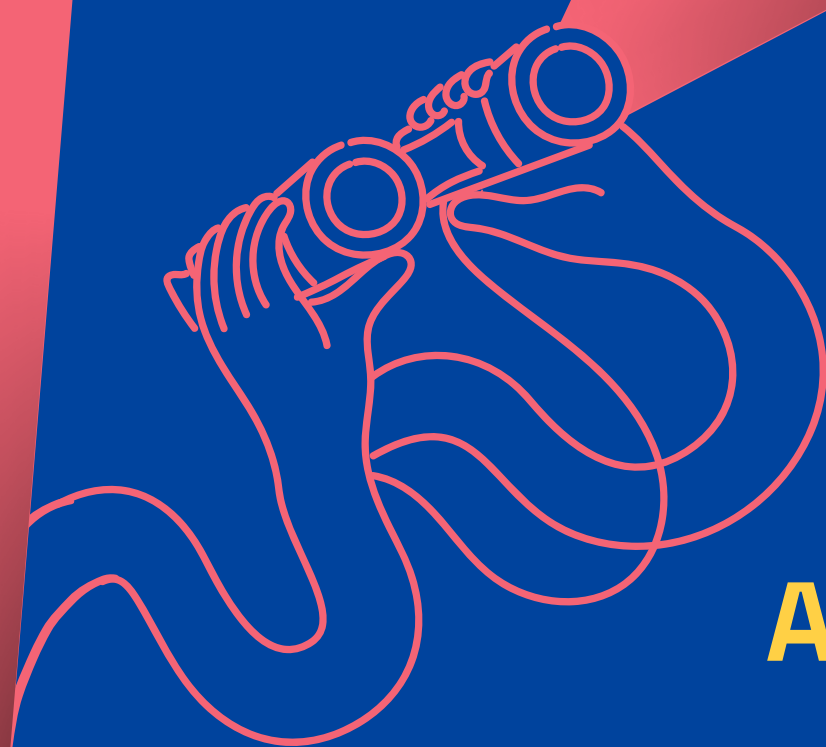




PERFORMANCE ASSESSMENT OF PUBLIC PROCUREMENT SUPPLIERS



**Promoting Public
Accountability and
Oversight:
A Comparative Review
with Practices in the
United States and Canada**

Indonesia Corruption Watch

PERFORMANCE ASSESSMENT OF PUBLIC PROCUREMENT SUPPLIERS

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Oversight: A Comparative Review with
Practices in the United States and Canada

Author

Erma Nuzulia Syifa

Editor

Siti Juliantari Rachman
Wana Alamsyah

Reviewer

Adnan Topan Husodo

Published by

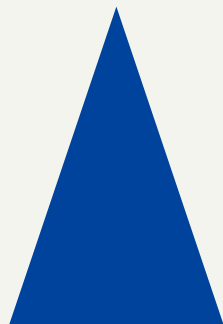


Indonesia Corruption Watch

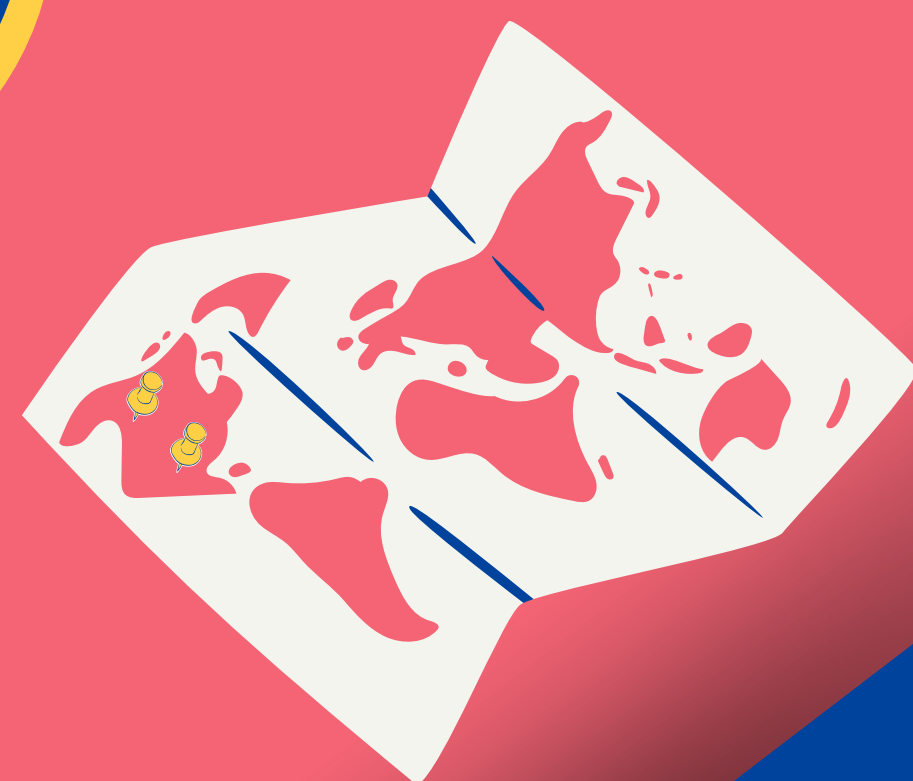
Jalan Kalibata Timur IV/D No.6,
South Jakarta, DKI Jakarta

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EXECUTIVE SUMMARY



Public procurement is one of the public sectors that is highly vulnerable to corruption. The government intends to mitigate this risk by having in place a supplier performance assessment policy that is executed using the Supplier Performance Information System (SIKaP). Procurement Officials (POs) can assess the performance of their suppliers using this system.



POs' responsibility to carry out performance assessment on suppliers is regulated in Presidential Regulation No. 16 of 2018 concerning Public Procurement. The technical detail of this assessment is governed in the National Public Procurement Agency (NPPA) Regulation No. 4 of 2021 concerning the Development of Business Entities in Public Procurement (NPPA Regulation No. 4 of 2021).

The implementation of supplier assessment is considered not yet optimal. In 2022 and in 2023, the rate of assessment performed by POs was below 20 per cent. Considering this, there is a need to evaluate POs' performance assessment activities to understand how supplier assessment is carried out and obstacles that hinder its implementation.

