

**PUBLIC PROCUREMENT SUSTAINABILITY IN INDONESIA:  
ENVIRONMENTAL, SOCIAL OR ECONOMIC TRADEOFFS**

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**ABSTRACT.** As a developing country, Indonesia is facing many problems in development. However there has been some progress in the improvement of public procurement management, as a strategic activity and a resource to improve governance. Sustainable/Green Public Procurement concept has proved that it supports economy, social and environment development. Questionnaires have been distributed to find the position of each respondents in adopting Sustainable Procurement concept as well as to introduce the concept. The result was some respondents have integrated sustainability aspect although it was still in the beginning phase. The weaknesses in existing public procurement system in Indonesia can be considered as an opportunity, since development of “conventional” public procurement system can be parallel with initial development of sustainable procurement system.

**INTRODUCTION**

Public procurement is making up averagely from 10-30 % of National GDP, or even up to 70 % in some countries (OECD, 1998). With the considerably amount of fund, there are some important issues that can be addressed by the government, besides obtaining goods, services and construction with the best value of money. Health, unemployment, national debt, poverty, corruption, low human development index and environment are some issues that have to be faced by the governments. With appropriate public procurement system, some of above mentioned problems can be recovered.

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In the globalization era government should realize that appropriate public procurement system- which the ‘main principles’ are *transparency, non discriminatory, accountability and effectiveness*- led to more competitiveness of the country. Therefore, the country can increase the target in respect of labor, social development issues and environmental standards. Those issues are the main component in achieving sustainable development. In other words, public procurement can be considered as an essential part and valuable tool of the development which can be achieved if the country commits to implement good governance.

With the above mentioned reasons, public procurement is no longer a clerical job that focuses only on buying goods/services/construction and saving money. The procurement professionals has to deal not only with market, technologies evolution and financial aspect, but also has to take into account the related issue such as human right, labor, environment protection, women empowerment, corruption etc.

The important role of public procurement is now become more and more recognized that many countries give special attention in developing the concept, regulations as well as institutional building. However, there are a lot more countries, especially developing and least development countries that are not using public procurement properly as a tool to achieve sustainable development.

Indonesia, like any other developing countries, is trying to push economic development, while in the same time the government has to face, consider and overcome other issues such as *health, unemployment, International debt, poverty, corruption, human resource, education and environment*. Sustainable Public Procurement concept is believed to be able to addressed part of those issues, while executing development in an effective way. However, there are many constraints to exercise the concept. Despite the economic transformation that Indonesia has undergone, serious weaknesses have persisted in public procurement, such as lack of professional procurement expertise, lack of transparency and corruption.

## METHODS

To evaluate the status of sustainable public procurement in Indonesia, there are some tools that can be used such as “Marrakech

Task Force's Sustainable Public Procurement (MTFSPP) Assessment Tool" or another assessment tool prepared by other institution. However, since Indonesia is still in initial stage in developing sustainable public procurement system, both of assessment tools seem not really applicable. Therefore the questionnaire has been tailor made related to the situation in Indonesia, which several questions have been inspired from MTF SPP Assessment Tool.

Further, the questionnaires are also intended to introduce Sustainable Public Procurement System to the respondents. The questionnaires were sent to the respondents by facsimile to allow the respondents to review the questions and then followed by in-depth interview. By applying direct interview, the interviewer could explain if the interviewees did not understand the questions, especially because Sustainable Public Procurement is a new concept in Indonesia.

#### **Population and Size of Sample**

The population of the sample was government institutions, consists of 12 (twelve) institutions, as follow:

- 1 National Development Planning Board (BAPPENAS)
- 2 Ministry of Finance
- 3 Ministry of Trade
- 4 Ministry of Home Affair
- 5 Ministry of Public Works
- 6 Ministry of National Education
- 7 Ministry of Health
- 8 Ministry of Social Affair
- 9 Ministry of Woman Empowerment
- 10 Ministry of Working Force and Transmigration
- 11 Ministry of Forestry
- 12 Ministry of Environment

These respondents were chosen because of several reasons. National Development and Planning Agency (BAPPENAS) is a leading institution

in developing public procurement policy. At present BAPPENAS is preparing an independent body the Centre of Public Procurement Policy.

Ministry of Finance and Ministry of Trade are the ministries that responsible in developing financial policy and trade policy, especially related with providing eco label product. Ministry of Home Affair is responsible in introducing new concept to all government body in provincial and municipal level.

