

## Implementation Of E-Procurement Agreement Between Indonesian and Malaysia

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### Abstract

This research compares e-procurement applications in Indonesia and Malaysia, which are the applications of e-procurement as a renewal of the goods/services procurement system. Malaysia and Indonesia have implemented e-procurement, and the presence of corrupt practices has made both countries focus on increasing transparency. The number of procurement transactions in Indonesia increased significantly from 2008 to 2017, with total spending reaching more than 1000 trillion Rupiah in 2020. The number of online e-procurement transactions in Malaysia has decreased from 2014-2015, with an overall decrease in transactions from 1,577,740 to 1,540,314. The results showed that Malaysia and Indonesia conducted Peer Exchange activities to exchange experiences and knowledge about Ecolabeling and GPP. Green procurement can use e-procurement as one of the methods to ensure transparency and efficiency in the procurement process. E-procurement can help control inventory, reduce costs, and improve agreement conformity with suppliers. Therefore, the author would like to compare the implementation of the system in Indonesia and Malaysia in terms of the procurement of goods/services.

**Keywords:** E-Procurement, E-Government, Indonesia, Malaysia.

### 1. Introduction

Procurement of goods and services is familiar to all citizens. It is a system created by the governments of various countries that is used as a venue for multiple forms of auctions. The public procurement system in Indonesia is known as E-Procurement, while the public procurement system in Malaysia is known as E-Perolehan. Information technology is one of the creative ways to help bureaucratic reform. It is expected to improve the bureaucracy in Indonesia. Government agencies can use information technology, including the legislature, executive, and judiciary. Technology can be used by public administration staff and also to educate the public about government operations. Information technology can make government work more productive. According to the World Bank, E-Government is the use of information technology by government organizations, such as mobile computing, wide area networks (WANs), and the Internet, to promote connections with the business community, the general public, and other government organizations (Zaliluddin & Rully, 2020).

Three models of e-government delivery: 1) Government-to-Citizen/Government-to-Customer The government creates and implements a wide variety of information technology portfolios with the primary goal of increasing government participation in this popular type of e-government; 2) Government-to-Business is an electronic transaction where businesses receive the information they need from the government to transact with them; 3) Government-to-Government is enabling government departments or organizations to communicate and exchange information online by using an integrated database. E-procurement is one way the



government interacts with businesses via the Internet, where the government offers online purchasing of goods and services as a suitable alternative without the need for excessive bureaucracy by gaining direct public control. The aim is to reduce nepotism, conspiracy, and corruption, and national construction service providers will also be better equipped to handle the problems posed by e-government (Adi, 2018). Unlike developed countries where e-government is well-established, developing countries have many barriers regarding e-government. Some of these difficulties are significant digital defects, poor electronic infrastructure, and lack of expertise to develop, implement, operate, and oversee e-government systems. Many challenges arise from e-government failure, including loss of revenue and time, damage to the reputation of those responsible, and increased future expenditure (Twizeyimana & Andersson, 2019). The implementation of e-government is also expected to improve service delivery and change the way governments interact with businesses, communities, and other government entities.

The development of public service quality management, conceptualization, and measurement and its impact on the electronic environment can be attributed to the widespread adoption of the Internet. Corruption is one of Indonesia's most significant problems to date. The Anti-Corruption Commission (KPK) maintains data from Indonesia Procurement Watch, which shows that more than 70% of corruption cases start with purchasing goods or services. This is because opportunities between the government and suppliers are immediately exploited, resulting in ineffectiveness in terms of time and cost, leading to various deviant practices and because one of the shortcomings of traditional purchasing is the need for more efficiency and openness (Khairina, 2022). The news excerpt (Ombudsman, 2023) shows that Government Goods / Services Procurement has become a wetland for several individuals to seek personal gain. Finally, several officials at Basarnas and private entrepreneurs stumbled over a bribery case for the Procurement of goods/services from 2021 to 2023 with cash evidence amounting to IDR 999.7 million. In this case, the Head of Basarnas Air Marshal, Henri Alfiandi, became one of the suspects. This means that e-procurement has yet to run entirely, and it can be seen that irresponsible people still do things that cause losses to the state. Limited internet usage in Indonesia is a problem in addition to corruption. In Indonesia, most internet users are from the middle to upper class. The e-procurement policy, which is entirely online-based, is considered discriminatory as it prevents small businesses, usually unaffected by the advent of the Internet, from participating in the tender process.