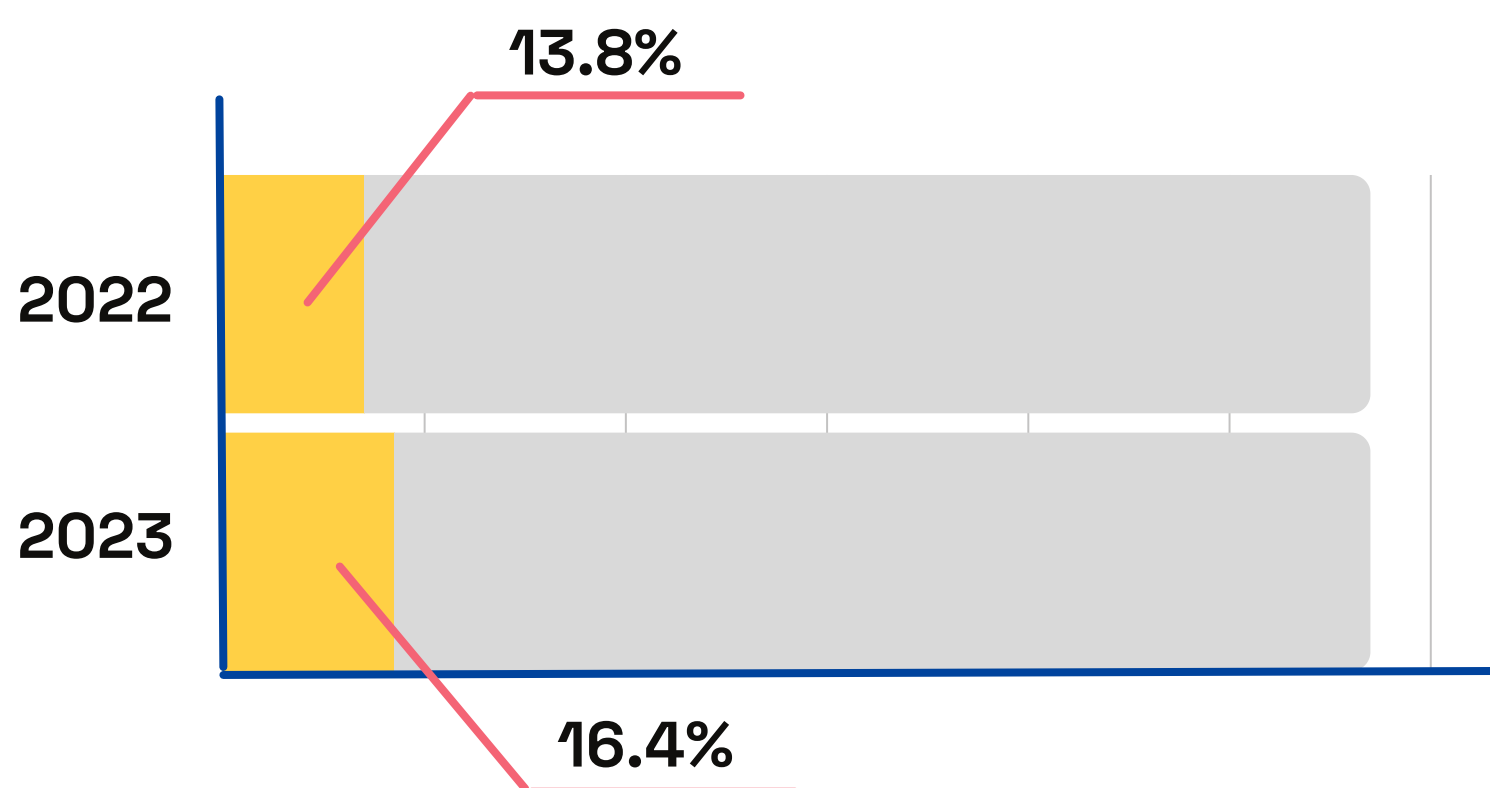
The assessment method outlined in NPPA Regulation No. 4 of 2021 can be improved to strengthen the assessment's objectivity and make the assessment more representative of the work carried out. The method is analyzed and benchmarked against practices in the United States (U.S.) and Canada that use similar assessment method with Indonesia.

This policy paper is an empirical normative study that employs a qualitative method. This paper utilizes legal and regulatory, empirical, and comparative law approaches. The data were collected from primary (through interviews and focus group discussions) and secondary (laws, regulations, academic literature) sources.

This policy paper focuses on the implementation and challenges in carrying out performance assessment in SIKaP. Therefore, any other type and means of performance assessment is excluded. Additionally, this policy paper was prepared from June to August 2024. It is likely that regulations and data cited in this policy paper have evolved since this paper was drafted and published.

1. SUPPLIER PERFORMANCE ASSESSMENT BY POs

A mandate of Presidential Regulation on Public Procurement, performance assessment of suppliers is carried out by POs. The NPPA has issued NPPA Regulation No. 4 of 2021 to provide POs with the rules on how to execute such assessments.

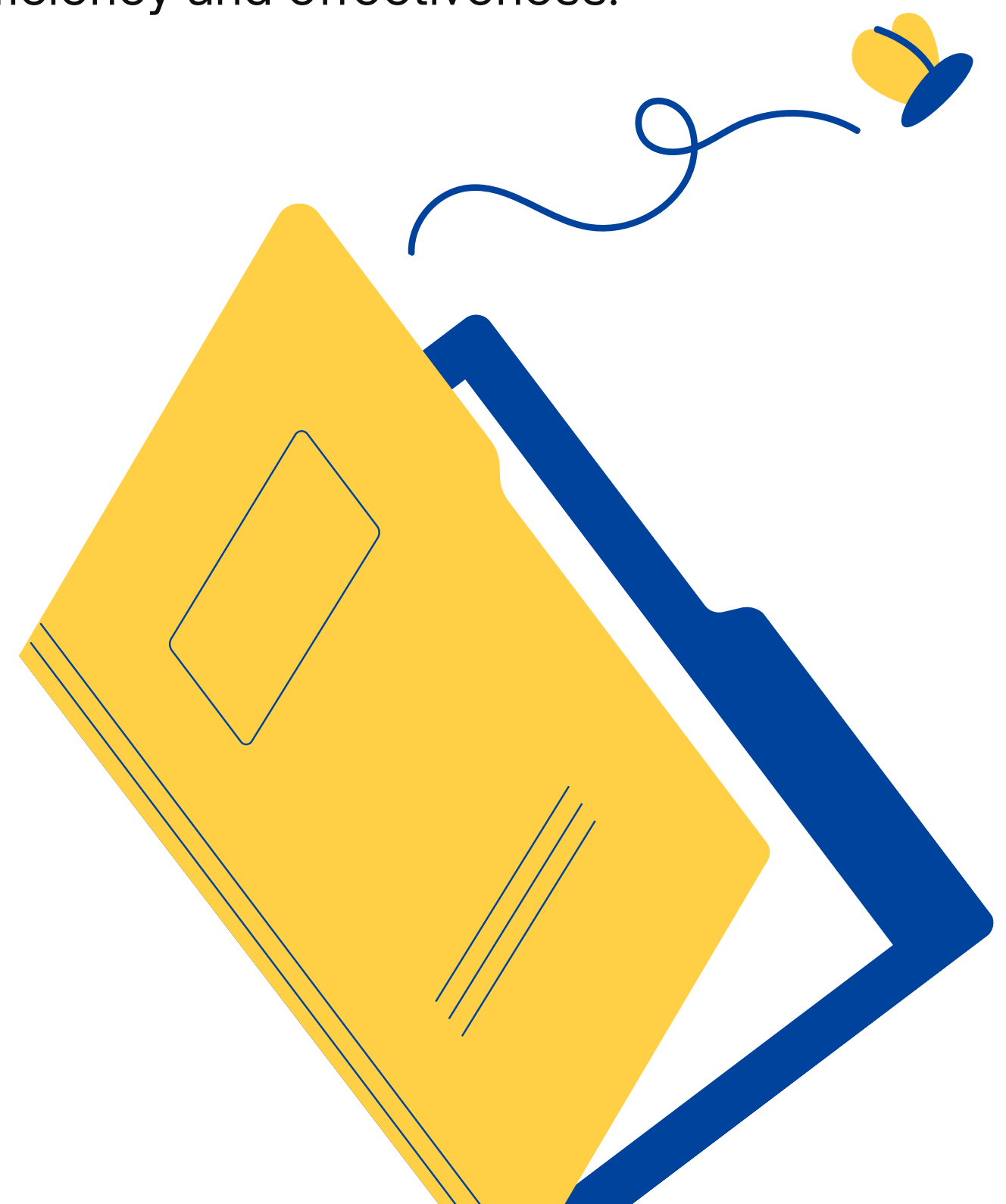


In 2022, POs assessed just 13.8% of public contracts and only 16.4% in 2023.

Our study finds that, of 3 (three) public entity buyers (ministry, institution, and local government), local government buyers conducted the least assessment in both years, namely just 13.23% in 2022 and 15.19% in 2023.

One of the factors that contribute to the low assessment rate is the lack of enforcement even though performance assessment is one of the most important ways to ensure that public contracts are carried out as planned. Performance assessment is also a way to achieve budget efficiency and effectiveness.

