Challenges in developing e-government for good governance in North Sumatra

To cite this article: AY Siahaan 2017 J. Phys.: Conf. Ser. 801 012024

View the article online for updates and enhancements.
Challenges in developing e-government for good governance in North Sumatra

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Abstract E-government as one form of public administration reform in Indonesia is increasingly related to the pursuance of good governance. This paper examines the relationship between of e-government and good governance by utilizing the case study design on the implementation of e-procurement in North Sumatra. It reveals centrality of local politics and business culture in understanding resistances of both local government officials and local business which creates 'loopholes' for the practice of 'bad governance' in all phases of e-procurement in North Sumatra province. Data transparency does not equate and guarantee the realization of good governance. Public knowledge and understanding on government decision making processes and accountability (process and policy transparency) are central to achieve good governance through e-procurement. E-procurement system does not automatically change organizational and working culture of the implementers and suppliers. This paper provides insight to the attitude and the perception of private sector engage in e-procurement towards government in implementing e-government. Resistance, digital divide and local politics interrelatedly obstruct the realization of pursuing good governance through e-procurement.

1. Introduction

Globally, the utilization of internet, communication and technology (ICT) in governance and public service delivery is increasingly promoted and acknowledged as effective strategy in pursuing good governance since ICT assumptively reduce the time and distance between service providers and community or customers. The United Nations E-Government Survey 2016 reports that countries which implement e-government in providing on-line public services through one stop-platform continuously increasing. In 2003, only 45 countries had a one-stop-platform, and only 33 countries provided online transactions. According to the 2016 Survey, 90 countries now offer one or more single entry portal on public information or online services, or both and 148 countries provide at least one form of online transactional services. The implementation of e-government is aimed at ensuring that public institutions are more inclusive, effective, accountable and transparent. Across the globe, aiming at enhancing transparency by opening up public information and scrutiny, 128 countries now provide datasets on government spending in machine readable formats. Transparency through e-government is utilized by governments in their effort to open up their data for public information and scrutiny.

E-government has been established as an important part in the bureaucracy reform in Indonesia. In Indonesia the implementation of e-government is strengthened by the issuance of President Instruction No. 3 Year 2003 on E-government National Development Policy and Strategy. This policy is an attempt to develop electronic based government implementation in order to enhance the public quality of service effectively, efficiently, transparently and competitively, fair and accountable. It is supported by the issuance of Law No. 25/2009 on Public Service, especially, chapter 4 on the principles of public services implementation. To date, the implementation of e-government in Indonesia extends to various government roles and functions included the provision of goods and services (e-procurement). Turban et.al (2006) defines e-procurement as referring to the purchase of goods and services for
organizations”. E-procurement is one of government’s activities in implementing public service as described in Law No. 25 Year 2009 chapter 5 on Public Service.

In Indonesia the utilization of e-government has been long known, and to date has been implemented in many national and local government functions. E-government is implemented gradually in stages starting from the central government, province, regency and municipality. It is aimed at achieving efficiency, effectiveness, transparency and economic value of government’s service to public. Based on Indonesia’s e-government roadmap the implementation of e-government in Indonesia use 4C’s approach namely Citizen oriented development, Continuous Improvement, Collaborative processes, Connected with multichannel access [1] However, Huang (2016) study on the implementation of e-government in Indonesia finds out three distinct challenges to digital innovation are evident namely: Competition vs. Collaboration (competition and conflict of institutional interests, both within and across sectors); Integration vs. Disintegration (lack of coordination coordinated digital innovation services); Exclusivity vs. Inclusivity (technocrats and the people). This study examines the relationship between e-government and good governance by using the case study of the implementation of e-procurement in North Sumatra.

2. Literature review

The widespread and urgency of e-government is significantly influenced by public sector reform and globalization which is characterized by the interrelatedness of all sectors of life and multidimensional social, cultural and political dimensions and interdependency of trans-national, global-local, cross cultural forces (Kettani and Bernard Moulin, 2014). World Bank defines e-government as “the use of information and communications technologies to improve the efficiency, effectiveness, transparency and accountability of government”. Through the utilization of e-government, services to the public can be improved and thus may compete with private sectors in providing more efficient and effective services. Studies of e-government implementation in developing countries, namely Tanzania, South Africa and China, explain how introducing ICT to government organizations generates concrete improvements: efficiency (cheaper, quicker, more productivity) and effectiveness (better quality and innovations) gains (Kettani and Bernard Moulin, 2014).

E-government does not only aim at efficiency and effectiveness in public service delivery but also serves as the strategy in achieving good governance. UNDP defines good governance as addressing the allocation and management of resources to respond to collective problems, and characterised by participation, transparency, accountability, rule of law, effectiveness and equity (UNDP, 2000). Thus, in good governance the efficiency concerns of public management overlap with the issue of accountability of institutions involved in governance. At this point, e-government is succinctly compatible and conducive for the achievement of good governance. E-government is also necessarily about the improvement of the performance of civil servants to provide better services to citizens. In principle, it has the potential to enhance decentralisation, accountability and transparency, and can thereby improve the position of developing countries in the global political economy (WSIS 2015). Apart from increasing efficiency and effectiveness in service, the implementation of e-government also may hinder the occurrence of corruption practices since services are conducted transparently so as to extend public participation in the way that public and private sector may relate to government without direct face to face interaction. Assessment on 12 e-government projects in developing countries demonstrates the achievement of e-government in delivering concrete benefits by increasing transparency, reducing corruption, improving service delivery, empowering people and enhancing economic goals of good governance Bhatnagar (Kettani and Bernard Moulin, 2015). Thus, as Heeks (as in UN 2003) argues that e-governance (including e-government) “is the ICT-enabled route to achieving good governance”.

