jufri Jacob and Indah Susilowati (2014), Implementation of Good governance Principles in Public Procurement for Empowerment of Micro Small Enterprise: Empirical Study in Bitung City North Sulawesi Province, Indonesia	To describes about the application of good governance principles as an effort to empower micro small enterprise as stated in Presidential Regulation Number 54/2010	Using mixed method	The highest indicators of good governance in the implementation of e-procurement is effectiveness (84.75%) and fairness as the lowest indicator with 76.20%.	As a reference in developing hypotheses about the impact of net benefit, especially in the implementation of good governance
10	Rachmat Hidayat (2015), Local Government E-Procurement Practices in Indonesia: Accountability, Efficiency, and Barriers	To describes about the implementation process of e-procurement in four regencies in East Java: Sampang, Kediri, Surabaya, and Jember with emphasis on the accountability and efficiency issues	Using qualitative method with case study	<ul style="list-style-type: none"> <li>• The unclear indicator of transparency and accountability</li> <li>• The low level of political commitment</li> <li>• Ther is no integrated e-government system</li> <li>• The weak internal monitoring</li> </ul>	As a reference in developing hypotheses about the impact of net benefit, especially in the implementation of good governance

Source: Modified by Author (2016)

This study different from previous studies in the use of good governance principles in the form of efficient, effective, transparent, open, competitive, fair and accountable as dependent variables to determine the e-procurement success towards the implementation of good governance principles in public procurement in Magelang Municipality. Respondents were taken from procurement certified civil servants in Magelang Municipality who become members of ULP, PPKom and LPSE Administrator. With this research is expected to strengthen the implementation of e-procurement by the good governance principles in Magelang Municipality.

## **2.2. Public Administration**

### **2.2.1. Public Administration Paradigm Shift**

The Dictionary of Oxford defines administration as an act of administering, which is then to manage the affairs of or to director superintend the execution, use or conduct of, while management is to conduct, to control the course of affairs by ones own action, to take charge of. The Latin origins of the two words also show significant differences. Administration come from minor then ministrare, meaning that to serve, and hence later, to govern. Management comes from manus, meaning that to control by hand. The necessary difference in meaning is between to serve and to control or gain results (Hughes, 2003)

The terms of public administration, Public management, and Public Governance entered academic discourse more or less in that order. Sometimes they used as if they were virtually interchangeable, sometimes held to be conceptually separated. Unfortunately, the important guru effort that has been

devoted to differentiating them has failed to converge on a conventional scheme of conceptualization. In the most general sense, both of administration and management when referring to the public sector seem to encompass methodological efforts to accomplish the sovereign authority goals. Yet as already noted, public management has been widely acknowledged on both sides of the Atlantic to represent a new approach to governing, a new ideology, or perhaps a new paradigm.

The development of public administration studies pioneered by Woodrow Wilson since 1887 in *A Study of Administration* desirous that there should be separation between politics and administration. Politics: who should make-law and what the law should be. While administration: how the law should be administration. (Goodnow, 1900) in *Politics and Administration A Study in Government* fight for the administration free from political influence, although in fact assist in the execution of administrative / political decisions. Even Frederickson in 1980 in *The New Public Administration* confirms the change and administrative transformation led to a conflict between the old and the new, between the traditional and the modern, hence the change and adaptation of government bureaucracy is very urgent to do and as a logical consequence of the administrative reform is essential in building democratic government. (Riggs, 1996) writes about the power of the bureaucracy and inefficiency that rational bureaucracy implementing regulations, to maximize output and minimize input costs of government operations. In public finance, administration Prismatic not biased run rationally, there is an imbalance of trade balance that can overcome if the State get loan, such a condition would not be able to create public service that continues increase if not supported by adequate cost.

The opinions above shows that in the developing of public administration still favoring public, wasteful, and dwell on the very strict rules, as to which the theory of Weber. The character of public administration considered, inter alia, red tape, slow, insensitive to the needs of the community, the use of the resources wasted and focuses on process and procedure as compared to the results thus regarded as a burden. Criticism that often arises is: (1) the implementation of bureaucracy characterized by the increasing intensity of the complex legislation and regulations. (2) The structure of the bureaucracy in relation to society considered as a cause of the proliferation of tables and away bureaucratic services to the people. (3) As a closed system, the top-down hierarchy approach and efficiency-based performance measures instead of responsiveness so that the service is slow, cumbersome and less responsive to changes and needs of the community. Increasing the intensity will be at risk and lead to intervention and costly. It must be recognized existing efforts of various parties to modernize public administration through the revitalization of public administration towards an efficient thinking, equally effective and responsive through NPM thinking. Results from the experience of some countries, administrative reform is more efficient and effective so that the creation of public administration professional and authoritative, although still found a weakness but NPM thought to be very important and relevant to applied.

### **2.2.2. New Public Management (NPM)**

New Public Management was first introduced by (Hood,1991), later shortened to NPM by (Hughes, 1998) as well as in Indonesia introduced by (Osborne & Gaebler, 1997) by the Government Entrepreneurial name with the

same premise, namely the shift from conventional public administration to the new public administration to achieve effectiveness, efficiency and public organizations with practice responsive market competition. Among them there is actually a difference in the way, (Broadbent & Guthrie, 1992) emphasizes the improvement of public sector performance by adopting some of the techniques of private management through market mechanisms, competition and privatization of public tenders. Osborne and Gaebler more emphasis shifts towards the culture of bureaucratic administration to Entrepreneurial competitive government and customer-oriented

(Garson, 1983) states that the New Public Management are:

*An interdisciplinary study of the genetic aspects of administration ... a blend of the planning, organizing, and controlling functions of management with the management of human, financial, physical, and political information resource.*

NPM provides many options to try to achieve a cost effective and efficient way in the delivery of public services. Most view of NPM show good agreement with the importance of performance reporting, NPM proved useful as initial theoretical framework for the examination of public sector reporting. Some concern about how to perform the role as public servants in a professional and innovative as it is done privately, how to improve the effectiveness and efficiency of public services is an important agenda for the answer sought, despite efforts to criticism but the paradigm shift of public services continue to be directed to seek the best for the community satisfaction.