There are both qualitative and quantitative challenges of POs. Of the three entity types mentioned above, local government buyers carry out the least performance assessment activities. The lack of manpower and awareness towards the importance of supplier assessment among local governments contribute to this issue.



2. METHODS OF SUPPLIER ASSESSMENT IN THE U.S. AND CANADA

The U.S. and Canada were chosen as benchmarks considering that assessment methods used in both countries are similar to Indonesia's. There are differences in terms of assessment criteria, score range, assessment period, assessor's feedback, and findings, and coaching provided to problematic suppliers.

In Indonesia, there are 4 (four) assessment criteria, namely specifications (quality and quantity), cost, time, and services. The U.S. has 6 (six) criteria, namely specifications, costs, time, management, assessment of subcontractors (if any), and legal and regulatory compliance. Meanwhile, Canada has 4 (four) criteria, namely specifications, costs, time, and management.

The score range that is applicable in Indonesia is between 1—3, while both the U.S. and Canada apply a score range of 1—5. The implication of a shorter score range is that the assessment will need to be more rigid and may be less objective.

In Indonesia, assessment of supplier performance takes place upon the completion of work, termination of contract due to force majeure, and unilateral termination of contract by the PO due to supplier's poor performance. In the U.S., supplier performance assessment is carried out annually with the possibility of an interim assessment. On the other hand, Canada carries out its assessment every 6 (six) months and upon completion of work.

In Indonesia and Canada, suppliers as the assessed cannot raise any comments or feedback. In the U.S., however, suppliers are given the opportunity to report their feedback or comments on the assessments carried out by their contracting authorities.

In Indonesia, the U.S., and Canada, performance assessment findings are used to consider a supplier's eligibility to participate in future tenders. The U.S. and Canada, however, also use their assessment findings for supplier development purposes. For example, in the U.S., a poor-performing supplier will be required to formulate a corrective action plan (CAP) and attend coaching sessions. In Canada, any supplier that performs poorly in their assessment for three consecutive years may be suspended and is required to demonstrate their internal evaluation process.

3. RECOMMENDATIONS

This policy paper identifies 3 (three) recommendations, namely regarding the implementation of performance assessment, changes in assessment methods, and coaching for poor performers. Together, these recommendations broadly suggest for changes and updates to be made to NPPA Regulation No. 4 of 2021.

First

There needs to be a time bound on performance assessment by POs. Performance assessment also needs to be linked with systems such as SAKTI so that POs can immediately proceed with the assessment once they complete contract payment or financial disbursement. Additionally, POs' capacity needs to be improved, especially among local governments that so far record the least performance assessment on their suppliers.

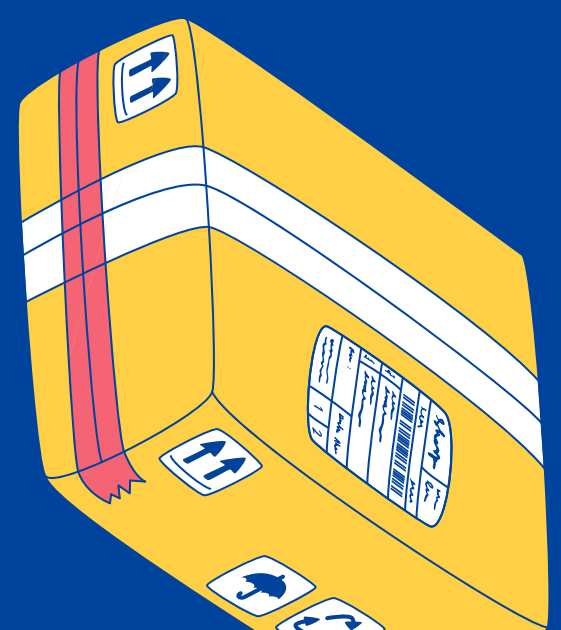
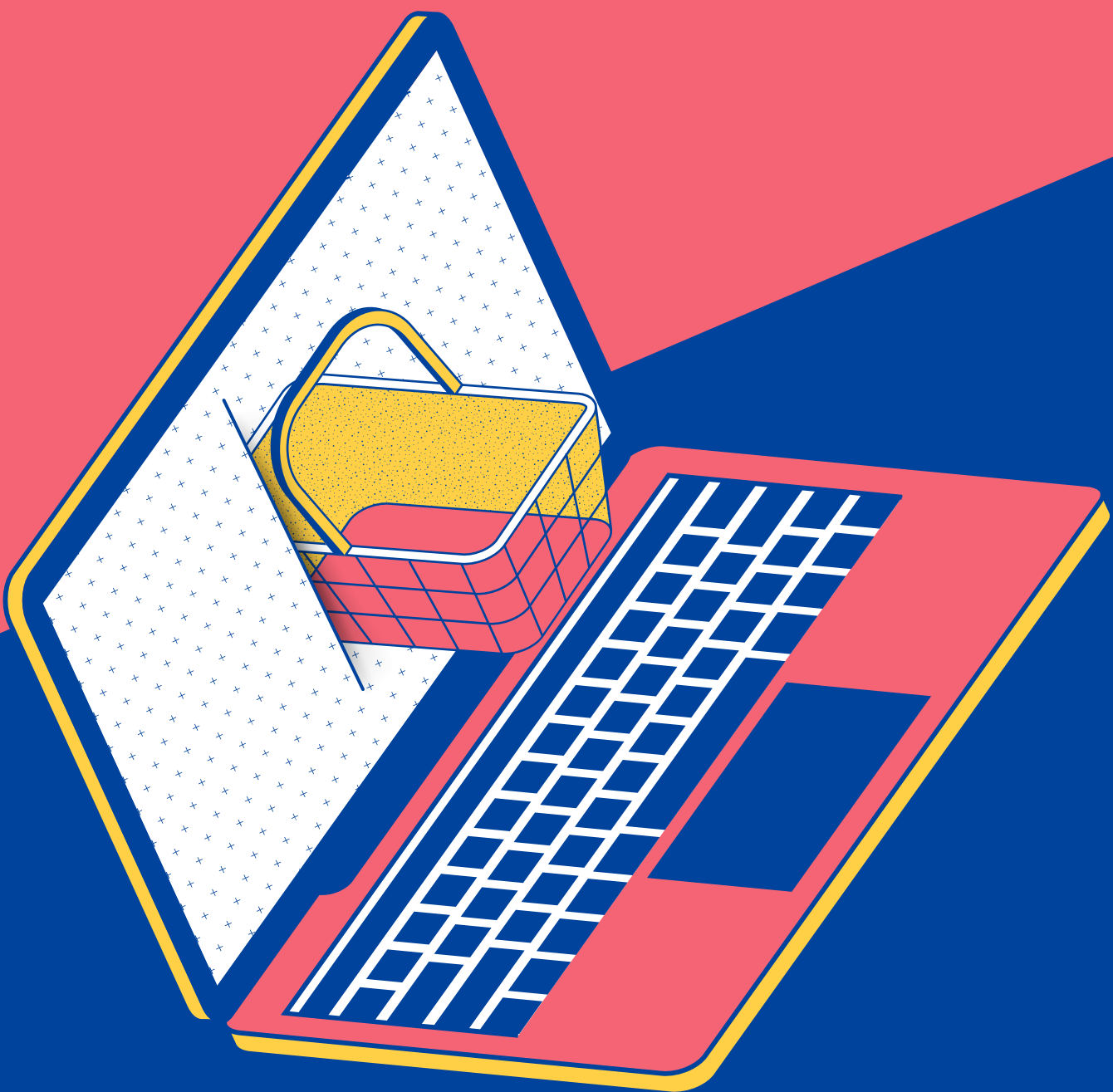
Second

There needs to be changes in methods and indicators of performance assessment. The changes include period of assessment, assessment criteria, and score range. Assessment period can be improved into periodic assessment, for instance every 6 months, and POs may also be provided with the discretion to conduct an interim assessment. In terms of scoring, the score range may be expanded from 1—3 to 1—5 to make assessment more objective and more accurately reflecting contract conditions.