In addition, Malaysia is also experiencing some problems related to the procurement system. These problems are also close to Indonesia, namely corruption. As seen in the news quote (aa.com.tr, 2020), MACC investigations indicate that this kind of waste is expected in the public sector. High-ranking government officials with the authority to decide on the Procurement of goods and services are involved in abuse of power and fraud. According to the investigation, some aspects of corruption contribute to the skyrocketing cost of government purchases. Two directors of a company named Datuk were detained by MACC in early September on suspicion of corruption and making false claims worth tens of millions of ringgit related to the implementation of ten road construction projects in Sarawak worth RM800 million, equivalent to Rp 2,864,624,000,000.



The current law's mandate requires the central and regional governments to perform various government functions. In addition to providing resources and methods for public needs through the procurement process of products and services, governments may collect various forms of public revenue to finance state expenditures at the federal, state, and local levels. As stated in Presidential Regulation Number 12 of 2021 as an amendment to Presidential Regulation Number 16 of 2018, In terms of electronic purchasing of goods and services, this regulation aims to provide high-quality, fraud-free products and services that best suit the country's needs. The system is already in place in Indonesia thanks to INAPROC (Indonesian Procurement), a national e-procurement platform that supports laws relating to purchasing goods and services. More information about the maintenance of the system is available on the LKPP (Government Purchasing Policy Agency) website, with its website being lkpp. Go.id (Kurniawan & Gultom, 2023). The act of obtaining desired goods or services at a fair cost is known as Procurement. For public Procurement to be efficient, effective, and transparent, a robust system must be in place. The government has implemented reforms by adopting an e-procurement system policy to promote that (Francesco & Hastuti, 2022). E-procurement will increase effectiveness and efficiency while preventing irregularities that result in losses (Habibi & Untari, 2018). Internet technology is used in the purchasing process, known as electronic purchasing. E-procurement is the process through which a company uses information technology to sign agreements, such as for purchasing goods or services, including automated and integrated purchasing systems, online bidding, electronic orders, and auctions (Suardi, 2022).

Governments can manage their budgets more quickly, efficiently, and responsibly using e-procurement. As stipulated in Article 131 paragraph (1) by 2012, Ministries/Institutions/Regions/Agencies are required to complete all or part of the work package of electronic purchasing of goods and services. As specified in the Presidential Regulation, the Government Purchasing Policy Agency (LKPP) is tasked with creating and implementing purchasing policies for goods and services. The Electronic Purchasing System (SPSE) was developed to meet the government's demands for the electronic purchasing of goods and services. Purchasing products or services from the government through an Electronic Catalog, or E-Catalog system, is known as "e-buying." An electronic catalog includes listings, categories, technical details, and costs for specific products and services offered by different government suppliers. Products already showcased in the e-Catalogue can be purchased using e-Purchasing, which allows the government to conduct an electronic purchasing process for goods and services.

On the other hand, E-tendering is an open way of selecting suppliers of products or services that can be used by any marketer registered in the electronic purchasing system by submitting a single bid within a pre-determined time window. Purchasing goods and services begins with transactions involving purchasing or selling goods on the open market. It then progresses to the purchase of futures at the time of payment, through the creation of accountability documents between buyers and sellers, and, ultimately, through acquisition through auction procedures (Hidayat, 2020).