NPM is a new administrative paradigm that seeks to implement business management into public scores to provide a quality service to the community. To provide services that meet peoples expectations then NPM must specify the characteristics of each community as expected. In public management, there are

several characteristics that differ from one another, it is as told by some of the following experts. According to (Osborne & Gaebler, 1997) NPM developed in terms of Reinventing Government covers 10 basic characteristics as follows:

1. Catalytic Government, Steering Rather than Rowing
2. Community-Owned Government, Empowering Rather than Serving
3. Competitive Government, Injecting Competition into Service Delivery
4. Mission-Driven Government, Transforming Rule-Driven Organizations
5. Results-Oriented Government, Funding Outcomes, Not Inputs
6. Customer-Driven Government, Meeting the Needs of the Customer, Not the Bureaucracy
7. Enterprising Government, Earning Rather than Spending
8. Anticipatory Government, Prevention Rather than Cure
9. Decentralized Government, from Hierarchy to Participation and Teamwork
10. Market-Oriented Government, Leveraging Change Through the Market

NPM was originally developed in Europe and then spread to America as a result of public distrust in the government bureaucracy, which gave birth to Reinventing government who popularized though David Osborne and Ted Gaebler considered relevant in developing countries including Indonesia, but not all of NPM characteristics can be applied. That is still showing characteristics are limited in applying the principles of business management in the public sector, the successful application of these principles will be characterized by different characteristics. Problem faced many areas because it restricted by rules made thereon government or indeed the limited ability of the region to implement the concept of NPM in public organizations. It shows that the trip NPM is not necessarily the same in every area, but it is expected the same aim, namely to



realize the effectiveness, efficiency, suitability public use of technology in the sector, improve the response to the clients public institutions, as well as reduce expenses and so on.

(Osborne & Gaebler, 1997) offers entrepreneurial methods employed in the public sector as follows:

1. Changing profit public nature of the use of the essence to make a profit with the development agreement / service
2. Making money through charging, safe way to generate revenue by charging and non-tax or charge of the public who use the services of government bureaucracy
3. Spend to save, which is investing to get results.

NPM is a modern concept with characteristic efficiency, effectiveness, appropriateness of technology and customer-focused. NPM meaning that market and management. Market means that competition for survival must continue to improve the quality of products (goods or services) and services. While management means the activity of organizing plans, people and technology to achieve the goal. So NPM is an approach to public administration by leveraging the knowledge and experience gain in business management and other disciplines to improve the efficiency, effectiveness, appropriateness of technology and performance of the bureaucracy in public service.

### **2.2.3. New Public Service (NPS)**

Changes in the orientation of the position of citizens, values put forward and the role of government led to a new perspective of public administration known as New Public Service (NPS). Citizens should be placed in front of and emphasis

should not distinguish between direct and pedal but rather on how to build public institui based on integrity and responsiveness. Theorists of citizenship, community and civil society, organizational humanism and the new public administration, and postmodernism have helped to establish a climate in which it makes sense today to talk about a New Public Service. Though we acknowledge that differences, even substantial differences, exist in these various viewpoints, we would suggest there are also similarities that distinguish the cluster of ideas we call the New Public Service from those associated with the New Public Management and the Old Public Administration. Moreover, there are a number of practical lessons that the New Public Service suggests for those in public administration. These lessons are not mutually exclusive, rather they are mutually reinforcing. Among these ideas, about New Public Service is:

1. **Serve Citizens, Not Customers:** The public interest is the result of a dialogue about shared values rather than the aggregation of individual self-interests. Therefore, public servants do not merely respond to the demands of customers, but rather focus on building relationships of trust and collaboration with and among citizens.
2. **Seek the Public Interest:** Public administrators must contribute to building a collective, shared notion of the public interest. The goal is not to find quick solutions driven by individual choices. Rather, it is the creation of shared interests and shared responsibility.
3. **Value Citizenship over Entrepreneurship:** The public interest is better advanced by public servants and citizens committed to making meaningful contributions to society than by entrepreneurial managers acting as if public money were their own.

4. Think Strategically, Act Democratically: Policies and programs meeting public needs can be most effectively and responsibly achieved through collective efforts and collaborative processes.
5. Recognize that Accountability Isn't Simple: Public servants should be attentive to more than the market; they should also attend to statutory and constitutional law, community values, political norms, professional standards, and citizen interests.
6. Serve Rather than Steer: It is increasingly important for public servants to use shared, value-based leadership in helping citizens articulate and meet their shared interests rather than attempting to control or steer society in new directions.
7. Value People, Not Just Productivity: Public organizations and the networks in which they participate are more likely to be successful in the long run if they are operated through processes of collaboration and shared leadership based on respect for all people.

#### **2.2.4. Good Governance**

Before we describe the term good governance we first look at the term of governance. The terms of governance and good governance are frequently used and studied in public service literature. Governance has risen to prominence as a way of describing and explaining changes in the world (Bevir, 2011). The shift to greater use of markets, quasi-markets, and networks, especially in the delivery of public services from hierarchical bureaucracy are typical of this reform. Beginning in the 1980s, the way people perceive government and its administration had

changed regarded to several trends, including globalization, devolution, and redefinition (Henry, 2004).

Nowadays, the term of good governance becomes popular in public administration domain. Most of the scholars agree that by using this paradigm, the quality of public service will increase significantly. According to the paradigm, three actors in governance (state-market-civil society) have to complement each to another. The complementing or partnership among them can be seen in the argument of (Peters & Pierre, 1998) as quoted in (Frederickson, 2012). They wrote the four essential elements of governance:

1. The dominance of networks. Instead of formal policy-making institutions, governance is dominated by an amorphous collection of actors having influence over what and how public goods and services are to be produced.
2. The states declining capacity for direct control. Although governments no longer exercise centralized control over public policy, they still have the power to influence it. The power of the state is now tied to its ability to negotiate and bargain with actors in policy networks. The members of these are increasingly accepted as equal partners in the policy process.
3. The blending of the public and private resources. Public and private actors use each other to obtain resources they cannot access independently.
4. Use multiple instruments. It means an increasing willingness to develop and employ non-traditional methods of making in implementing of public policy.

