

Millennium Challenge Account-Indonesia

Reducing Poverty Through Economic Growth

www.mca-indonesia.go.id [f MCA.Indonesia.page](https://www.facebook.com/MCA.Indonesia.page) [@MCA_Indonesia](https://twitter.com/MCA_Indonesia)



Procurement Modernization Project

“After joining this program, procurement in Yogyakarta is more transparent, accountable, measurable, and up to the standard. There is also a procurement standard operating procedure in place, which regulates the procurement process as a whole.”

Haryadi Suyuti

Mayor of Yogyakarta

Background

The procurement of goods and services on behalf of Government of Indonesia (GoI) agencies accounts for approximately Rp 684 trillion (\$50 billion), or 30% of the national budget. In addition, approximately 60% of foreign development assistance is spent on procurement¹. However, the procurement system needs to improve the efficiency, accountability, and transparency; in order that the government will get better quality infrastructure for better performance.

Project Description

The \$50 million Procurement Modernization Project is designed to accelerate the Government’s reform agenda and transform operation of the public procurement system in Indonesia. This project is held by Millennium Challenge Account – Indonesia (MCA-Indonesia) in cooperation with the National Public Procurement Agency (LKPP) and works in 45 of 600 procurement service units (PSUs) in Indonesia.

The project aims to cut costs and achieve efficiency in procurement, as well as to guarantee procurement

¹ Buehler, Michael (2012), “Public Procurement Reform in Indonesian Provinces and Districts: The Historical Institutional Context and Lessons Learned from Analytical Work”

quality that meets public needs and timely delivery. The cost savings will lead to better government procurement system, which will eventually improve economic growth. Once the project succeeds, the long term impact will be transformative.

A modernization of the government procurement processes and the professionalization of procurement officers will benefit both the officers and the communities in the provinces and districts where MCA-Indonesia works. This is the first time government procurement officers will have professional training and be part of public service providers, which will ultimately lead toward a promising career path. From this project, the officers will also learn formal guidelines and procedures of procurement and a system that will guide them in all aspects of their work.

The project is divided into two phases. The first phase encompasses the first until the third year of the Compact. In this phase, the project has supported 29 Pilot PSUs. Altogether, a total of 300 government staff members have completed professional trainings during the first phase. The second phase will be held until March 2018 and will cover additional 15 PSUs.

Activities

Reflecting the nature of a public procurement system, the project supports the following activities:

- Improving the procurement function by increasing capacity and professionalism (the “Procurement Professionalization Activity”)
- Supporting the development of procurement policies and procedures which would improve procurement outcomes, the rate and success of public private partnerships, and environmental sustainability (the “Policy and Procedure Activity”).

Achievements

- The first phase of the project has trained and facilitated officers from 29 pilot PSUs from selected government agencies;
- Until March 2016, 16 pilot PSUs have successfully become permanent PSUs with organizational structure;
- By March 2016, the Procurement Modernization Project has supported plans for creating 106 functional procurement expert positions in 29 pilot PSUs;
- Training for 300 government staff members of 29 pilot PSUs. The training program has delivered four training modules about procurement skills and institutional development organizational skills;
- Development of Procurement Management Information System (PMIS) and standardized catalogue contract business process. Both are centrally consolidated before being gradually introduced to pilot government institutions in 2017. Trials for data warehouse and business intelligence, which will be a actual monitoring dashboard of pilot PSUs performance indicators, are expected to be conducted in mid-2016. The decision of Presidential Office to entrust LKPP to manage the budget realization monitoring and evaluation system (TEPRA) serves as a momentum for system integration;
- Conducted Workshop to Improve Women Access in Government Procurement of Goods and Services and initiated Indonesia Public Procurement Female Officers Forum (FP4I). Both activities, parts of MCA-Indonesia’s Crosscutting Activities, aim to improve women’s access to public procurement;
- The second phase of training and facilitation, which involves 45 government agencies, has kicked off in April 2016.

Millennium Challenge Account-Indonesia

Reducing Poverty Through Economic Growth

www.mca-indonesia.go.id  [MCA.Indonesia.page](https://www.facebook.com/MCA.Indonesia.page)  [@MCA_Indonesia](https://twitter.com/MCA_Indonesia)