## 2. Method

This study took a qualitative approach using descriptive type. Methods to collect data through documentation, interviews, and observations. Data analysis with Milles and Huberman's interactive model. This study consists of three interrelated actions: data analysis, data presentation, and conclusion writing. Research methods that focus on natural phenomena or symptoms are known as qualitative research. Qualitative research is essential and naturalistic or natural, conducted directly in the field (Kusumastuti & Khoiron, 2019).

## 3. Results and Discussion

### 1. E-Procurement in Indonesia

In the simplest definition, the state (government), the private sector (business world), and the community are the three main actors involved with each other and perform their respective roles. Purchasing goods and services through e-procurement is one form of state policy. Since 2002, Indonesia has used e-procurement to purchase products and services to improve operational efficiency and data accuracy. Indonesia was officially implemented in Indonesia in 2008 by a presidential decree.

1. Copy to the Internet or display the complete procedures and results of the Purchasing Commission's online auction system for purchasing goods and services.
2. Semi-e-procurement, electronic media, and the Internet are used for some aspects of purchasing products and services. Service providers and users engage in interactive communication to accomplish this. The remaining parts are then completed manually or conventionally.
3. Full e-procurement: Using an e-procurement system, files or bid documents are entered to select or supply goods and services. Personal interaction between the service provider and the customer explains the tender documentation.

The first step needed before conducting a procurement plan for goods or services is procurement planning. There are five cycles in the procurement planning step, which are as follows:

1. Determining Needs: In determining needs, it is essential to follow the guidelines and pay attention to procurements that adhere to the principles of efficiency and effectiveness, have sustainable procurement features, can prioritize needs, know the products and services listed in the electronic catalog, consolidate procurement, and monitor the status of goods and services.
2. Procuring Goods/Services: When making a determination, preparing goods or services is done first and given the highest priority.
3. Techniques: Procurement techniques using providers and self-management.
4. Procurement Schedule: Procurement is carried out in stages, starting with planning, preparation, and implementation.
5. Procurement Budget: This budget sets out the price of the required goods and services, including shipping costs, people and non-people costs, spare parts, after-sales costs, and the cost of the commodity itself. In addition, the procurement budget should include additional costs such as training, installation, testing, administrative, and other costs.



Government Policy Rule No. 7 of 2018 governs the government's electronic procurement of public goods, or "E-Procurement." PR 54/2010 states that Purchasing Services may be established independently by each ministry, non-government agency, and municipal government as separate from the organizational unit responsible for budgeting. Autonomy and collusion of the purchasing process are meant to be prevented by this separate function. Each ULP (Unit of Procurement Services) is established by decree, with the district head, minister, or head of a non-governmental organization forming the body. The objectives of e-procurement are:

1. Increase accountability and transparency
2. Improving market access and business competitiveness
3. Improve purchasing product efficiency
4. Promote the use of audit and monitoring procedures
5. Meet the need for current information availability.

Several parties are involved in implementing the government electronic purchasing system to purchase goods and services, including the PA/KPA, PPK, ULP/purchasing commission, and Goods Provider/Electronic Purchasing Service (LPSE). The Government Purchasing Policy Agency (LKPP) has developed the Electronic Purchasing System (SPSE) application, which is used in Indonesia to implement e-procurement. The following purchasing principles should be considered in the process of purchasing electronic products and services:

1. Efficient: To maximize the country's value, purchasing goods and services should be done with limited resources, authorities, and facilities to achieve pre-defined objectives in a short and bearable time.
2. Effective by the identified requirements and capable of generating the highest return for the specified objectives.
3. Competitive: This is achieved through competitive bidding between equivalent suppliers of goods and services that meet specifications and are supported by transparent terms and guidelines.
4. Transparent, interested supplier participants and the general public have access to all terms and information relating to the purchase of products or services, including technical and administrative requirements, evaluation methods, assessment results, and the location of possible providers of products and services.
5. Responsible for achieving objectives regarding benefits, finances, and physical space to ensure effective implementation of policies, rules, and guidelines related to supply chain management. Several ethics must be practiced by either the user or the e-procurement service provider:





Figure 1. Ethics in Procurement of Goods/Services

Source: (Dharmayanti, 2019)

It is crucial to formulate objectives clearly, as they serve as a benchmark for the formation of both government and private organizations. These objectives can give birth to various functions, and these functions can strengthen the organization and provide focus for organizational activities to achieve the desired results properly. We must view the entire effort to achieve goals as a process. The theory of property effectiveness (Steers, 1976) measures goThe e-procurement procedures, including the general plan for product and service acquisition, selection preparation, and selection execution, are crucial steps in our process. These procedures involve determination, assignment and delivery of goods, bidding for goods and services, letters of appointment, and package creation and registration. To ensure the successful implementation of these procedures, we encourage the active participation of associations such as Gapensi and Gapeknas, as well as other goods and service providers, in our technical consultation activities. These activities, which are typically organized at the beginning of the year, play a significant role in our process. Let's now delve into the process of selecting suppliers of goods, construction labor, and other services.

1. Electronic purchasing using online stores or electronic catalogs.
2. Direct Procurement, with a maximum value of IDR 200,000,000.00
3. Direct Appointment, used under certain conditions.
4. Quick Tender: This is used for purchases where the parameters and scope of work have been precisely defined or where the actors meet the SIKaP qualifications.
5. Tender: Carried out when alternative selection procedures are not possible.

In the implementation of e-procurement, LPSEs and ULPs work together consistently. LPSEs act as e-Procurement service providers, ensuring the smooth operation of the system, while ULPs serve as tender commissions, overseeing the tendering process. This collaborative effort ensures that each SKPD can purchase goods and services more easily, thanks to the Indonesian government's implementation of e-procurement.



Table 1. Program Implementasi LPSE 2008-2017

No.	Deskripsi	2008	2013	2014	2015	2016	2017
1	LPSE System Provider	11 Unit	547 Unit	597 Unit	620 Unit	620 Unit	620 Unit
2	LPSE Service Provider	0 Unit	55 Unit	19 Unit	15 Unit	15 Unit	15 Unit
3	LPSE	11 Unit	602 Unit	616 Unit	635 Unit	635 Unit	635 Unit
4	Prov. Terlayani	9 Provinsi	33 Provinsi	34 Provinsi	34 Provinsi	34 Provinsi	34 Provinsi
5	Instansi Terlayani	11 Instansi	731 Instansi	731 Instansi	731 Instansi	731 Instansi	731 Instansi

Source: Smart Report LPSE – LKPP V2, 2017

The table above shows the development and process of LPSE. Many expenses have been reduced as a result of e-procurement, including the cost of goods, the time needed to make purchases, the time to calculate and pay, the amount of money saved on administrative costs, and the time of the purchasing process. In addition, E-Procurement promotes fair competition by reducing personal meetings between the Purchasing Commission and potential suppliers and minimizing the possibility of irregularities. It increases transparency and openness in the purchasing process. Based on SPSS data, the total expenditure on government procurement of goods and services in 2020 has reached more than 1000 trillion Rupiah with electronic systems and procurement of human resources that are considered increasingly competent, so that the government can save 90 trillion through tenders and iPad size.

Table 1. Laporan Kinerja Pelaksanaan Pengadaan Barang/Jasa di Kementerian/Lembaga/Pemerintah Daerah Tahun 2024 (dalam Triliun Rupiah) Bulan : Agustus 2024