According to (Frederickson, 2012), the work of Laurence (Lynn et al., 1999) gives a definition of governance. He stated that governance is the regime of laws, administrative rules, judicial rulings, and practices that constrain, prescribe, and

enable government activity, where such activity broadly defined as the production and delivery of publicly supported goods and services. Besides quoted the definition from Lynn et. al., Frederickson and Smith also give a definition of governance. According to them, governance refers to the lateral and inter-institutional relations in administration in the context of the decline of sovereignty, the decreasing importance of jurisdictional borders and a general institutional fragmentation (Lynn et. al., 1999, in Frederickson, 2012).

Kaufman et. al., as cited by (World Bank, 2014) describe governance as the traditions and institutions by which authority in a country is exercised. In a related way, United Nation Development Programme (UNDP, 2014) interpretes governance as the exercise of economic, political, and administrative authorities to manage a countrys affairs at all levels. It comprises some mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their chartered rights, meet their obligations, and mediate their differences. This definition not only navigates the other overly broad or narrow definitions but also, simultaneously promotes a beneficial way of thinking in understanding governance issues.

The World Bank popularized the use of the term governance as a concept that is different from the government since 1992. According to the World Bank good governance is a combination of the two terms good and governance where the two are inseparable. Good governance as a form of development management, which is also referred to as the administration building, which puts the role of central government that becomes Agent of change of a society growing/developing in developing countries. Agent of Development is defined as driving the development

process and changes in the community of nations. The government pushed through policies and programs, projects, and the role of planning in the budget.

Kaufman et. al., as cited by the (World Bank, 2014) called good governance is a concept in the implementation of development management of reliable and responsible in line with the democratic and efficient markets, avoidance of wrong allocations and investments are rare and the prevention of corruption both political and administrative, running a budget discipline and the creation of a legal framework for the growth of entrepreneurial activity. Also, the World Bank also called the good governance as synergistic and constructive relations between the state, private sector, and public.

From the various terms of good governance can be concluded that the concept of good governance in the administration of the use of political authority and power to manage resources for community development that robust and accountable effectively through rulemaking and policies are valid and which refers to the welfare of the people, decision-making, governance and policy implementation.

The implementation of good governance are prerequisites for any government to realize the peoples aspirations and achieve the goals and ideals of the nation and state. So that required the development and implementation of the accountability system were clear and precise so that governance occurred in a clean and responsible, and free from corruption, collusion, and nepotism. Good governance one of which is shown in the development apparatus of state officials and government bureaucrats as a processing of the countrys public administration, a the rule of law, democracy, transparency, and accountability.

Based on the notion of good governance by the World Bank mentioned above and in line with the demands of reform relating to the State apparatus including the area is the need to realize the State administration that is capable of supporting the smooth and integration of implementation of the tasks and functions of governance and development, it requires the use of the concept of Good Governance as good governance, relevant and relate to one another. (Lukviarman, 2005, p.7) argues that governance terminology should be used in the context that refers to the concept of regulation and control, in which, in interpreting this term challenge Often people with the ambiguity of the word govern and manage .

As stated above that good governance was formerly used in the business world (corporate) and their insistence to draw up a concept in creating a control attached to his professional management and corporate, then the set of Good Corporate Governance. So known most important principles of Corporate Governance are transparency, accountability, fairness, responsibility, and responsiveness.

According to (UNDP, 1997), good governance comprises the existence of effective mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences, in which its essential characteristics are:

1. Participation. All men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech, as well as on the capacity to participate constructively,

2. Rule of law. Legal frameworks should be fair and enforced impartially, particularly the laws on human rights.
3. Transparency. This concept is built on the free flow of information. Processes, institutions and information should be directly accessible to those concerned, and enough information should be provided to render them understandable and monitorable.
4. Responsiveness. Institutions and processes should serve all stakeholders.
5. Consensus orientation. Good governance should mediate differing interests in order to reach broad consensus on the best interests of the group and, where possible, on policies and procedures.
6. Equity. All men and women should have equal opportunity to maintain or improve their well-being.
7. Effectiveness and efficiency. Processes and institutions should produce results that meet needs while making the best use of resources.
8. Accountability. Decision-makers in government, the private sector and civil-society organizations should be accountable to the public as well as to institutional stakeholders. This accountability differs depending on the organization and whether the decision is internal or external to an organization.
9. Strategic vision. Leaders and the public should have a broad and long-term perspective on good governance and human development, together with a sense of what is needed for such development. There should also be an understanding of the historical, cultural and social complexities in which that perspective is grounded.



Principles set out above is a characteristic that should be met regarding good governance relating to the control and control, namely control of a good government that the way and manner of use truly achieve the desired outcome stakeholders.

However, the way institutions interpret the quality of governance as right or wrong, varies from one to another. In various places, good governance has been associated not only with economic development, but also with democracy and good civil rights, or with transparency, or with the rule of law, or with efficient public services (World Bank, 2014).

## **2.3. E-Government**

### **2.3.1. E-Government Definition**

E-government described vary by any international institution, either by the government or non-government institutions. This is because, e-government has the basic universal principles, and each country has different scenarios and implementation, the definition of e-government became diverse. The definition of e-government can be seen from the point of non-governmental institutions and government institutions.

E-government concept originated from the World Bank fears in anticipating the problems of globalization such as economic, social, cultural, political and legal.