Third

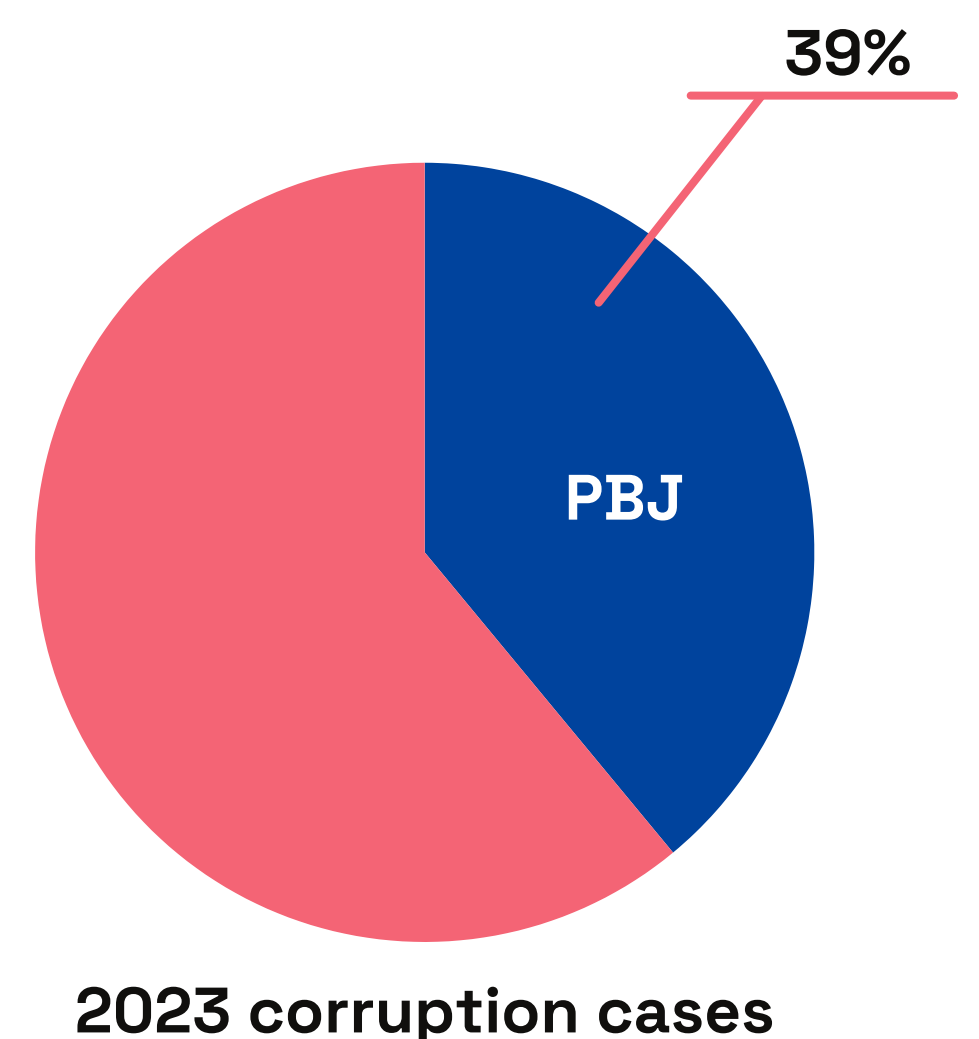
Poor-performing suppliers need to be coached. Suppliers with low scores can be coached by the NPPA so that they can assess their own performance. Coaching is intended to build the capacity of suppliers and to inform subsequent procurement activities.

INTRODUCTION



1. BACKGROUND

Public procurement is one of the sectors that is highly vulnerable to corruption. In 2023, according to ICW data, as much as 39% of corruption cases occurred in public procurement.¹ Public procurement is also one of the high-risk sectors and corruption in this sector is one of 2 (two) of the largest case categories investigated by the Corruption Eradication Commission (KPK). The data from KPK statistics show that, by case types, cases with public procurement element have increased to 339 cases since 2004 and totaled to 62 cases in 2023 alone.²



Public procurement is essential in national development, for example in the provisioning of transportation facilities, education, and health services. Corruption in the public procurement sector is detrimental to the state's finances, compromises the quality of public services, and exacerbates social inequality.³

The policy on supplier performance assessment is part of the government's efforts to prevent corruption in public procurement. This is stated in Presidential Regulation No. 16 of 2018 concerning Public Procurement as amended in Presidential Regulation No. 12 of 2021 (PR on Public Procurement). As a follow-up to the PR on Public Procurement, the National Public Procurement Agency (NPPA) issued NPPA Regulation No. 4 of 2021 concerning the Development of Public Procurement Suppliers (NPPA Regulation No. 4 of 2021).

The purpose of supplier performance assessment is to ensure that procurement activities are carried out according to plan.⁴ In addition, it also provides the government with the means to fulfill its public accountability mandate.⁵ Nevertheless, the realization of performance assessment is relatively low. In 2022, POs only assessed 13.8% of public contracts.⁶ In the following year, POs

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1. Indonesia Corruption Watch, "Laporan Hasil Pemantauan Tren Korupsi Tahun 2023" [Report on Corruption Trends Monitoring in 2023], May 2024, p. 18.
 2. Corruption Eradication Commission, "Statistik KPK Berdasarkan Jenis Perkara" [KPK Statistics Based on Case Type], accessed at <https://www.kpk.go.id/id/statistik/penindakan/tpk-berdasarkan-jenis-perkara> on June 20, 2024.
 3. Dicky Hermawan, et al., "Analisis Dampak Korupsi dalam Pembangunan Infrastruktur di Negara Berkembang" [Analysis on the Impact of Corruption in Infrastructure Development in Developing Countries], *Journal of Social Science Research* 4 no. 1 (2024), p. 4260.
 4. Point 5.1 Appendix I, NPPA Regulation No. 4 of 2021 concerning the Development of Business Entities in Public Procurement (State Gazette of the Republic of Indonesia Year 2021 Number 486).
 5. Riski Syandri Pratama, "Pengukuran Kinerja Penyedia menggunakan 9 Box Matrix by McKinsey" [Supplier Performance Measurement using 9 Box Matrix by McKinsey], *Indonesian Procurement Journal* 1 no. 2 (2022), p. 64. <https://doi.org/10.59034/jpi.v1i2.9>.
 6. Supplier Assessment by Buyer in 2022, data as of August 8, 2024. Retrieved from <https://lookerstudio.google.com/embed/reporting/9018b0f8-4a71-4a72-86bd-6647f46ae2e3/page/57mVD>, accessed on August 22, 2024.

assessed 16.4% of public contracts.⁷ It is therefore necessary to understand the barriers that hinder procurement officials from assessing the performance of their suppliers.

The selection of non-credible suppliers with poor track record can lead to budget inefficiencies and time ineffectiveness.⁸ In line with the purpose of performance assessment, this exercise should inform the government in screening problematic suppliers. On the other hand, supplier performance assessment can also support public scrutiny. However, these goals will not be realized if POs do not carry out the assessment.

Aside from Indonesia, countries such as the U.S. and Canada also adopt a similar performance assessment method. The U.S. implements the Contractor Performance Assessment Reporting System (CPARS), while Canada implements Vendor Performance Management Policy (VPMP). While CPARS and VPMP are similar to Indonesia's method, there are also some differences. Some examples of these differences are specific periods of performance assessment, the mechanism for suppliers to raise their feedback, and supplier evaluation and coaching. These features can be considered by Indonesia to strengthen its supplier performance assessment.