Ministry of Public Works, Ministry of National Education and Ministry of Health are the major 'player' in public procurement. The institutions that responsible to endorse social development aspect are Ministry of Social, Ministry of Working Force & Transmigration and Ministry of Women Empowerment.

Ministry of Environment is the institution that responsible to protect and manage the environment, and some of the program is developing "green procurement" concept. Ministry of Forestry is responsible for managing the forest, which Indonesia is the country with the second biggest tropical rain forest. The two institutions are the leading institutions to promote environment aspect to be integrated in PP management.

All of the institutions assigned one to three persons –either from one or more divisions- to fill the questionnaire. Unit/division that responsible for procurement implementation is under Bureau of General Affair of each ministry. However, there are some institutions that have related division for developing sustainable issue or division for developing public procurement management.

### **Design of the Questionnaire**

The questionnaire consists of 4 (four) parts: general information of the interviewee/s, public procurement management, social issue and environmental issue. General information part is to record the contact persons who filled the questionnaire, as they might be an important sources in developing sustainable procurement concept in Indonesia.

The second part raises questions in training and guidelines/regulation in public procurement, and whether sustainability issue has been taken into account on PP system. The third part asks about the integration of the social aspect both as a mandatory basis (such as human right issue, minimum wages) as well as in voluntary basis (such as women

empowerment, fair trade etc). The last part reviews whether the procurer has procured environmentally friendly goods/services both purposively or not.

### **Data Analysis**

All collected data had been synthesized by using descriptive analysis in order to explain and interpret the results of in-depth interviews and questionnaire. The results from the questionnaire are presented below.

## **RESULTS**

Sustainable Public Procurement Concept was introduced in 2003, therefore it was not applied yet or even not being recognized in many countries, especially developing countries. Yet, the regulation on social aspect in public procurement has been existed and some eco label products, both **type 1** for *certification* and **type 2** for *self declaration*, have been sold in Indonesia. Accordingly, some institutions have possibility to apply public procurement system with sustainability aspect, before they understand about Sustainable Procurement Concept.

As explained before there are four parts in the questionnaire as follow: part A, general information to confirm the contact person who answered the questionnaire; part B, public procurement management in the respondent institution; part C and D are about the integration of social and environment issue in public procurement. For part B, C and some of part D, there are three choices of statements; each statement represents the level of awareness and integration of social development and environment aspect in practicing public procurement management. The higher level of the chosen statement means the higher level of awareness of the institution respondent has.

### **Respondents**

The survey was taken between February and April 2008 and the person/s in charge to fill the questionnaire divided into two categories:

- *Procurement division* for institutions that have the biggest account in National GDP. The assumption was the biggest the account of the government institution, the biggest the institution spends for procuring goods/services/works. Their policy in public procurement management will give significant impact to the social development, environmental balance and economic sustainability.

- *Technical/related division* for institutions that responsible to develop issues in social development, environmental balance and economic sustainability. Their awareness and commitment in sustainability issues, especially in sustainable procurement concept, was expected will influence the development or the improvement of public procurement management National wide.

To make the analysis of the survey observable, the name of the respondents is represented with numbers as follow :

- 1 for National Development Planning Agency (BAPPENAS)
- 2 for Ministry of Finance
- 3 for Ministry of Trade
- 4 for Ministry of Home Affair
- 5 for Ministry of Public Works
- 6 for Ministry of National Education
- 7 for Ministry of Health
- 8 for Ministry of Social Affair
- 9 for Ministry of Woman Empowerment
- 10 for Ministry of Working Force and Transmigration
- 11 for Ministry of Forestry
- 12 for Ministry of Environment

#### **Part B: Public Procurement Management.**

There are 5 statements group in part B, the first statement is about the capacity building of the procurer/s and/or key person/s in PP development, the second statement is concerning the regulation compliance, the third statement is regarding the consideration in evaluate the bid, the fourth statement is on the subject of guideline on public procurement and the last statement is about the commitment and awareness in Sustainable Development issue.

The result is that most of the respondent (83,3 %) has participated in PP training/workshop, as it has been a requirement for procurement people since 3-4 years ago. But only 17 % has been participating in SPP

training/workshop/meeting, as it is provided abroad and only related institutions had been invited. Further, all of the respondents have complied to the regulation and there are 5 (41.67 %) institutions has considered environment or social issue. Accordingly, on the bidding evaluation they consider environment/social issue, although only one institution has guideline in PP implementation.