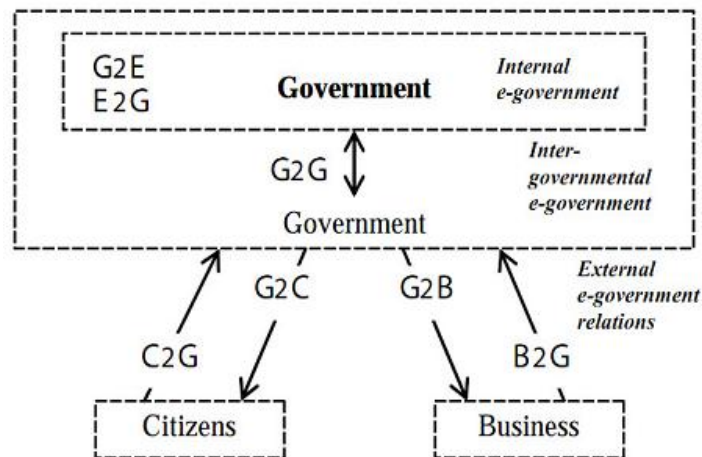
Based on this, the World Bank defines e-government as follows:

*E-Government refers to the use by government agencies of information technologies (such as Wide Area Network, the Internet, and mobile computing) that have the ability to transform relation with citizens, businesses, and other arms of government. (Indrajit, 2002).*

On the other hand, the United Nations Development Program (UNDP) defines e-government as the application of Information and Communication Technology (ICT) by government agencies. (Indrajit, 2002).

In a simple way, e-government is a system of information and communication technologies developed by governments in providing options to people whenever and wherever they can get easy access to information and public services provided by the government to the public.

E-Government could be defined as a relationship diagram between stakeholders. This diagram has five basic concepts, as illustrated in figure 2.1.



Source: Anttiroiko (2008)

**Figure 2. 1. Basic e-Government Relation**

(Bevir, 2007) Gave a clear explanation of e-government relations above. In his book, Encyclopedia of Governance, he wrote that a popular way of conceptualizing e-Government is to distinguish between three spheres of technologically mediated interactions.

1. Government-to-Government (G2G) interactions are concerned with the use of technologies to enhance the internal efficiency of public bureaucracies, through, for example, the automation of routine tasks and the rapid sharing of information between departments and agencies.
2. Government-to-Business (G2B) interactions typically involve the use of the Internet to reduce the costs to government of buying and selling goods and services from firms (Bevir, 2007).
3. Government-to-Citizen (G2C), as Bevir stated, is the interactions involve using the Internet to provide public services and transactions online, and to improve the design and delivery of services by incorporating rapid electronic feedback mechanisms, such as instant polls, Web surveys, and e-mail.
4. Business-to-Government (B2G) is a business model that refers to companies selling products, services or information to governments or government agencies. Government agencies and enterprises can use the website to conduct business and exchange information with each other.
5. Citizen-to-Government (C2G) is a relation between citizens with government, not only in term resident can easily access the data, but also citizen can give suggestion and monitor the government. The open data portal should be among Governments planned anti-corruption interventions. This will enhance the effectiveness of all the policies, legislation and institutions so far established. Open data initiatives have the potential to nurture a culture of transparency and openness of public institutions and its officials. With such platforms, all information (including amounts, purpose, implementation sites, expected results and so on) relating to government and donor-funded programs becomes public.

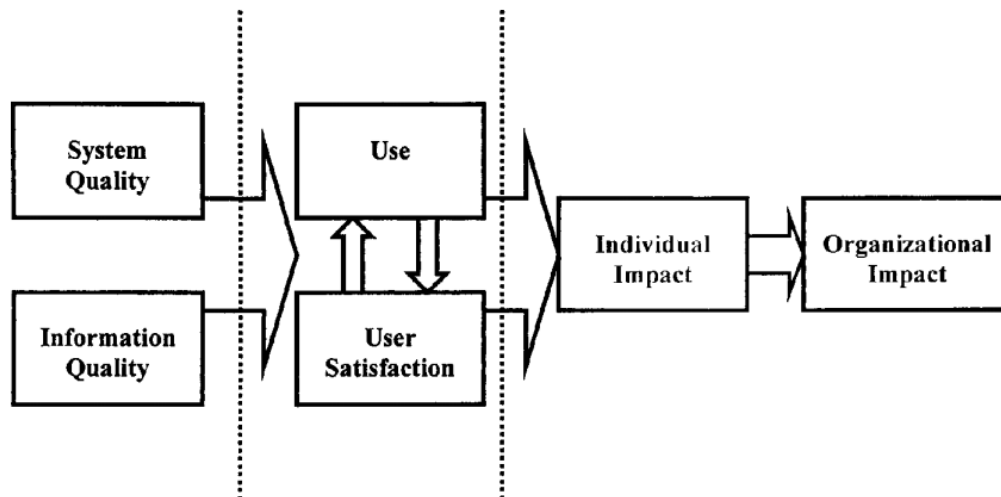
### **2.3.2. Assessing The Success of E-Government System**

E-government applications are one of the information systems. To assess the success of information systems has developed Several models, one of the which is the Information System Success Model proposed by DeLone and McLean. DeLone and McLean conducted a study that aims to measure aspects that affect the success of information systems. (DeLone & McLean, 1992) study stated that the success of an information system can be seen from the system quality, quality information output, use, user satisfaction, the impact of information systems on user behavior (individual impact) and the impact of information systems on organizational impact. According to (DeLone & McLean, 2003), IS Success Models is a model of that arises from an understanding of the process of information systems and their impact. Unlike the models of the success of information systems, this model uses variables are mutually interdependent.

IS Success Model has three components, namely: the creation of the system, the use of the system, and the impact of the utilization of the system. Making the system is assessed by the quality system, the quality of information and service quality. Use of the system was evaluated by variable usage (use) and user satisfaction and the impact of the use of the system assessed on the net benefits obtained (net benefit).

(DeLone & McLean, 1992) stated that the quality system is desired characteristics by the information system itself while the quality of information is unique information (output) is desired from this system. User satisfaction related to the attitude of users on the use of computerized systems. (Seddon, 1997) felt the IS Success created by DeLone and McLean can be confusing because the model uses the interpretation process and variances that have different interpretations,

so that when the two models combined can result in net benefits obtained from the IS Success be reduced.