Against this background, this policy paper examines two issues. First, the barriers to implementing supplier performance assessment. Second, a comparison of Indonesia, the U.S., and Canada's practices in conducting the assessment.

2. PROBLEM STATEMENT

This policy paper analyzes 2 (two) questions:

- a. How is the supplier performance assessment implemented by POs in SIKaP, and what are the barriers?
- b. How does the supplier performance assessment method compare in Indonesia, Canada, and the U.S.?

7. Supplier Assessment by Buyer in 2023, data as of August 8, 2024. Retrieved from https://lookerstudio.google.com/embed/reporting/9018b0f8-4a71-4a72-86bd-6647f46ae2e3/page/p_eo96ypzi7c, on August 22, 2024.

8. Ismail Abdi Canghalima, et al., "Supplier development and public procurement performance: Does contract management difficulty matter?" *Cogent Business & Management* 9 (2022), p. 3. <https://doi.org/10.1080/23311975.2022.2108224>.

3. OBJECTIVE

This policy paper has 2 (two) objectives, namely:

- a. Analyze the implementation of and barriers to supplier performance assessment in SIKaP;
- b. Analyze the comparison of assessment methods and indicators used in Canada and the U.S.

4. METHODOLOGY

This policy paper is an empirical normative study that examined the factual implementation of laws and regulations.⁹ The regulations that this paper analyzed are the regulations related to supplier performance assessment, namely the PR on Public Procurement and NPPA Regulation No. 4 of 2021.

To analyze the implementation of supplier performance assessment, this paper employed legal and empirical approaches. Using a legal approach, this paper analyzed the laws and regulations that are relevant to supplier performance assessment, while through an empirical approach this study investigated how supplier performance assessment has been conducted.

This paper also employed literature study to examine how the laws and regulations govern the assessment of supplier performance. In addition, a field study was conducted to analyze the implementation of PR on Public Procurement and NPPA Regulation No. 4 of 2021, especially the provisions on supplier performance assessment.

The field study was carried out as a focus group discussion (FGD). The first FGD was held on July 24, 2024, and convened the NPPA team in Jakarta. The theme of the FGD was the System, Concept, and Implementation of Supplier Performance Assessment in SIKaP. The second FGD was held on August 13, 2024, with the NPPA and the team in charge of the National Strategy on Anti-Corruption in Jakarta, themed Supplier Performance Assessment in Indonesia and Its

9. Muhaimin, *Metode Penelitian Hukum [Legal Research Methods]* (Mataram Press: NTB, 2020), p. 115.

Comparison with Other Countries. In addition, an interview was conducted on August 29, 2024, with the Directorate of Strategic Development and Public Procurement of NPPA to understand how supplier performance assessment is being used.



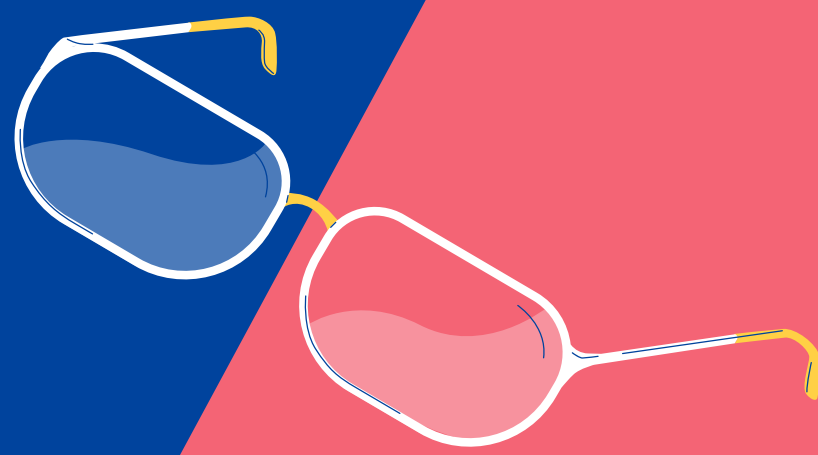
To analyze the comparison between methods and the use of supplier performance assessment in Indonesia, Canada, and the U.S., this study employed legal and comparative law approaches. In the legal approach, this study refers to the NPPA Regulation No. 4 of 2021, specifically Appendix I concerning supplier performance assessment. The comparative law approach was used to compare NPPA Regulation No. 4 of 2021 with Title 48. Federal Acquisition Regulations System and Supplier Performance Management System. This policy paper specifically examined the provisions related to the assessment of supplier performance.

This paper conducted qualitative analyses on the data collected in this study, which explained the implementation of supplier performance assessment and its comparison between practices in the United States, Canada, and Indonesia.

5. SCOPE

The scope of this policy paper comprises at least 2 (two) aspects. First, this paper examined the implementation and barriers to performance assessment carried out in SIKaP based on the NPPA Regulation No. 4 of 2021. In terms of timeline, this policy paper started in June 2024 and was completed in August 2024. To enrich this policy paper, the assessment methods in Canada and the U.S. are discussed as benchmarks to inform Indonesia's performance assessment method.

OVERVIEW



1. OVERVIEW OF PUBLIC PROCUREMENT



Public procurement is the process of purchasing, leasing, or acquiring various types of goods, services, work, and other types of provisioning based on agreements or contracts that are prepared by the government and suppliers within the scope of the public sector.¹⁰ Public procurement can also be defined as the process of purchasing goods and service contracting through public funding, such as the state budget, local government budget, public foundation funds, government-guaranteed domestic or foreign loans, foreign aid, or revenues generated by economic activities of the state.¹¹

In the context of the Indonesian legal system, public procurement currently not regulated by its own specific law. Legal provisions concerning public procurement can be found in Presidential Regulation No. 16 of 2018 concerning Public Procurement as amended in Presidential Regulation No. 12 of 2021. Public procurement is also regulated by the NPPA as the institution that is authorized to regulate public procurement policies.

The Presidential Regulation on Public Procurement in Indonesia entails several key principles. These principles are efficiency, effectiveness, transparency, openness, competitiveness, fairness, and accountability.¹²

10. Robert Agwot Komakech, "Public Procurement in Developing Countries: Objectives, Principles and Required Professional Skills" *Public Policy and Administration Research* 6 no. 8 (2016), p. 20.

11. Robert Agwot Komakech, "Public Procurement in Developing Countries", 20.

12. Article 6, Presidential Regulation No. 16 of 2018 concerning Public Procurement (State Gazette of the Republic of Indonesia Year 2018 Number 33).

PUBLIC PROCUREMENT AIMS TO:¹³

Produce the right goods/services from every dollar spent, measured in terms of quality, time, cost, location, and supplier



Increase the use of domestic products



Increase the participation of micro and small enterprises and cooperatives; promote the role of domestic business actors



support research and development activities and the utilization of goods/services generated from R&D



increase the participation of the creative industry



realize economic equity and provide broader business opportunities; and promote sustainable procurement

13. Article 4, Presidential Regulation No. 12 of 2021 concerning the Amendment to Presidential Regulation No. 16 of 2018 on Public Procurement (State Gazette of the Republic of Indonesia Year 2021 Number 63).