It can be seen as a first step of government of Indonesia (GOI) in adopting and implementing Sustainable Public Procurement Concept, as all of the respondents are aware and commit to implement Sustainable Development (SD) issue in their working action. The complete result can be seen in Table 1.

**TABLE 1**  
**Public Procurement Management at Institution Respondents**

No	Level 1	Respondent	Level 2	Respondent	Level 3	Respondent
1	Procurers has never been participating in PP training	-	Procurer/s has participated in PP training/workshop	2,3,4,5,6,7,8,9,10,11	Procurer/s or key person/s in PP development has been joining Sustainable PP training/ workshop	1,12
2	The implementation of PP is not always comply to the regulation	-	The implementation of PP is always comply to the regulation	1,2,4,5,6,7,	The implementation of PP is always comply to the regulation and consider environment/ social issue	3,8,9, 10, 11,12
3	Beside the properness of administration & technical specification requirement, bidding evaluation is based on the price offer	3,12	Beside the properness of administration & technical specification requirement, bidding evaluation is based on the price offer as well as running & maintenance cost	1,2,4,5,6,7,8	Beside the properness of administration & technical specification requirement, bidding evaluation is based on sustainability issue incl price, environment & social issue	9,10,11
4	There is no guideline in implementing PP	-	There is guideline in implementing PP	1,2,3,4,8,11, 12	There is guideline in PP implementation that consider sustainability aspect	5,6,7,9,10,
5	No commitment & awareness to Sustainable Development issue		There are commitment and awareness to Sustainable Development issue but have not been implemented yet in action/ working plan		There are commitment and awareness to Sustainable Development issue and has been implemented in action/ working plan	1,2,3,4,5,6,8 7,9,10,11,12

Further, in the bidding announcement Ministry of Women Empowerment point out the statement of “*women and men entrepreneur are encouraged to participate in the tender*”. That simple statement obviously confirms the support for women as well as men without discrimination on basis of sex, as women participation in working force is still low. Another good example on *gender responsive procurement* is Ministry of Transportation changed the technical specification on ramp access for ‘bus-way’ of **Trans-Jakarta** (a modern rapid public transportation, the project started on January 2004 in Jakarta to reduce people using their own vehicle in order to overcome the transportation congestion in Jakarta, at present there are 7 corridor routes) to be more slope, so women as well as kids and elderly are more comfortable and more secure to use the ramp access. While the design needs more spacious land, women and elderly participation in traveling by Trans-Jakarta has increased. (TransJakarta, 2008). The entire result is shown in Table 2.

**TABLE 2**  
**Social Issues**

No	Level 1	Respondent	Level 2	Respondent	Level 3	Respondent
1	PP management does not consider issues on human right, SME empowerment, work safety, employment, minimum wage	12	PP management has considered such issues, but has not implemented yet	2,4, 11	PP management has considered such issues, but has been implemented	1,3,5,6,7,8,9,10
2	PP management does not consider issues: fair trade, gender equity, women empowerment	12	PP management has considered such issue, but has not been implemented yet	1,2, 3,4,5,6, 10,11	PP management has considered such issues, but has been implemented	7,8,9
3	No audit suppliers' compliance on issues at statement no1	1,2,3,12	Proceed auditing to the suppliers and some of them comply to some issues	4,5,6,7,9,10, 11	Proceed auditing to the suppliers and all of the suppliers comply to all issues	8
4	No audit suppliers' compliance on issues at statement no 2	1,2,3,12	Proceed auditing to the suppliers and some of them comply to some issues	4,5,6,7,9,10, 11	Proceed auditing to the suppliers and all of the suppliers comply to all issues	8

### Part D: Environment Issue

There are two cases in integrating environment issue into procurement system. First, as Ministry of Environment is now developing green procurement and has carried out study, several discussions and meetings with related institutions and organization, the related institutions recognized the idea of integrating environment issue into public procurement system. Yet not many institutions have integrated green issue into their public procurement system. However, as some *eco label* product, both **type 1** and **type 2**, has been sold in Indonesia, some institutions whether purposively or not has bought *eco label* products or in some extent can be said as implementing sustainability aspect in procurement.

Further, as explained above that public procurement system in Indonesia is in developing stage and that Sustainable/Green Procurement is still in initial stage, some respondents chose level 3 statement which mentioned that *“the institution has policy in integrating environment issue in public procurement and has been implemented accordingly”*. Although it is not at maximum level, again, this is a good beginning that can be improved.