The utilization of ICT though increase both efficiency and democratic aspects of governance, yet its implementation also face challenges related to institutional dynamics, regulations, technological difficulties, capacities and resources as well as cultural and developmental dimensions (The United Nations E-Government Survey 2016). The implementation of e-government in OECD (Organization for Economic Cooperation and Development) countries reveals obstructions such as the inflexibility of government framework. Obstruction may also come from the legislative in regulation formulation, finance and digital gap in the utilization of e-government. Challenges also derive from executors in the
form of resistance toward the use of new technology such as e-government (Lynn, 2000). Besides
issue of e-readiness, other governance-related factors which include a lack of transparency and citizen
involvement; resistance by entrenched bureaucracy; corruption; regressive policy and regulatory
environments; and, unskilled human resources significantly hinders the achievement of e-government
in realizing good governance (Moulin & Kettani, 2015).

3. Results and Discussions

3.1. Resistance
E-government policies which include e-procurement adopted by developing countries are vulnerable
to reversal at many subsequent points, depending on whether resistance erupts in the public arena, or
remains within the bureaucracy (Larmour, 2000:12). Resistance is “the behavioral expression of a
user’s opposition to an information system during the implementation” (Klaus and Blanton 2010, p.3).
Based on regulations, SKPD should propose the package to be procured to ULP by forward it to the
general procurement plan (RUP). This is in line with President Regulation No.70/2012 chapter 112 (2)
which obligate government institutions at all level to publish the RUP and information on procurement
at their own website and national website through LPSE. The aim of this regulation is that public and
ULP can be informed on how many packages will be procured by local government units. Problems
occurred when the local government units did not provide technical specification, temporary predicted
price and contract design completely. In case of ULP working group did not receive these local
government units procurement documents or revision of the documents were yet to be returned by the
local government units at determined datelines, e-procurement cannot be conducted. Other problem
occurred in research sites was the division of package without clear reason.

Besides limited human resource capacity especially related to information technology, there is high
resistance of e-procurement implementers to procurement certification due to the perceived high risk
of this occupation cannot be ignored. Although Presidential Regulation No.4/2015 stated that
procurement committee will be given law assistance in carrying out their task, yet it is to be realized.
Also, e-procurement implementers considered that their salary is insignificant compared to
psychological burden they bear in conducting e-procurement activities. Persistent organizational
culture which characterized by the rooted corruption, cronyism and nepotism is a crucial problems
since it is very difficult for e-procurement implementers to break away from this organizational
culture. On the other side, providers also still have old mind-set which perceives that the
implementation of e-procurement is similar to previous manual procurement. Providers also still lack
of integrity as demonstrated by their irresponsibility to ensure the quality of product or project they
won.

3.2. Digital divide
Digital divide is mentioned by most informants from private sector in justifying resistance to the
implementation of e-procurement in North Sumatra. Whilst the assumption that transparency is
frequently promoted as the achievement of e-procurement, the local private companies argue that e-
procurement has created and widened the gap between local companies and those of their competitors
from outside Sumatra, especially from Java. E-procurement requires the capability of potential
providers to use internet and other electronic technology which is rare especially among small local
erprises in North Sumatra. Thus, e-procurement has restricted rather than increase the access and
participation of these small local enterprises to the offered government’s goods and services provision.
The use of technology is perceived by most small local enterprise as benefitting business with big
capital rather than local enterprises which are generally characterized by low skill and knowledge on
ICT and the lack of computers and internet access. Furthermore, the implementation of e-procurement
which created digital divide was perceived as violating the principle of decentralization and local
autonomy which aim at promoting local development and enhancing welfare through increase income
of local community of the region.
3.3. Loopholes in e-procurement