2. OVERVIEW OF PERFORMANCE ASSESSMENT

Performance is the result of work that can be measured in terms of the quantity and quality of goods or services delivered by workers (business entities) based on the targets or criteria that have been agreed upon in advance.¹⁴ Meanwhile, performance measurement is the process of assessing the work against the realization of those predetermined goals and objectives, and may include information on the efficiency of the use of resources in the production of goods/services, the quality of the goods/services, the comparison of results vis-à-vis targets, and the effectiveness of actions taken by the parties in achieving the targets.¹⁵ The purpose of performance assessment is to determine the extent of achievement of goals, as a means of learning and to inform subsequent improvement, and to inform systematic consideration in decision-making.¹⁶

A performance assessment considers the following criteria to ensure objectivity:¹⁷

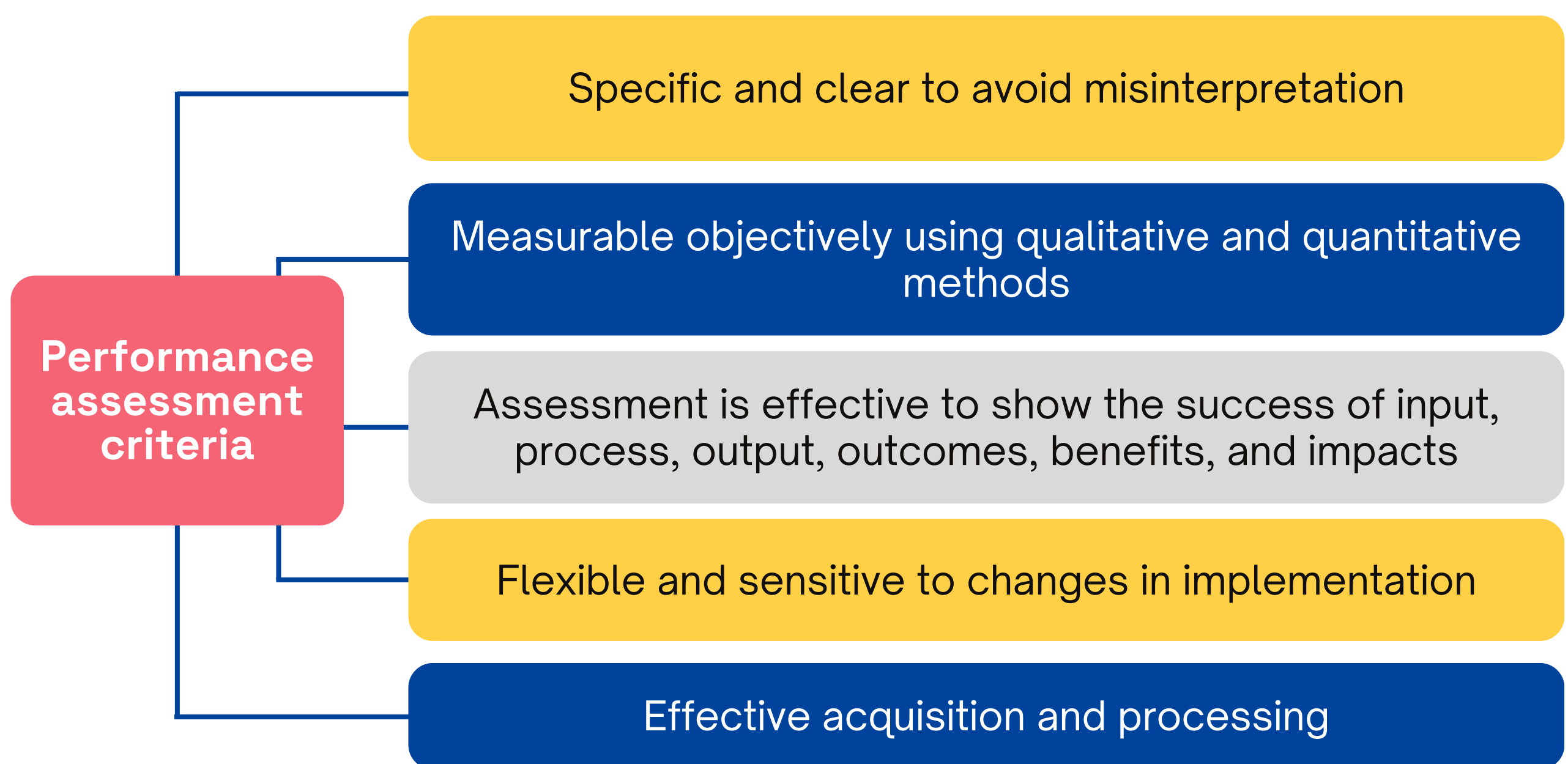


Figure 1. Performance Assessment Criteria

14. Riski Syandri Pratama, "Pengukuran Kinerja Penyedia" [Supplier Performance Measurement], 63.

15. Mahmudi, *Manajemen Kinerja Sektor Publik* [Performance Management in the Public Sector] (UPP STIM YKPN: Yogyakarta, 2019), p. 6.

16. Mahmudi, *Manajemen Kinerja Sektor Publik* [Performance Management in the Public Sector], 14.

17. Riski Syandri Pratama, "Pengukuran Kinerja Penyedia" [Supplier Performance Measurement], 64.

In addition, a good performance assessment has several ideal characteristics, namely simple, easily understood, measurable, quantifiable, associated with certain performance standards or targets, focus on service, quality, and efficiency, and regularly carried out.¹⁸

There are several key concepts in performance assessment. One of them is value for money. This concept entails the elements of economy, efficiency, and effectiveness, and this concept means putting value on money.¹⁹ Conceptually, the economy element aims to reduce the cost of resources required to maintain quality. On the other hand, efficiency aims to maximize the output generated by the acquired input. Lastly, effective means that the expected outcome is successfully gained.²⁰ To measure the level of economy, efficiency, and effectiveness, it is necessary to develop multidimensional and complex performance indicators. These indicators should include not only financial indicators but also non-financial indicators, such as satisfaction level, service quality, service coverage, and service outcomes.²¹

3. OVERVIEW OF SUPPLIER PERFORMANCE ASSESSMENT METHODS

The performance assessment of public procurement suppliers has been carried out in SIKaP since 2015. A subsystem application of the national electronic procurement system (SPSE), SIKaP manages data and information on the qualifications of businesses and the historical record of suppliers.²² SIKaP is a supplier management system that can be broadly defined as a digital platform designed for data centralization.²³

With respect to information regarding business entities and suppliers, SIKaP lists company name, corporate taxpayer's number (NPWP), company location, type of contract, status of business entity, job qualifications, job classification, and type of job classification. SIKaP also enables users to contact the business and to view the business' past tender awards.

18. Mahmudi, *Manajemen Kinerja Sektor Publik [Performance Management in the Public Sector]*, 91.

19. Mahmudi, *Manajemen Kinerja Sektor Publik [Performance Management in the Public Sector]*, 83.

20. Penny Jackson, "Value for money and international development: Deconstructing myths to promote a more constructive discussion" *The OECD Development Assistance Committee* (2012), pp. 1-2.

21. Mahmudi, *Manajemen Kinerja Sektor Publik [Performance Management in the Public Sector]*, 90.

22. SIKaP homepage, accessed at sikap.lkpp.go.id, accessed on June 12, 2024.

23. Shannon Smith, "What is a Supplier Management System?" accessed at <https://www.gatekeeperhq.com/blog/supplier-management-system-vms>, on June 13, 2024.

Supplier performance assessment is a mandate of Article 11 Paragraph (1) of the PR in Public Procurement. Performance assessment is a set of activities and process to evaluate and measure the performance of suppliers based on predetermined indicators in completing their contracts.²⁴ This assessment is carried out through SIKaP as the supplier management system pursuant to NPPA Regulation No. 4 of 2021.²⁵ The NPPA regulation also stipulates the principles of performance assessment, namely: simple, easy, and applicable; transparent, objective, proportional; and professional and with integrity.