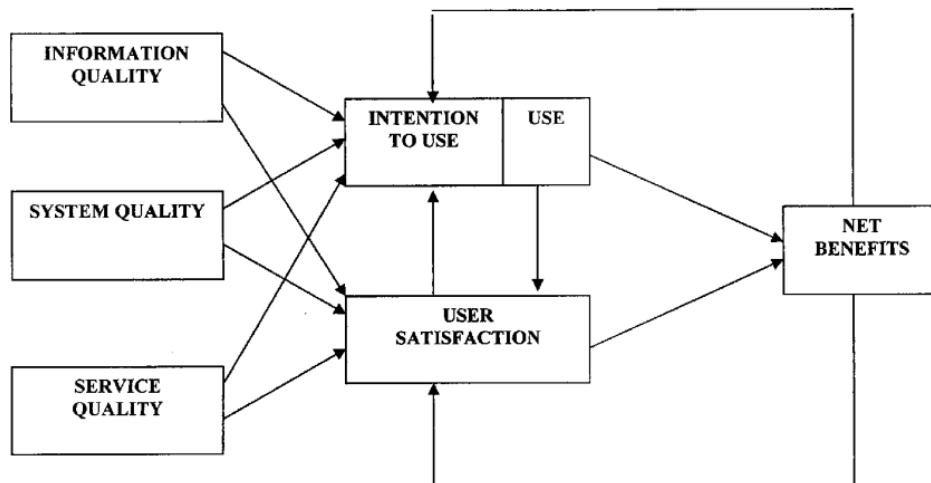
Source: DeLone & McLean (1992)

**Figure 2. 2. DeLone and McLean Success Model**

(DeLone & McLean, 1992) states that the impact on the individual is an indication that the information system has to give users a better understanding of the decision-making thereby increasing user productivity. Increased productivity allows the perception of information systems change. (Seddon, 1997) then stated that the impact on individuals is the result obtained for use of information systems. Both studies equally suggest that the impact on people is a net benefit achieved by the user.

DeLone and McLean in 2003 renew IS Success Model, which is based on comments and suggestions from other studies using an IS Success Model. The fundamental difference early models and the latest model is as follows.

1. The addition of service quality which is considered to be an important variable in assessing the overall success of the department of information systems.
2. Changing a variable impact on individuals and the impact on the organization to be a net benefit because they have a broader meaning because the success of information systems is not only felt by organizations and individuals in the organization.
3. The addition of an intention to use to measure user behavior.



Source: DeLone & McLean (2003)

**Figure 2. 3. Updated DeLone and McLean IS Success Model**

## 2.4. Public Procurement

### 2.4.1. Definition of Public Procurement

Various formulations of the definition of public procurement has often been mentioned by experts, including (Arrowsmith, 2004), (Christopher & Schooner, 2007), in principle, the public procurement is an activity to obtain goods or services

in a transparent, effective, and efficient in accordance with the needs and desires of its users , What is meant here include equipment items and are also useful for building public and private interests.

According to (Edquist et. al., 2000) in principle, public procurement is the process of acquisitions made by the government and public institutions to obtain goods, works, and services in a transparent, effective, and efficient according to the needs and desires of its users. In this case, the user may be individual (officer), organizational units (departments, faculties, etc.), or the wider community groups.

From this sense it is meant by public procurement is determined by who is carrying out the procurement is not the object of the goods/services. When done by the government and public institutions that are categorized as public procurement, but if done by private institutions (private) then classified as private procurement. In this case, if a government institution, the terms of government procurement would be more appropriate.

Based on users, (Edquist et. al., 2000) distinguish public procurement on catalytic direct procurement and procurement. In direct public procurement, the Public Institution became Managing Procurement, as well as a user of the goods/services, were held, and therefore, intrinsically motivated procurement requirements and the nomination comes from the Implementing Procurement as well as users. While the catalytic procurement, Implementing Procurement procures on behalf of and for the goods/services, but the motivational needs and procurement proposal comes from the implementing public procurement instead of users.

In addition to the two types of procurement, also known as mixed type called cooperative public procurement, where the procurement of application undertake procurement on behalf of and for the goods/services, but the motivational needs and proposing procurement comes from users or motivational needs of users and the nomination of the procurement and implementation of the procurement conducted by the Procurement Executive.

In addition to the above classification, in terms of the source of funds used for the public procurement, then what is meant by public procurement is the procurement activities in which the funds come from government or public institutions. In this case, Indonesia uses this understanding to distinguish between public procurement and private procurement. All procurement which the funds from the government through the state budget, the budget, as well as the acquisition of public funds managed by government institutions are categorized as public procurement, and therefore all activities and the procurement process should refer to and follow Presidential Decree No. 4/2015.

#### **2.4.2. Coverage Procurement Activities**

Procurement activities are not limited to the procurement process, but includes five main activities, including the procurement plan, the process of procurement, receipt and storage, and the use and management of assets, and three transactions, namely purchases of goods / services (contract), the transaction receipt of goods / services and transaction expenses or use of goods / services as follows:



a. Procurement Planning

Beginning from the procurement activities is their demand for goods / services that come from the user to the Procurement Executive. Identification of these needs includes information relating to the types of goods, specifications of goods, price, the number of items needed, and the location of use of the goods. Sources of information for this purpose is the users themselves because most users will know their needs. Usually, items need to be distinguished on the need for routine purposes and needs of goods for development.

b. Procurement Process

In general, to obtain goods / services can be obtained through the purchase or production (make). A goods / services are obtained by way of purchase if the goods are already available on the market (ready stock) when required while the goods / services will be made if the item requires an effort of production or construction (make to order) in advance to be used.

Self-management as a form of internal procurement is the procurement is done because it has its own ability to carry it out. Therefore, starting from the design process, planning, implementation, and monitoring is planned, implemented, and monitored itself by using the power and the tools themselves, although it is possible using external resources.

Procurement is the process to match the goods / services required by the provider, then the external procurement method or purchases, are determined based on the type of goods / services and providers, namely appointment, selection, and procurement / tender. In principle, the direct

appointment method is used when the number of providers of goods is only one (single), or goods / services required are certain (special) or can only be met by the Supplier of Goods / Services specified.

In addition, the public procurement can be done by direct appointment by reason of situational such as a job that can not be delayed any longer because of a force majeure, continued employment of the work being carried out under the contract existing unit price fixed and technically it is a unity of activities that can not be broken from a previous job, and additional work that can not be circumvented in the framework of the completion of the public procurement can be accounted originally along professionally, and standard and fixed price.