Even with the utilization of technology which requires certainty and strict procedures in e-procurement, there are still loopholes within the system of e-procurement in North Sumatra. These loopholes are created by stakeholders involved in e-procurement in gaining their own interest. Despite based on regulation all process of procurement should be conducted through internet and not direct personal (face to face) contact between government (ULP) and suppliers were not allowed, yet, in reality direct interaction still occurs with many/diverse reason. It is interesting to highlight how the non-direct interaction was pointed out by government officials as the most significant advantage of e-procurement, yet, on the other hand, government (ULP) also pointed out that due to some factors especially the un-readiness and limited access of suppliers in understanding e-procurement regulations and process and limited access to internet/ non provision of ICT, electricity blackout, no wi-fi, direct personal interaction/meeting between ULP and suppliers are still needed. Although based on regulation and procedures, the system and technology will select and determine the result of e-procurement, yet, there were cases where stakeholders related with e-procurement interact personally with potential providers in bidding and based on agreed arrangement the winner of the bidding is determined not through the system. Operationally, the related officials openly offer the procurement through internet, and when all bidders with their proposals were on the system, then ‘preferred potential bidders’ will propose their bidding based on the information they got from the e-procurement implementer. The ‘preferred potential bidder’ was called the ‘bride’ and the electronic system of procurement was called ‘the bedroom’. When all application from other bidders had been in the system, then the ‘bride’ would be informed of all the proposal bidder at the last minute and when these bidders’ proposals had been in the system, the system would be locked. In this case, the ‘preferred potential bidders’ will win the bidding because they already have information of the proposal of other bidders and forward proposal which is more competitive. Thus, e-procurement was perceived as indifferent with the manual procurement.

3.4. Distrust to government

Trust is an integral component of e-procurement. However, the case of e-procurement in North Sumatra demonstrates the existence of widespread doubt on integrity of e-procurement committee that these officials still conduct corruption and cronism by favoring providers with close relationship or part of those who connected to high government officials. Organization culture of LPSE, ULP and user was perceived as contain with values of unjust, discrimination and closure. Some suppliers consider that government prefer certain suppliers from whom they got ‘benefits’ and intentionally and systematically directed the process to win certain suppliers thus discriminate against other suppliers. The decision on who wins the bidding was determined more on closeness or preferences of government officials rather than on principle of efficiency, effectivity and professionalism. This view ignites distrust towards e-procurement committee and system. Some providers did not respond positively to facilities which were provided by LPSE and ULP.

Some providers also convinced that there was tolerance to some providers who were late in registering their interest to participate in bidding process, late in uploading and completing bidding documents. In case that some providers fail to participate in bidding or lost bidding package, then the e-procurement committee was blamed with various speculations.

Based on providers’ perspective, this distrust was closely related to the low credibility of e-procurement committee. Nurturing credibility is difficult and requires long time. However, LPSE and ULP need to publish data, process and decision of bidding immediately in their website so that transparency will be realized which then will avoid speculations on bidding and other e-procurement related activities. On the other hand, e-procurement committee argued that providers should not hide behind speculations because it will of their own disadvantage. Presidential Regulation has required that all government goods and services provision should be conducted electronically. Therefore, providers had to change their mindset on participating in procurement. Different from previous manual procurement, e-procurement requires providers to obey all bidding process and stages strictly, thus, they need to continuously gain update information available in LPSE website. Update information will eliminate speculations regarding e-procurement activities and processes. However according to service providers, updating information without addressing problem of trust and perceived of business providers gain on participating in e-procurement will not eliminate speculations. Ballard (2011: 2)
argues: “In public procurement the goals of fairness, competition and economic value are paramount. To achieve these goals, effective and efficient procurement process must be established. This includes incorporating adequate controls to promote competition and minimize the risk of fraud, corruption, waste, and mismanagement of public fund. In this context, transparency is considered to be one of the most effective tools to deter corruption and ensure value for money”. At this point, trust of government and trust of internet (trust in the reliability of the enabling technology); and sensitivity to culture is crucial in striving for the realization of good governance through e-procurement [2].

4. Conclusions
The utilization of ICT in governance and public service does not automatically result in efficient, transparent, accountable and participative governance which are the pillars of good governance. The introduction of technology in government is not only influenced by institutional capability in building trust but also significantly determined by organizational culture and community values. Trust building is as important as capacity building on technological knowledge and infrastructure. Nurturing credibility is difficult and requires long time. However, LPSE and ULP need to publish data, process and decision of bidding immediately in their website so that transparency will be realized which then will avoid speculations on bidding and other e-procurement related activities.

Shared interpretation and meaning of goals, principles and standards in e-procurement may also be realized through training related to computer based technology information and amendment to regulation on procurement to providers, procurement committee and users. Providers had to change their mindset on participating in procurement. Different from previous manual procurement, e-procurement requires providers to obey all bidding process and stages strictly, thus, they need to continuously gain update information available in LPSE website. Update information will eliminate speculations regarding e-procurement activities and processes. Moreover, the involvement of all related business association as those which give recommendation to providers who intend to participate in training as well as the involvement of head of related procurement agency to evaluate training participants, those who are responsible for the enactment of procurement is crucial. Trainings may enhance integrity of all parties which then contribute to successful implementation of e-procurement.

More attention and emphasis need to be given to the political and cultural aspect of e-government in realizing good governance such as the strengthening of the capacity of community organizations (civil society) that look more at the involvement of the society in e-government rather than merely focusing on enhancing the technocratic capacity of government. For e-government to be supportive to the achievement of good governance requires enhanced in-depth interactions between the citizens and the government. As Fang (2002) succinctly argues that ‘e-governance is not just about website or not merely a digitization of service delivery, It certainly stands on greater definition of engagement and depths of relationship that surrounds both the citizens and the government in hinder corruption and fraud risks while at the same time enhance fair competition and ensuring the value of a price’.

5. References