Before NPPA Regulation No. 4 of 2021 came into effect, suppliers' performance assessment followed category and weighting methods.²⁶ The categorization method was a qualitative method that focused on quality, quantity, service, and cost dimensions. The final assessment predicates given at the end of the evaluation period were:²⁷



After the categorization method, the NPPA applied the weighting method. This method used weights for each selected indicator. The weighting method was developed based on two criteria, namely the procurement of goods and the procurement of services. This method was evaluated and findings showed that they were complicated methods, which led to method improvements.²⁸ After NPPA Regulation 4/2021 was issued, all assessments are now carried out using the performance assessment method listed in Appendix I of the Regulation.²⁹

Supplier performance assessments conducted by POs are used for all types and methods of procurement.³⁰ Nevertheless, the NPPA sets aside a specific supplier performance evaluation for e-purchasing, and assesses the supplier's response, product accuracy, service, delivery promptness, and additional evaluations.³¹

24. Part V, Appendix I of the Regulation of the NPPA No. 4 of 2021 concerning Development of Business Entities in Public Procurement (State Gazette of the Republic of Indonesia Year 2021 Number 486).

25. Part V, Appendix I of the Regulation of the NPPA No. 4 of 2021 concerning the Development of Business Entities in Public Procurement (State Gazette of the Republic of Indonesia Year 2021 Number 486).

26. Focus group discussion with the NPPA and Anti-Corruption National Strategy on August 13, 2024, at the Wyndham Hotel, Jakarta.

27. Focus group discussion with the NPPA and Anti-Corruption National Strategy on August 13, 2024, at the Wyndham Hotel, Jakarta.

28. Interview with Emin Adhy Muhaemin, Director of General Procurement Strategy and Policy Development of NPPA on August 29, 2024.

29. Interview with Emin Adhy Muhaemin, Director of General Procurement Strategy and Policy Development of NPPA on August 29, 2024.

30. Interview with Emin Adhy Muhaemin, Director of General Procurement Strategy and Policy Development of NPPA on August 29, 2024.

31. Lenggogeni Amelia Puti Chaidir and Elisa Susanti, "Implementasi e-Purchasing pada Proses Pengadaan Barang dan Jasa Secara Elektronik di Kecamatan Tebet Jakarta Selatan" [Implementation of e-Purchasing in Electronic Public Procurement in Tebet Sub-District, South Jakarta] *Journal of Islamic Economics and Business Studies* 5 no. 8 (2024), p. 3628.

The NPPA regulation also defines 3 (three) conditions as to when POs perform supplier performance assessment, namely:



Supplier has handed over the outputs of their performance to the PO, certified with Minutes of Handover (MoH) or Minutes of Final Handover/FHO;



The PO terminates contract due to force majeure and that work performance cannot be continued/completed; or



The PO terminates contract due to supplier's poor performance.

Supplier performance assessment focuses on four aspects, namely:³²

Aspec	Indicator	Weight
Quality and quantity	Conformity	30%
Cost	Cost control capability	20%
Time	Timeliness	30%
Service	Communication and response rate	20%

Table 1. Aspects and weights of supplier performance assessment in Indonesia

32. Regulation of the National Public Procurement Agency of the Republic of Indonesia No. 4 of 2021 concerning the Development of Business Entities in Public Procurement (State Gazette of the Republic of Indonesia Year 2021 Number 486).

The aspects in Table 1 are expressed as follows in the scoring system:³³

Criterion	Score	Description of Performance Indicator Achieved
Quality and Quantity of Work		
Sufficient	1	>50% of output requires improvement/replacement to meet the standards set out in the contract
Good	2	≤50% of output requires improvement/replacement to meet the standards set out in the contract
Very Good	3	100% output are in conformity with the standards set out in the contract
Cost		
Sufficient	1	a. Supplier fails to communicate conditions/incidents that potentially incur additional costs early on; and b. Supplier proposes contract amendments that potentially create additional costs without strong justification, and the proposition is rejected by the PO
Good	2	Supplier meets one of the criteria in the “Sufficient” category
Very Good	3	Supplier demonstrates robust cost control and informs early on about conditions that potentially incur additional costs; contract amendments proposed based on strong justification, allowing for additional costs to be anticipated
Time		
Sufficient	1	Work completion is delayed by over 50 (fifty) calendar days from the date of delivery specified in the contract due to Supplier’s errors
Good	2	Work completion is delayed up to 50 (fifty) calendar days from the date of delivery specified in the contract due to Supplier’s errors
Very Good	3	Work is completed in a timely manner as specified in the contract or earlier as required by the PO

33. Regulation of the National Public Procurement Agency of the Republic of Indonesia No. 4 of 2021 concerning the Development of Business Entities in Public Procurement (State Gazette of the Republic of Indonesia Year 2021 Number 486).

Service		
Sufficient	1	a. Supplier has been slow in providing positive responses to the PO's requests; and b. Supplier is difficult to engage in discussions pertaining work completion
Good	2	a. Supplier responds to requests by delivering outputs as requested; or b. Supplier is easy to contact and to engage in discussions pertaining work completion
Very Good	3	a. Supplier responds to requests by delivering outputs as requested; and b. Supplier is easy to contact and to engage in discussions pertaining work completion

Table 2. Criteria and description of output achieved in Indonesia’s practice of supplier performance assessment

The following formula is employed to calculate the final score of supplier performance assessment:³⁴

Performance score
=
(quality and quantity score X quality and quantity weight) +
(cost score X cost weight) +
(time score X time weight) +
(service score X service weight)



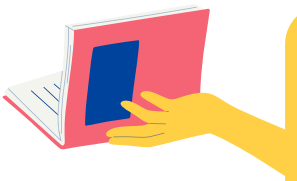
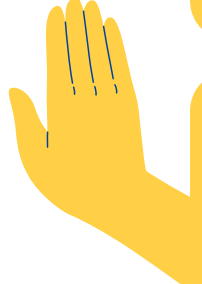
After a Performance Score is obtained, the score is adjusted to the following categories:³⁵

0	=	Poor
1 to < 2	=	Sufficient
2 to < 3	=	Good
3	=	Very Good

34. Appendix I, NPPA Regulation No. 4 of 2021 concerning the Development of Business Entities in Public Procurement (State Gazette of the Republic of Indonesia Year 2021 Number 486).

35. Appendix I, NPPA Regulation No. 4 of 2021 concerning the Development of Business Entities in Public Procurement (State Gazette of the Republic of Indonesia Year 2021 Number 486).

If a supplier's contract is terminated unilaterally by the PO, the supplier automatically receives "Poor" predicate or a 0 score. This may happen because of the following reasons:³⁶

-  **Corruption, collusion, nepotism (CCN), fraud and/or falsification of information;**
-  **Complaints about procedural irregularities, allegations of CCN and/or proven breaches of fair business competition;**
-  **Supplier is blacklisted prior to contract signing;**
-  **Supplier fails to improve its performance after 3 (three) warning letters;**
-  **Supplier fails to maintain the validity of performance bond;**
-  **Supplier is negligent/in default in satisfying its obligations and fails to correct its negligence;**
-  **Supplier is unable to complete the entire contract (without or after being given the opportunity);**
-  **supplier terminates their work for the period specified in the contract.**

Performance bond is paid out if a PO must terminate contract due to supplier's poor performance. Additionally, the remaining down payment or advance payment bond will also be paid out. The follow-up of contract termination also includes the recommendation for the supplier to be blacklisted to encourage them to improve.³⁷ The assessment results that POs carry out are publicly available on SIKaP.³⁸ However, the results only reflect the assessment per tender package and does not include the supplier's name for the package in question.

36. Interview with Emin Adhy Muhaemin, Director of General Procurement Strategy and Policy Development of NPPA on August 29, 2024.

37. Interview with Emin Adhy Muhaemin, Director of General Procurement Strategy and Policy Development of NPPA on August 29, 2024.

38. Supplier Assessment Dashboard tables, accessed at <https://lookerstudio.google.com/embed/reporting/9018b0f8-4a71-4a72-86bd-6647f46ae2e3/page/57mVD> on July 25, 2024.

4. OVERVIEW OF SUPPLIER PERFORMANCE ASSESSMENTS IN OTHER COUNTRIES

Supplier performance management systems are practiced not only in Indonesia but also in the U.S. and Canada.