Selection methods (selection) is used when a limited number of providers of goods / services in accordance with the qualification or classification. The election was conducted by inviting more than one supplier of goods / services through requests for quotations and competitive negotiations, in order to obtain a reasonable price and technically accountable. Moreover, in terms of practicality election can also be done as a further process on the second tender failed.

While the method of the auction is used when there is an infinite number of providers of goods / services in accordance with the qualification or classification. The auction is intended to create a healthy competition among providers of goods / services that are similar and qualify under the procedures for the auction transparent and equitable so that the selected

goods / services provider best. The auction widely and openly through an official announcement board, or print / electronic.

In addition, it is also possible that the direct purchase of goods / services is made directly to the providers of goods / services without going through the auction process, direct elections. Public procurement can be done by way of direct purchase because the price of fuel standards and remain, for example, the value is small, or because of situational reasons such as a job that can not be delayed any longer because of a force majeure.

c. Storage of Goods

Items purchased are expected to come in the barn of the provider by what is stated in the purchase transaction (contract), both types of goods, specifications, quantity, and timing. Before the goods stored in the warehouse need to be considered transactions between providers of goods receipt by the manager.

When the goods receipt transaction everything is finished, then the finance department will make the payment, and the warehouse manager will store goods in warehouses. For that card stock need to be filled, in order to increase the procurement of goods and status recorded as appropriate. The warehouse is responsible for the items in the warehouse.

d. Use of Goods and Asset Management

This activity is the final part of the procurement activities, and this is where there is an interaction between the manager with the user. Interaction use of goods began with the demand for goods from the user which is characterized by a memorandum of demand for goods.

Based on this memorandum, the warehouse will verify whether the requested item of the user can be met or not. Otherwise, the purchase process needs to be done. If the goods are available, the transaction will be carried out between the expenditures with the warehouse.

The thing to note is not allowed any expenditures without a memorandum of demand for goods originating from the user and transaction expenditures must be signed between the recipient and the giver of goods. Furthermore, each transaction expenditures must be recorded on the card stock items. For capital goods it will be a record on an asset.

Furthermore, the interaction between the fourth of this activity will be reflected in the operational aspects of the system which include mechanisms and procurement procedures as well as the fulfillment of goods, which is called by the procurement cycle.

In practice, the operational aspect is strongly associated with the smoothness and efficiency of the procurement system and even the performance of the procurement system relies heavily on the performance of the operational aspects of this. Optimal procurement policy could not be achieved without the support of the passage of the operational aspects of this well. Therefore, it is necessary to understand and manage the procurement by the order of the procurement cycle.

#### **2.4.3. Principles and Ethical in Procurement**

There is no standard formulation relating to public procurement that could be adopted by a country so that the public procurement achieve the objectives in

accordance with the criteria expected performance as described above from a variety of existing sources can be abstracted basic principles, ethical procurement, and general provisions as follows.

#### **2.4.3.1. Basic Principles of Procurement**

Public procurement implemented using the following basic principles:

1. **Transparent:** all the provisions and information, both technical and administrative, including the procedures for the review, the results of the review and determination of Goods / Services shall be open for Goods / Services that are interested and capable without discrimination.
2. **Fair:** do not discriminate in providing equal treatment for all candidates Goods / Services and does not lead to benefit certain parties, in any manner or for any reason.
3. **Responsible:** achieving the target of physical, quality, usability, and benefits for the smooth conduct of business in accordance with the principles and policies and applicable regulations in the public procurement.
4. **Effective:** in accordance with predetermined requirements and can provides benefits for stakeholders.
5. **Efficient:** use of funds, power, and optimum facilities to achieve the target set at a reasonable cost and on time.
6. **Precautions:** means observes or reasonably suspected to information, action, or any form as a precaution to avoid loss of material and immaterial during the procurement process, the implementation process of work, and post-implementation of the work;

7. Independence: means a state where the public procurement are managed in a professional manner without any conflict of interest and influence / pressure from any party;
8. Integrity: means implementing public procurement must be fully committed to fulfilling the ethical procurement;
9. Good Corporate Governance: Compliance with the principles of good corporate governance (GCG)

#### **2.4.3.2. Ethics in Procurement**

All functions / parties involved in the public procurement required to adhere to ethics as follows:

1. Carry out tasks in an orderly manner, a sense of responsibility, for smooth and accuracy achievement of the public procurement.
2. Working professionally to uphold honesty, independence, and keep the information confidential.
3. No mutual influence either directly or indirectly, which results in unfair competition, the decline in the quality of the procurement process, and the results of the work.
4. Responsible for all decisions made within their authority.
5. Preventing conflicts of interest (conflict of interest) the parties directly or indirectly involved in the procurement process.
6. To prevent the occurrence of financial leakages and losses.
7. Do not abuse their authority and carry out joint activities with the purpose of personal gain, group, or others directly or indirectly.

8. Not to accept, offer, or promise to give a gift, reward, or be anything to anyone that is known or reasonably suspected of being connected with the public procurement.
9. Implementing Procurement following points will help in achieving the objectives of the procurement, including:
  - a. Ensure that the goods / services carried out by following the basic principles and ethical public procurement;
  - b. Ensure that the goods / services following the policy guidelines and procedures for public procurement and do not conflict with other provisions of the higher;
  - c. Ensure that the public procurement performed by the Supplier of Goods / Services that have been reviewed administratively, technically and financially, and can be accounted for in terms of cost and quality;
  - d. Ensure the goods / services conducted on a competitive basis with due regard to economy and efficiency aspects of its implementation;
  - e. Using standard contracts (terms & condition) that have been set;
  - f. Ensuring public procurement conducted in accordance with the agreement (contract / PO) agreed between the implementing provision of the Goods / Services;
  - g. Prohibited conduct public procurement that are contrary to the provisions of law and regulations.

Public procurement is the procurement of goods that can be viewed from various perspectives, both in terms of users, implementing procurement, and sources of funds. Procurement activities are not limited to the procurement process, but the coverage procurement activities cover five main activities, namely

the procurement plan, the process of procurement, receipt and storage, and the use and management of assets, and three transactions, namely purchases of goods / services (contract), the transaction receipt of goods / services, and transaction expenses or use of goods / services.