Regarding the environmental-friendly goods, most of the respondent said that they already use it, especially eco labeled paper. Indeed, at present Indonesia has only one eco label product (paper) from three producers/factories consists of 16 variants. It proves that paper is a strategic product to start eco label program, especially if the target audience is offices. Besides, it also mentions that the distribution and the price of eco labeled paper are attainable in Jakarta. The respondents mention that eco label paper is more expensive than non eco label paper, however since the difference is about US \$ 0.75- 1.00 per rim (500 sheets), the procurement unit, especially if they aware of eco label logo, consider that the price difference can be ignored. Further, whether they use eco label paper or not, most of the respondent commits to use the paper both sides for unofficial use.

The questionnaire presents five eco/environment labels and only one respondent, which is Ministry of Environment, noticed the Indonesian eco label logo, while recycle logo is the logo that most of the respondents know. It is rational because the logo has been widely used since years ago for many kind of product, from household products to office supplies.

**TABLE 3**  
**Environment Issue**

No	Level 1	Respondent	Level 2	Respondent	Level 2	Respondent	
1	PP management considers environment issue		Integration of environmental issue in PP policy, but has not implemented yet		Integration of environmental issue in PP policy and has been implemented	1,2,3,4,5,6,7,8,9,10,11,12	
No	Question			Yes & use it	Yes & not use it	No & use it	No & not use it
2	Is your institution using environmentally friendly good, such as eco label paper, energy save light bulb or energy save computer?			1,2,3,4,5,6,7,8,9,10,11,12			
3	 Ramah Lingkungan	Do you know/understand the logo? of <b>Ekolabel Indonesia</b> (Indonesian Ecolabel). To obtain the label, a product should meet the criteria that has been determined based on inputs from multi stakeholders and should be certified from the accredited certification body. Sixteen variants uncoated paper produced by 3 factories is the only ecolabel product that Indonesia has at present. To use/buy eco label product means supporting Sustainable Procurement Program		12		1,2,8,9,5,6,7,10,11	3,4
4	 NON CFC	Do you know/understand the logo? This logo is to show that the product with the logo does not use/ has change <i>chloro fluoro carbon</i> (CFC) –an ozone depletion substance-, use as a cooler in refrigerator or air conditioner		3,5,6,7,8,9	1,2,4,10,11		12
5	 NON HALON & NON CFC	Do you know/understand the logo? This logo is to show that the product with the logo does not use/ has change <i>halon</i> and <i>chloro fluoro carbon</i> (CFC) –an ozone depletion substance-, use widely in a fire extinguisher device		8	3,9,10,11		1,2,4,5,6,7,12
6		Do you know/understand the logo? This logo shows that the product with this logo can be recycled		1,2,3,4,5,6,7,8,9,10,11,12			
7	 ENERGY STAR	Do you know/understand the logo? This logo that the product with this logo is an energy save product		1,2,9	4,5,3,8,11	6,7,12	10

Source : primary data, 2008

## DISCUSSION

From the overall discussion above, it can be seen that although according to the assessment, public procurement system in Indonesia is still showing some weaknesses; in some extent Indonesia has already have some good points, such as regulation and availability of eco label products in the market. The regulation has been interpreted and implemented by the institutions in several level of acceptance, from comply to beyond compliance, depends on the main task of the respective institution. For example, one institution gives special attention on the issue of empowerment of small-medium enterprises in public procurement, while the other institutions do not or give minimum attention. One institution provides particular thought on gender equity and women empowerment issue in public procurement, while the other institutions do not.

Further, as global market and export requirement inquire several conditions such as environmental label (*ISO 14000 series, CFC-free, made from sustainable forest production, non methyl-bromide for wood products*, etcetera), those products –both local and imported product- are also available in Indonesia market. Accordingly, government institutions have been procured the products. Indeed, the products with type 1 and type 2 eco label are still limited and the level of awareness of Indonesian, especially procurement people, in environmental issue are still low, therefore the consumption of eco label products are also low.

Compare to some other Asian countries, Indonesia is still far behind them in developing eco label program. For example, Thailand has 150 products, Hong Kong 51 products from 9 criteria, China 23000 products from 59 criteria. With better environmental communication and more advance in procurement system, the procurement at those countries in eco label products are higher than in Indonesia. Another constraint to procure eco label products in Indonesia is the limited information and campaign in the market. However, with all the weaknesses in public procurement management and eco label program, in some extent some sustainability aspect has been integrated into public procurement management and there is support from related institution.