No.	Deskripsi	Belanja Pengadaan	Realisasi	Perentase Realisasi terhadap Belanja Pengadaan
(1)	(2)	(3)	(4)	(5)
<b>A. Profil Belanja Pengadaan Barang/Jasa K/L/PO Agregat</b>				
1	NASIONAL	1.154.804630	491.984461	42.60%
<b>B. KEMENTERIAN &amp; LEMBAGA</b>				
1	KEMENTERIAN	574.286421	276.628597	48.17%
2	LEMBAGA	436.406465	222.844411	51.06%
<b>C. PEMERINTAH DAERAH</b>				
1	PROVINSI	580.518209	215.358863	37.10%
2	KABUPATEN	154.989126	65.176591	42.05%
3	KOTA	329.042361	118.935226	36.15%
4	KOTA	96.488722	31.244047	32.38%
<b>B. Profil Belanja Pengadaan Barang/Jasa Nasional</b>				
1	Belanja Pengadaan	1.154.80462968	574.28642072	580.51820896
2	Belanja Pengadaan yang diumumkan di SIRUP	1.150.79152114	566.65276357	594.13875798
<b>a. Belanja Barang/Jasa yang diumumkan pada SIRUP Penyedia (Penyedia Murni + Penyedia Dalam Swakelola)</b>				
1	Belanja Barang/Jasa yang diumumkan pada SIRUP Swakelola	313.65751115	113.90047541	399.75705579
2	Pencatatan dan Usaha Kecil yang diumumkan di SIRUP (Tagging)	473.68363540	147.35513857	326.32949683
3	Penggunaan Produk Dalam Negeri yang diumumkan berdasarkan tagging PDI di SIRUP	767.76130276	383.49686789	384.26443487
<b>b. Realisasi Transaksi melalui SPSE (Paga Transaksi) (S = S.1 + S.2 + S.3 + S.4 + S.5)</b>				
1	Transaksi Pengadaan Melalui Pemilihan Penyedia	486.92864094	275.45395153	211.47468941
2	Transaksi Usaha Kecil	181.75880576	42.54491072	139.21389504
<b>c. e-Tender/Seleksi (Tagging)</b>				
1	a. e-Tender/Seleksi (Tagging)	66.38638634	14.71225971	51.67412662
2	b. Tender Cepat (Tagging)	0.16937902	0.11399889	0.05538012
3	c. Pengadaan Langsung (Transaksional dan Pencatatan)	32.61773112	3.79842710	28.81930402
<b>d. Penunjukan Langsung (Transaksional dan Pencatatan) (Tagging)</b>				
1	d. Penunjukan Langsung (Transaksional dan Pencatatan)	1.27816422	0.81574702	0.46281720

e. e-Purchasing (Tagging)	81.30714507	23.10447799	58.20266708	
b. Transaksi Non Kecil	290.98225581	220.45530407	70.52695174	
a. e-Tender/Seleksi	190.54046347	164.63882871	25.90163475	
b. Tender Cepat	0.00987540	0.00000000	0.00000000	
c. Pengadaan Langsung (Transaksional dan Pencatatan)	0.75944356	0.39881686	0.36026370	
d. Penunjukan Langsung (Transaksional dan Pencatatan)	16.87786002	16.49341470	0.38445533	
e. e-Purchasing (Tagging)	82.79461336	38.91456840	43.88004496	
5,2 Realisasi Kantes	0.00821833	0.00393706	0.00429127	
5,3 Realisasi Sayembara	0.00000000	0.00000000	0.00000000	
5,4 Realisasi Pengadaan Khusus	14.17935104	12.44979968	1.72955136	
a. Penanganan Keadan Darurat (Pencatatan Non Tender dan data SPSE Terpusat)	0.00448499	0.00000000	0.00448499	
b. Pengadaan Dikecualikan (Pencatatan Non Tender)	14.17486605	12.44979968	1.72506637	
5,5 Transaksi Pengadaan Melalui Swakelola (Pencatatan)	5.05581963	1.17464567	3.88117396	
<b>6 Transaksi Penggunaan Produk Dalam Negeri (PDN) (S = S.1 + S.2 + S.3 + S.4)</b>	436.08959113	235.06404296	201.02354816	
6,1 Realisasi Penggunaan Produk Dalam Negeri (PDN) melalui e-Purchasing	143.09970519	51.21834255	91.88136263	
6,2 Transaksi Penggunaan Produk Dalam Negeri (PDN) melalui e-Tendering	235.75555043	158.32120101	77.43434942	
6,3 Transaksi Penggunaan Produk Dalam Negeri (PDN) melalui Non e-Tendering & e-Purchasing Transaksional dan Pencatatan	56.07205217	25.42354801	30.64850416	
6,4 Transaksi Penggunaan Produk Dalam Negeri (PDN) melalui Bela Pengadaan	1.16228334	0.10295139	1.05933195	
<b>C. Penyalangan Penggunaan Produk Dalam Negeri</b>				
1	Alokasi PDN Dalam RUP	91.71%	86.62%	97.43%
2	Transaksi Belanja PDN	89.50%	85.34%	95.06%
<b>D. Alokasi Belanja Barang/Jasa untuk Produk UMK</b>				
1	Alokasi UMK dalam RUP	56.58%	33.28%	82.74%
2	Transaksi Belanja Produk UMK	37.33%	15.45%	65.83%