#### **2.4.4. E-Procurement**

Some scholars have a similar understanding of the e-procurement. (Croom & Jones, 2007) Explains that the e-procurement refers to the use of information technology systems integration for procurement functions, including sourcing, negotiation, ordering, and purchasing. Also (Tatsis et. al., 2006) also defines e-procurement as a merger management, automation, and optimization of an organizations procurement process using the web-based electronic systems. (Davila et. al., 2003) add a definition of e-procurement is a technology designed to facilitate the procurement of goods over the internet.

Today the use of e-procurement by governments and companies are done with significantly also brings significant savings in the cost of government procurement. It has been proven theoretically and empirically that the cost savings gained largely because of the increased competitive environment, so that the number of bidders in public procurement increases. The success of e-procurement system is highly dependent on an increase in the number of suppliers who participated in the procurement in which they compete in their offers the best price.

There are various forms of e-procurement as an e-catalog / Purchasing, e-Tendering, e-auction / Reverse Auction, and e-Marketplace, which concentrates on one or more stages of the process of procurement, e-procurement can be



viewed more broadly as an end-to-end integrated. With the implementation of e-procurement is expected to reduce administrative costs, lower inventory levels, shorten the ordering process, preparing the organization to increase collaboration technology and lowering the price of the product (Croom, 2000); (Gunasekaran et. al., 2008). (Robinson et. al., 2005) State that the e-Procurement helps the government to save the budget and give the process more accountable, more effective and faster to manage procurement. Benefits of the success of the e-Procurement system are: lower cost of transactions, broadly regulate providers, the ordering process faster, standards and process more efficient and control / supervision of procurement from the public, less paper, more potential buyers through the Internet and work reengineered current supply (Gunasekaran et. al., 2008).

The general objective of the implementation of e-procurement is to create transparency, efficiency and effectiveness and accountability in the procurement of goods and services through electronic media between service users and service providers. E-procurement goal is to improve the level of service to users, and develop a more integrated approach to procurement through the companys supply chain, as well as to make effective use of human resources in the procurement process.

From the implementation of e-procurement have gained some benefits as described by (Teo et. al., 2009) divides the advantages of e-procurement into direct benefits (improve data accuracy, increase efficiency in operations, process applications faster, reduce administrative costs and reducing operating costs) and indirect benefits (e-procurement to make procurement more competitive, improve customer services, and improve relationships with partners). In addition (Panayitou

et. al., 2004) also added that e-procurement can reduce the supply cost (an average of 1%), reducing Cost per tender (average 20% cost per tender), can give a lead time savings (open tender for an average of 6.8 months - 4.1 months and for a limited tender boasting an average 11.8-7.7 months), improved process (ordering simple, reduce paperwork, reduce waste, streamline bureaucracy, standardization of processes and documentation).

#### **2.4.5. E-Procurement Implementation in Indonesia**

The government should be able to manage the resources for the people prosperity and improve the quality of public services through effective financial management, efficient, transparent and accountable. To improve the efficiency and effectiveness of public expenditure through the mechanism of the procurement of government goods /services. Efforts are needed to create openness, transparency, accountability and the principles of fair competition in the procurement process. Implementation of the principles of good governance in the public procurement can improve public trust in government because the results can account to the public regarding administrative, technical and financial.

Through Article 50 of Presidential Decree No. 80/2003 the government has decided that the Policy Development Public Procurement by the Institute for Development of Public Procurement (LPKPP) and on December 6, 2007, was officially established by Presidential Decree number 106/2007 under the name of National Public Procurement Agency (abbreviated LKPP).

LKPP efforts to improve the system through the public procurement to realize the public procurement are accountable to encourage the creation of public

welfare can be seen from any number of changes the Presidential Decree on Public Procurement. Regulations on the amendment background and this change are as follows:

**Table 2. 2. Public Procurement Regulatory Amendment in Indonesia**

<b>Amendment</b>	<b>Presidential Decree Number</b>	<b>Background</b>
1 <sup>st</sup>	Presidential Decree No. 35/2011	The need for rapid procurement consultant / advocate or arbitrator in connection with any claim / lawsuit particular party to the government.
2 <sup>nd</sup>	Presidential Decree No. 70/2012	The need for accelerated implementation of the public procurement of the government in supporting the acceleration of the implementation of government expenditure.
3 <sup>rd</sup>	Presidential Decree No. 172/2014	The necessity to accelerate the supply of seeds and fertilizers to farmers through specific efforts help of improved seed and fertilizer to achieve food self-sufficiency and address climate change.
4 <sup>th</sup>	Presidential Decree No. 4/2015	The need for innovation on the implementation of the Public Procurement conducted with the use of information technology to accelerate the implementation of the state budget to accelerate the implementation of development.

Source: LKPP (2015)

The presidential decree to regulate and differentiate organizer procurement to expedite the process of implementation of public procurement, the National Public Procurement Agency (LKPP), the Electronic Procurement Services (LPSE) and the Procurement Service Unit (ULP).

#### **2.4.5.1. National Public Procurement Agency (LKPP)**

National Public Procurement Agency (LKPP) is a non-departmental government institution which is under and responsible to the President and was formed based on Presidential Decree No. 106/2007. LKPP is a government agency that has a duty to formulated and developed the procurement of government goods/services, and in carrying out its duties and functions are coordinated by the State Minister for National Development Planning.

Besides implementing the program according to the vision, mission, strategic goals, and objectives, LKPP also responsible for achieving goals as mandated in Mid-Term National Development Plan (RPJMN), with priority in the field of civil service, increased implementation of clean government, free corruption, collusion, and nepotism. Specifically, the functions and authority of this institution is the implementation of good governance in the procurement of government goods / services.

LKPP functions:

- a. The preparation and formulation of policies and strategies as well as the determination of the standard procedures in the procurement of government goods / services, including procurement entities in the framework of cooperation between the public and business entities.
- b. The preparation and formulation of strategy and policy determination of human resource development in the field of procurement of goods / services of the Government.
- c. Monitoring and evaluation of implementation.