The survey result (YLKI, 2008) conducted by Indonesian Consumer Organization (Yayasan Lembaga Konsumen Indonesia/YLKI), a non governmental organization (NGO) who concerns with consumer's right stated that:

- Significant increase on sale for cosmetics product that has label on *fair trade*, organic material usage, natural and *biodegradable* packaging
- 30 % increase on sale for organic products displayed at the special outlet in the supermarket
- Increasing on sale for interior decoration products made from recycled material.

Those facts show that there is an increasing trend on consumer's preference and awareness to respect social development and environment aspect in purchasing their needs. However, the product awareness and preference are still at individual level, not at collective or organizational level. This situation not only weaken the consumer' bargaining position, but also discouraging the development and growth of eco and social label products.

#### **The Development of Public Procurement Management in Indonesia**

After economic crisis hit East Asian countries in 1997, the study to assess public procurement system in Indonesia took place in 2000. There were several government institutions and state owned companies involved in preparing the Country Procurement Assessment Report (CPAR) conducted by World Bank, such as Ministry of Public Works, National Development Planning Board, Ministry of Law & Legal Affairs, National Internal Audit Board, Ministry of Industry and Trade, Directorate General of Budget- Ministry of Finance, State Electricity Company, Pertamina (State owned Gas and Oil Company), Ministry of Transportation, Ministry of National Education, Ministry of Health, Ministry of Home Affairs and Coordination Ministry of Economy, Finance and Industry. As green or sustainable procurement concept has not been introduced yet, the study did not involve ministries/agencies related to social development and/or environmental management.

The Country Procurement Assessment Report (CPAR) is the involvement to a dialogue with the Government of Indonesia (GOI) to make the public procurement system economic, efficient, transparent and more predictable, and at the same time to help improve the accountability and integrity of the procurement process so as to reduce opportunities for corruption. This point is very important, since Indonesia –together with Myanmar, Laos and Cambodia- counted amongst the most corrupt countries in the world (Jones, 2007). According to World Bank

corruption index score (the range from +2.5 for 'no corruption' to -2.5 for 'maximum corruption') the score of Indonesia is -0.90, while according to Transparency International Corruption Perception Index (the score out of 10, 10 indicates no corruption, and 0 indicates maximum corruption) the score of Indonesia is 2.2 in 2005, increased from 1.7 in 2000. The rank of Indonesia is 17.7, compare to 99.5 for Singapore, 64.5 for Malaysia 27.1 for Vietnam and 1.0 for Myanmar. According to Transparency International (2006) 'normal' leakage from procurement is around 10-25 %, while in some cases can reach 40 %.

Another prevalent from corruption is bribery, gifts, promise for future employment, financial/ownership stake in business or partnership as well as committing fraud. Actually, corruption practices are not only unacceptable, but also undermining the effectiveness of the procurement system, increasing cost for suppliers and contractors and ultimately, corroding the legitimacy of the state.

To overcome the problem, GOI has been developing electronic procurement system. The system has been adopted by 24 government bodies both in central and local level, and 14 private and state owned companies. The system is believed not only efficient and effective and free from corruption, collusion and nepotism, but also as an important tool to improve national financial management (Warta E Procurement, 2008). In some extent, e-procurement is also supporting Sustainable Procurement concept as it will use less paper and less travel.

Public procurement is a central pillar in the Government's ongoing efforts to improve governance. Indonesia has regulated the public procurement regime by way of Presidential Decrees, ministerial directives and letters of information, and other decrees and instructions by Governors, Mayors/Bupatis (head of regency). Procedures and practices have evolved over the years in response to various efforts to improve the legal framework for procurement.

According to CPAR 2001 (World Bank 2001), from all accounts, the public procurement system in Indonesia does not function well. It is not market driven, has been prone to misuse and abuse, and reduces value for money for public funds. The following are some key reasons why the system, despite the considerable evolution of procurement practices over the last two decades, does not yet function well:

- A multiplicity of legal instruments regulating different aspects of public procurement constitutes a source of confusion with the risk of overlapping jurisdiction, and the lack of clarity in important policy and procedural requirements.
- Basic principles and policies governing public procurement are not anchored at a sufficiently high juridical level of the law, with an effect on the level of transparency and clarity of the regulations, and it has made enforcement difficult.
- Absence of a single agency with a mandate for formulation of procurement policy, and monitoring compliance, and for ensuring clear and enforceable sanctions and enforcement mechanisms.
- Weak compliance with existing procurement rules and procedures, lack of oversight and enforcement.