Sumber Data :  
1. SIRUP dan SPSE per tanggal 12 Agustus 2024 (diteliti)  
2. Data APBD TA.2024 memakai data APBD TA.2023 serta klarifikasi data dari Pemerintah Daerah  
3. Data APBN berdasarkan Perpres Nomor 76/2023 tentang Bincian Anggaran Pendapatan dan Belanja Negara Tahun Anggaran 2024, Akun 52 dan Akun 53 serta klarifikasi data dari Kementerian/Lembaga

Figure 2. Performance Report on the Implementation of Procurement of Goods/Services in Ministries/Institutions/Regional Governments in 2024 (in Trillions of Rupiah)

Source: (pmep.lkpp.go.id, 2024)



The following are some of the challenges faced in the implementation of e-procurement:

**A. Human Resource Capability**

1. Inadequate staff knowledge of IT systems
2. Inadequate understanding of e-procurement implementation from suppliers
3. Suppliers' non-participation in e-procurement procedures
4. The provider's inability to conduct an evaluation.

**B. Infrastructure Condition**

1. Infrastructure Condition: The absence of IT facilities owned by the agency
2. Insufficient bandwidth for data entry
3. Inadequate defense against malware or hacker attacks on application security
4. Thus, Indonesia has gradually implemented e-procurement, which significantly improves operational efficiency and saves costs.

However, the problems faced include lack of skills and knowledge about e-procurement, lack of financial support, and lack of security system assurance. Solutions that can be done include using the Procsi application as an e-procurement solution for businesses, and importantly, using an e-procurement system that is integrated with supply chain management to streamline the entire procurement process, and using an e-procurement system that facilitates digital, interactive, and integrated procurement.

## **2. E-Procurement in Malaysia**

In 1999, e-procurement was officially introduced in Malaysia as a project under the MSC master plan, and it is also one of the Great Electronic Government projects. The government uses information technology (IT) systems to negotiate contracts to purchase goods and services or to obtain them in return for payment. This process is called e-procurement (Latifah et al. A Kadir, 2018). Malaysian Government Procurement has a policy that has suggested e-procurement as a way to encourage more small and medium-sized businesses (SMEs) and help them operate more efficiently by establishing an internet connection between the government and vendors or suppliers. Connection speed is one factor affecting how well the public views e-procurement services; slow and lengthy download times can negatively impact users' opinions of the service and create the impression that its quality has decreased. A well-designed website or portal can improve the perception of quality and increase consumer happiness. The distance between what customers need and what they perceive as the service they receive and their satisfaction with a particular good or service can be used to determine the quality of a particular service. One of the main factors affecting consumer happiness on the Internet is the caliber of electronic services, which is also considered a tool for discussing customer demand.