- d. Coaching and development of information systems and monitoring procurement of goods / services electronic government (e-procurement).
- e. Provision of technical guidance, advocacy, and legal aid.
- f. Implementation of general administrative services in the areas of planning, administration, personnel, finance and supplies as well as households.

#### **2.4.5.2. Procurement Services Unit (ULP)**

Procurement Services Unit (ULP) is a government organization that functions unit carrying out the procurement of goods / services in K / L / D / I, which is permanent, which can stand alone or attached to existing units. In carrying out these functions ULP has the duty and authority as has been stipulated in Presidential Decree No. 54/2010 on Procurement of Government Goods / Services last amended by Presidential Decree No. 4/2015 and reinforced through Head of LKPP Regulation No.2/2015 on amendments to the Head of LKPP Regulation No. 5/2012 on the Procurement Services Unit. There is also the task of ULP include:

1. Reviewing the General Plan for the Procurement of Goods / Services along Committing Officer.
2. Arrange for the selection of goods / services provider.
3. Announced the procurement of goods / services on the website of K / L / D / I respectively and an official announcement board for the community and convey to LPSE to be announced in a national procurement portal
4. Assess the qualifications of providers of goods / services through pre-qualification or post-qualification.
5. To evaluate the administrative, technical and price of the bids.
6. Answering rebuttal.

7. Delivering the selection results and submit copies of the selection documents provider of goods / services to the Committing Officer.
8. Save the original document selection goods / services provider.
9. Propose changes Estimate Cost, TOR / technical specifications and draft contract work to the Committing Officer.
10. Report regarding the process and results of Goods / Services to the Minister / Head of Institution / Regional Head / Head of Institution.
11. Give an account of the implementation of the Procurement of Goods / Services to Users Budget / Budget Authority.
12. Develop and implement strategies for Procurement of Goods / Services in ULP.
13. Conducting the procurement of goods / services using the electronic procurement system in LPSE.
14. Carry out an evaluation of the goods / services that have been implemented.
15. Managing the procurement management information system that includes the procurement documents, the price survey data, a list of the goods / services as well as a black list of providers.

#### **2.4.5.3. Electronic Procurement Services (LPSE)**

LPSE is a unit formed across Ministries / Agencies / institutions (K / L / D / I) to hold the service system of procurement of goods / services electronically and facilitate ULP / Procurement in carrying out the procurement of goods / services electronically. ULP / Procurement Officer in the Ministry / Institutions / Universities / state which does not form LPSE can use the facilities LPSE nearest position to

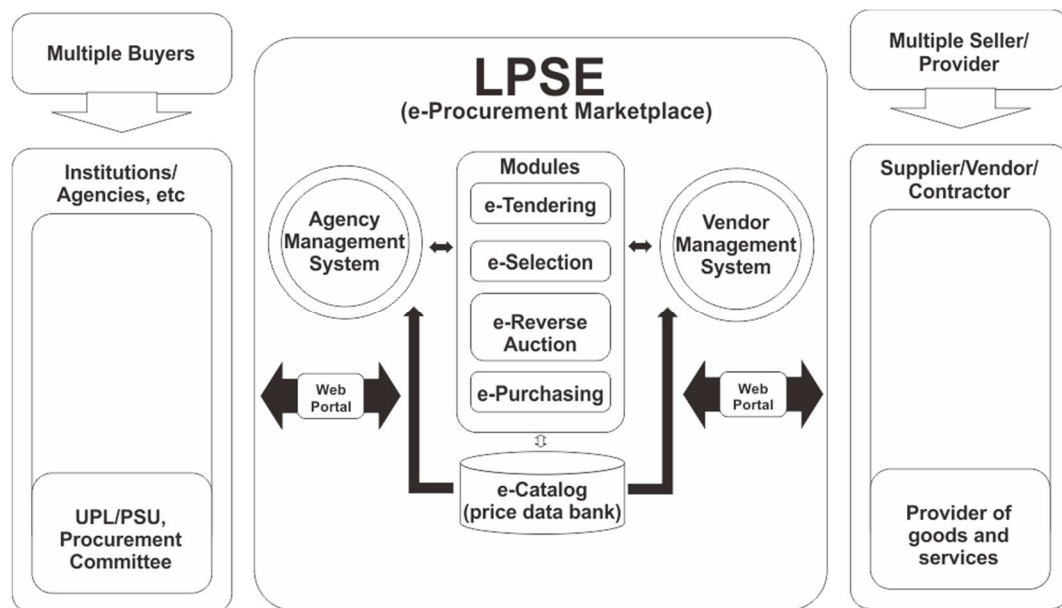
implement electronic procurement. Besides facilitating ULP / Procurement Officer in carrying out the procurement of goods / services electronically LPSE also serve registration providers of goods and services that are domiciled in the territory of LPSE concerned.

The legal basis for the establishment of LPSE is Article 111 No. 54/2010 on the Procurement of Government Goods / Services that the technical provisions of its operations are governed by Head of LKPP Regulation No. 2/2010 on the Electronic Procurement Service. LPSE in organizing care systems procurement of goods / services electronically also must meet the requirements as stipulated in Law No. 11/2008 on Information and Electronic Transactions.

There are two models, namely LPSE System Provider and LPSE Service Provider. LPSE System Provider executes all functions LPSE including having, manage and maintain hardware including network devices and servers that installed SPSE. In LPSE Service Provider, the function of managing servers that installed LPSE is not necessary because this type has its LPSE on LPSE nearby, so it does not have its website address but still perform other functions. Procurement Services Unit (ULP) is a unit of a government organization that works to implement the public procurement in the Ministry / Agency / Regional Government / Institutions more (K / L / D / I), which is permanent, can stand alone or attached to a unit that already exist.

Services available in the Electronic Procurement System is currently the e-tendering the technical provisions is regulated by the Head of LKPP Regulation No. 1/2011 on Procedures E-Tendering. Additionally, LKPP also provides e-Catalogue which is an electronic information system that contains the list, type,

technical specifications and prices of certain goods from many suppliers of goods / services of the government, the audit process online (e-audit), and governance how to purchase goods / services through electronic catalogs (e-purchasing).



Source: LKPP (2011)

**Figure 2. 4. LPSE Architecture**