However, in the last 5 years there have been a progress in public procurement in Indonesia, such as establishment of National Public Procurement Office (NPPO) and electronic procurement system development and established several regulations in public procurement.

In 2007 Government of Indonesia (GOI) accepted an invitation to be one of selected countries to pilot the new methodology Base Line Indicator (BLI) Tools as an international standard for assessment of national procurement system to determine the strength and weaknesses of its current system. The set of tools and guidance for improvement in procurement systems are provided by joint effort between World Bank and OECD Development Assistant Committee (OECD/DAC) Round Table initiative, bilateral and multilateral donors. The result of the assessment became the key element of an updated Country Procurement Assessment Review (CPAR). The results of Indonesian public procurement system performance are as follows:

- A. Pillar 1 Legislative and Regulatory Framework: the Indonesian system achieved: **62,5%**,
- Indicator 1 (BLI 1) Standards and Compliance with Obligation: 58.3%.
  - Indicator 2 (BLI 2) Implementing Regulations and Documentation: 66.7%.

With regard to **Pillar I** there are several object that can be improved such as strengthening legal framework relating to implementation, monitoring and procedural detail

**B. Pillar II Institutional Framework and Management Capacity: 55.5%**

- Indicator 3 (BLI 3) Mainstreaming and Integration into Public Sector Governance System: 58.3%
- Indicator 4 (BLI 4) Functional Normative Regulatory Body: 66.7%
- Indicator 5 (BLI 5) Institutional Development Capacity: 41.7%

About Pillar **II** it is suggested that procurement planning needs to be better integrated into GOI's budget process. Accordingly some training modules has been produced and the certification system has been introduced to ensure that the procurers have a basic level of competency commensurate with their responsibilities.

**C. Pillar III Procurement Operations and Market Practices: 59.3%**

- Indicator 6 (BLI 6) Efficiency of Procurement Operation: 66.7%
- Indicator 7 (BLI 7) Functionality of the Public Procurement Market: 33.3%.
- Indicator 8 (BLI 8) Contract Administration and Dispute Resolution Provision: 77.8%.

Regarding **Pillar III** it shows that there is segmentation in market, which partly may a result of decentralization. At present less than 5 % of participating level of private sectors ion public procurement with limited capacity.

**D. Pillar IV Integrity and Transparency of the Public Procurement System : 69%**

- Indicator 9 (BLI 9) Control and Audit System: 60%
- Indicator 10 (BLI 10) Appeals Mechanism: 40%
- Indicator 11 (BLI 11) Access to Information: 100%
- Indicator 12 (BLI 12) Ethics and Anti-corruption Measures: 76.2%

With respect to **Pillar IV**, due to confusing with blurred and overlapping jurisdictions, inefficiency and high overhead cost, at present GOI is in the process of reforming the audit functions and utilizing technical assistance to build audit capacity.

### **Reasons to Adopt Sustainable Procurement**

Although the assessment method is different from CPAR 2001, the BLI' score (55.5% to 69%) confirmed that there has been some progress in public procurement management in Indonesia. Indeed, it should be followed by another hard work from stakeholders to improve public procurement performance.

Despite the weaknesses in the existing public procurement system in Indonesia, there are five most important reasons why Indonesia has to promote sustainable public procurement concept, as follow:

1. Indonesia -like other developing countries- is trying to achieve sustainable development, which can not be reached with 'conventional' public procurement system.
2. Indonesia is member of Sustainable Public Procurement Task Force as part of 'The Marrakesh Process' managed by UNDESA' Division for Sustainable Development and UNEP. Therefore, Indonesia has to show the commitment by developing sustainable procurement concept.
3. Social aspect has been stated in the regulation as a general policy in Indonesia's public procurement management. As stated in Presidential Decree no 8/2003 **Chapter I part 4 article 4 point a, b and f** : *"General policy of the government in public procurement management is*
  - a. *To increase the utilization of domestic production as well as national construction design and engineering to enhance employment rate and to develop national industry to increase competitiveness in the International Trade;*
  - b. *To increase the participation of small scale enterprise include small cooperation and community group in procurement;*
  - f. *To increase and develop national industry involvement in public procurement "*.