The implementation of e-procurement in Malaysia has been done as part of efforts to improve the efficiency and transparency of the product and service procurement process. The system was introduced by the Malaysian government as one of the Electronic Government Flagship projects is a critical component of the Multimedia Super Corridor (MSC) in Malaysia, which aims to create a digital economy and knowledge-based society to help the government and service providers interact electronically in the procurement process. In Malaysia, the





Electronic Government Flagship is managed by MY EG Services Berhad, a concessionaire appointed by the government to develop and operate e-government infrastructure and services. The company is responsible for designing, developing, and implementing various e-government applications and services, including the E-Services platform, which enables the public to conduct transactions with government agencies online. In Malaysia, the Multimedia Super Corridor (MSC) was established in 1996 under the Seventh Malaysia Plan to boost the information, communication, and technology (ICT) industry. The e-procurement system used in Malaysia is known as e-Perolehan.

In line with the World Bank's public procurement principles, Malaysia has established five public procurement principles: public accountability, transparency, value for money, open and fair competition, and fair dealing. The Chairman of Transparency International Malaysia, Datuk Seri Akhbar Satar, stated that the decline in Malaysia's Corruption Perception Index (CPI) score from 50% in 2015 to 47% in 2017 was due to the lack of transparency in the country's public procurement system which allows for widespread corruption at various stages of procurement activities (Ahmad et al., 2023). The following three categories must be met before any procurement can occur in Malaysia: works, equipment, and service contracts. The following are the procurement methods used in Malaysia:

1. **Direct Purchase:** Under this procedure, government orders can be issued to suppliers of goods or services who regularly provide goods of acceptable quality at reasonable prices, allowing direct purchase of supplies and services up to a value of RM50,000. Contractors registered with the Construction Industry Development Board (CIDB) Malaysia and the Contractor Service Center (CSC) can obtain contracts to purchase works up to RM20,000.
2. **Quotations:** A request for quotations must be made for supplies and services worth at least RM50,000 but not more than RM500,000. A minimum of five quotations must be submitted. Any supplier wishing to participate in the tendering process must be registered with the government. A request for bids is used to procure work worth more than RM20,000 to RM500,000; at least five bids must be submitted. Any contractor wishing to bid must be registered with CIDB and PKK.
3. **Tender procedures** must be used when purchasing goods, services, or construction above RM500,000. To be eligible for local tenders, contractors must be registered with the government. International tenders will be requested if locally produced goods or services are unavailable. Joint venture tenders between local and international contractors may be held to encourage technology transfer for specific works if local contractors need to gain the necessary knowledge and resources. Only in cases where joint ventures are not possible, or local contractors need the required skills and competencies may international tenders for the work be held.
4. **Registered Contractors:** To participate in GOM procurement, any person, business, or legal entity must register with the Ministry of Finance in Malaysia and the applicable Ministries and Agencies. The registration process ensures that all businesses or contractors are legitimate, dedicated to their industry, and capable of completing tasks or providing and delivering services.



A procurement system is an essential component of an organization's supply chain system, which involves procuring specific required resources from external parties. In supply chain management, procurement is described as adopting technological systems in the procurement stages involving ordering, procurement, tendering, auctioning, and negotiation. E-procurement methods are categorized into five main applications: E-ordering, E-sourcing, E-tendering, E-reverse Auction, and E-informing (Tiwari et al., 2019). First and foremost, E-ordering utilizes an electronic collection of data that includes orders, requests, and information received by customers and an organization's storage database. The responsible department will analyze this data. The ordering process seems easy, but it is one of the significant challenges for suppliers and buyers. E-sourcing is mainly described as identifying and selecting suppliers based on their specific procurement needs. E-tendering is an application where invoices and purchase requests are sent to suppliers. It is a secure platform that allows buyers and suppliers to conduct online transactions. The e-tendering system covers the process of tender requirements to contract placement, as documents will be exchanged electronically. In addition, an E-reverse auction refers to an online bidding process conducted in real time where suppliers compete for the business or contract awarded by the buyer. E-informing is also an approach to gathering information regarding purchases from supplier buyers using web-based technology.