At present, Ministry of Environment is on progress to insert environmental issue on regulation of public procurement management.

4. Indonesia has ratified several ILO Core Convention, such as Worst Forms of Child Labour Convention C 182/1999, Abolition of Forced Labour Convention No 105/1957, Freedom of Association and the Right to Organised Convention No87/1948 as well as International agreement on Environmental Convention, such as Convention on Biological Diversity, Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES), Stockholm Convention on Persistent Organic Pollutants (POPs), United Nations Framework Convention on Climate Change (UNFCCC)-Kyoto Protocol. Commitment on those conventions has to be demonstrated by integration of government programs and actions, including Sustainable Procurement with raising the bar of environment and labour requirements.
5. Some major player in public procurement and the related institutions in developing social and environmental development have considered as well as providing infrastructure in sustainability aspect in the public procurement, although it is still in early stage.

In 2007 Indonesia' national budget was IDR 258 trillion (US\$27.7 billion), which 27.7% was allocated for product and service procurement. With the considerably amount of fund, there are many important issues that can be addressed by the government, besides obtaining goods, services and construction with the best value of money. With appropriate public procurement system, some problems can be improved.

At present, public procurement is no longer a clerical job that focuses only on buying goods/services/construction and saving money. This reality is not distinguished yet by the decision makers. In fact, the procurement professionals has to deal not only with market, technologies evolution and financial aspect, but also has to take into account the related issue such as human right, labor, environment protection and mitigation of corruption. The concept is so called Sustainable Procurement.

Public procurement can be called sustainable when the entity uses its buying power to integrate sustainability aspect in procure the

good/services/ construction by taking into consideration aspects as follows:

- Economic consideration : best value for money;
- Environment consideration : the minimum impact to the environment that the products/ services/construction have over its whole life cycle;
- Social equity consideration : poverty eradication, gender equity, international equity in the distribution of resources labor condition, human rights, traditional community rights, minority

Those aspects has to be considered in terms of design, non renewable material use; manufacture and production methods; logistics; service delivery; use; operation; maintenance; reuse; recycling options; disposal; and suppliers' capabilities to address these consequences throughout the supply chain (Marrakech Task Force, 2007)

According to Marrakech Task Force, Sustainable Public Procurement defined as *a process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money in a sustainable manner in terms of generating benefits nor only to the organization, but also to society, whilst minimizing damage to the environment.*

From the discussion above, it can be seen that the practice of public procurement with social and environment development consideration, in some points, has been adopted by several government institutions, based on their responsibilities. For example, Ministry of Women Empowerment considers gender equity and women development issues in public procurement activities, while Ministry of Trade takes into account empowerment of SMEs. The outcome will be stronger if the related institutions can make advocacy or sharing their information and experiences on public procurement that has integrated social and environment aspects. This effort has to be coordinated by responsible institution and needs decision makers' commitment.

There is good example from city of Yogyakarta, Indonesia, which the mayor inquired to have an energy-saving bulb for street light. Accordingly, the procurement unit procured energy safe bulb and the result was electricity bill saving as well as reduce CO2 emission.

From the discussion above, it can be seen that although Indonesia has many weaknesses in public procurement, there has been some movement toward sustainable procurement, both in implementation and in regulation. Further, sustainable procurement can be endorsed from both sides, the **supply side** by providing more goods/ services that consider environment and/or social aspects as well as **demand side**, by putting the sustainable aspect in the procurement criteria.

While improving the existing public procurement system, it is suggested that government form a task force to developed of sustainable procurement concept, consist of -at least- the above mentioned ministries. The task force can involve other stakeholders, such as consumer organization, university, related donor and International agency. The task force will develop applicable sustainable procurement concept and give recommendation and suggestions the government to implement sustainable procurement.

The weaknesses in existing public procurement system in Indonesia can be considered as an opportunity, since development of “conventional” pubic procurement system can be parallel with initial development of sustainable procurement system. Starting pilot projects and practices that include social and environment aspects as well as strengthening the existence public procurement system can be the best solution to increase the level of Indonesia’s public procurement performance. Good practices can be both a lesson learned and a motivator for other procurement entities to apply sustainable procurement system. Awareness of the decision makers on public procurement issue is also one of the important key issues to be tackled of. Sustainable procurement is not a choice for a country/institution, whether they want to adopt the concept or not, in fact, it is a ‘mandate’ for government if they commit to achieve sustainable development.

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