About 120,000 suppliers are registered with the Malaysian Ministry of Finance, but only 50,000 suppliers have e-Perolehan, and only 6,000 are active users of this system. According to the 2016 e-Perolehan Report, online e-procurement transactions decreased from 2014 to 2015, and the overall number of transactions decreased from 1,577,740 to 1,540,314. E-procurement implementation in Malaysia involves SIRIM; SIRIM acts as an independent organization that manages ecolabeling and GPP (Green et al.) standards. SIRIM also developed 97 documents that have 13 SNI Ecolabeling Criteria. One of the procurement implementations used by Malaysia is SAP Ariba, a cloud-based procurement platform that facilitates direct and indirect procurement, e-commerce, and supplier collaboration. The platform is designed to integrate seamlessly with the Ariba Network, a large community of more than 4.6 million connected companies. SAP Ariba simplifies procurement by offering guided buying and direct buying capabilities, along with supplier and catalog enablement.

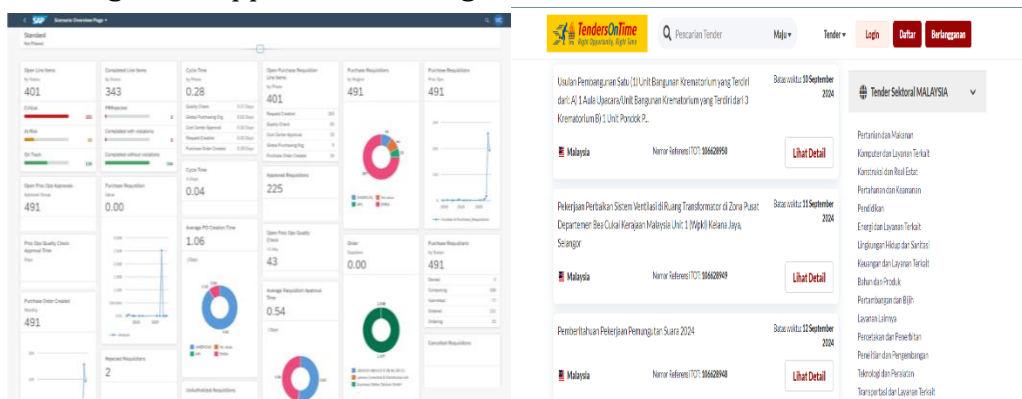


Figure 3. Malaysian procurement using SAP Ariba and Forms of Procurement in Malaysia  
Source: (hashmicro.com, 2024 and tendersontime.com, 2024)



Several problems inherent in e-procurement prevent the Malaysian government and service providers from maximizing the value of the e-procurement system, such as the cost before suppliers can use e-procurement, infrastructure, user skills, and lack of bandwidth support, and poor information and computing system architecture prevent them from using e-procurement. Thus, Malaysia has great potential to improve operational efficiency and effectiveness by improving service quality, user skills, and infrastructure.

#### 4. Conclusion

Malaysia and Indonesia have implemented e-procurement, with Indonesia officially adopting it in 2008 and Malaysia in 1999. Both countries have focused on increasing transparency to combat corrupt practices. Malaysia's strong commitment to combating corruption is evident in the dedication of its company management to e-procurement, a factor that significantly contributes to the success of the system. Indonesia's public procurement system is known as E-Procurement, while Malaysia's is known as E-Perolehan. One of Malaysia's e-procurement implementations is through SAP Ariba. Malaysia and Indonesia conducted Peer Exchange activities to exchange experiences and knowledge about Ecolabeling and GPP. This aims to develop better Ecolabeling and GPP products in both countries. Also, in terms of technology, Indonesia and Malaysia prioritize technological reforms by providing various guidelines to each country's public so that the public can also know how to access the e-procurement platforms of both countries and transparently know the reports or various types of auctions that exist. Overall, procurement in Indonesia and Malaysia share similar principles of transparency and efficiency. However, the differences in regulatory structures and e-procurement implementation show that both countries have unique approaches to managing public procurement.

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