A. THE U.S.

The Federal Government of the United States established the Office of Management and Budget in 1974 to design whole-government policy directions to drive economy, efficiency, and effectiveness in public procurement.³⁹ According to Global Data Barometer, the U.S. obtained a score of 73 out of 100 for data disclosure dimension in its public procurement.⁴⁰ The U.S. has several procurement application systems—each with a specific function. For example, the SAM.gov (System for Award Management) is a registration portal for potential contractors of the federal government. There is also the FPDS-NG (Federal Procurement Data System-Next Generation) that tracks all contracts issued by the federal government, while CPARS (Contractor Performance Assessment Reporting System) is designed to administer contractor performance evaluation and reporting.

The public procurement laws and regulations in the U.S. are more comprehensive compared to Indonesian law.⁴¹ Public procurement is governed by Title 48—Federal Acquisition Regulations System that consists of several sections, namely: federal acquisition, regulatory systems, definitions of words and terms, improper business practices and conflicts of interest, and administrative matters.⁴²

There are similarities between the assessment method utilized in the U.S. and in Indonesia. The U.S. has FPDS-NG, where, after a contract is completed, the contracting authority from the U.S. government then assesses contractor performance in CPARS using a set of predetermined indicators.⁴³ CPARS has 2 (two) evaluative roles, namely for the government and the contractor.

39. The Office of Federal Procurement Policy, accessed at <https://www.whitehouse.gov/omb/management/office-federal-procurement-policy/>, on July 26, 2024.

40. Global Data Barometer, "United States of America", accessed at <https://globaldatabarometer.org/country/united-states-of-america/> on July 26, 2024.

41. Beta Romadiyanti, "Government Procurement Policy: Comparative Study between Indonesia and the United States" Transformative Journal 8 no. 2 (2022), p. 195. DOI: 10.21776/ub.transformative.2022.008.02.2.

42. Beta Romadiyanti, "Government Procurement Policy", 188.

43. Contractor Performance Assessment Reporting System (CPARS), accessed at <https://www.cpars.gov/> on July 26, 2024.

For the government, CPARS enables contracting authorities to evaluate contractor performance and to see performance reviews as well as information on integrity. For the contractors, CPARS is an avenue to provide their feedback on the contracting authorities.⁴⁴

The indicators in CPARS include, at a minimum: quality, time, cost control, management, subcontracting of small contractors (optional), and legal compliance.⁴⁵ The management indicator evaluates the cohesion and coordination of entire activities that are undertaken to complete a contract. This indicator considers several information elements, namely: management's focus on customer (i.e., the government) satisfaction, engagement between the contractor and government entities, and subcontractor management (if any).⁴⁶ Moreover, the performance aspects to consider are subcontractor management, program management, and staff expertise management (in the case a contract requires subject matter experts).⁴⁷

The legal compliance indicator evaluates several aspects, such as compliance with contractual provisions, compliance with contract reporting requirements, compliance with quality assurance supervision, and compliance with integrity reports, contract confidentiality, safety requirements, environmental reports, and standards that are set out in the contract.⁴⁸ Legal compliance also means compliance with the prevailing laws and regulations that are relevant to the contract, such as environmental, safety, and labor laws.⁴⁹

In addition, CPARS provides the flexibility for the parties to adjust the assessment to the work performed. While it is not mandatory, the "Other Areas" indicator may entail innovation, sustainability and green practices, risk management, communication, and others. Assessments with flexible indicators provide opportunities for the relevant parties to tailor each job to the needs of assessments.

44. Contractor Performance Assessment Reporting System (CPARS), accessed at <https://www.cpars.gov/> on July 26, 2024.

45. Subpart 42.15, Federal Acquisition Regulation of the United States.

46. CPARS, "Guidance for the Contractor Performance Assessment Reporting System (CPARS)" (July 2024), p. 47

47. CPARS, "Guidance for the Contractor Performance", 47-48.

48. CPARS, "Guidance for the Contractor Performance", 49-50.

49. CPARS, "Guidance for the Contractor Performance", 49-50.

CPARS uses a five-scale rating as follows:⁵⁰

Rating	Score	Description of Accomplishment
Exceptional	5	Performance meets contractual requirements and exceeds many to the Government's benefit. The contractual performance of the element or sub-element being evaluated was accomplished with few minor problems for which corrective actions taken by the contractor were highly effective.
Very Good	4	Performance meets contractual requirements and exceeds some to the Government's benefit. The contractual performance of the element or sub-element being evaluated was accomplished with some minor problems for which corrective actions taken by the contractor were effective.
Satisfactory	3	Performance meets contractual requirements. The contractual performance of the element or sub-element contains some minor problems for which corrective actions taken by the contractor appear, or were, satisfactory.
Marginal	2	Performance does not meet some contractual requirements. The contractual performance of the element or sub-element being evaluated reflects a serious problem for which the contractor has not yet identified corrective actions. The contractor's proposed actions appear only marginally effective or were not fully implemented.
Unsatisfactory	1	Performance does not meet most contractual requirements, and recovery is not likely in a timely manner. The contractual performance of the element or sub-element contains a serious problem(s) for which the contractor's corrective actions appear or were ineffective.

Table 3. Definition of rating, score, and description of performance accomplishments in the U.S.

In general, the description of the accomplishment for each rating consists of 3 (three) elements, namely contract requirements, problems during contract performance, and corrective actions.⁵¹

50. Contractor Performance Assessment Reporting System, accessed at https://cpars.cpars.gov/cpars/common/helpinfo_input.action?module=cpars&scope=de&topic=Evaluation+Areas on July 25, 2024.

51. CPARS, "Guidance for the Contractor Performance", 7.

The Global Data Barometer assigns Canada a score of 76 out of 100 for the country's public procurement.⁵² Public procurement information is largely available on CanadaBuys, a relatively new public procurement platform that was launched in 2022 as a result of a procurement transformation initiative and replaced BuyandSell.⁵³ Currently, Canada is piloting its supplier performance management that aims to optimize the best value for Canadian suppliers with the Vendor Performance Management Policy (VPMP). The objectives of the VPMP are:⁵⁴

- 1 To hold poor-performing suppliers accountable and to incentivize well-performing suppliers;
- 2 To facilitate open and sustainable communication between governments and suppliers;
- 3 To establish ongoing and open communication between federal agencies and other departments regarding supplier expectations and performance to improve relationships with suppliers.

The Public Services and Procurement Canada (PSPC), as the authorized institution to design Canada's procurement policies released the VPMP as an effort to assess supplier performance.⁵⁵ The VPMP was in force on August 1, 2023, and covers 4 (four) key performance indicators (KPIs): cost, quality, time, and management.⁵⁶ Furthermore, performance assessment is carried out every 6 (six) months with the exception of short-term contracts under 12 (twelve) months that are only subject to end-of-contract assessment.⁵⁷ For its assessment rating, PSPC applies a 1—5 rating scale:⁵⁸

52. Global Data Barometer, "Canada", accessed at <https://globaldatabarometer.org/country/canada/> on July 26, 2024.

53. Marcello Sukhdeo, "CanadaBuys: A More Efficient Procurement System", Vanguard Canada, accessed at <https://vanguardcanada.com/canadabuys-a-more-efficient-procurement-system/> on July 26, 2024.

54. Government of Canada, "Managing supplier performance", accessed at <https://www.canada.ca/en/public-services-procurement/services/acquisitions/better-buying/simplifying-procurement-process/supplier-performance.html>, on July 29, 2024.

55. Public Services and Procurement Canada, "Vendor Performance Management Policy", accessed at <https://www.tpsgc-pwgsc.gc.ca/app-acq/grf-vpm/pgrf-ypmp-eng.html>, on July 26, 2024.

56. Public Services and Procurement Canada, "Vendor Performance Management Policy", accessed at <https://www.tpsgc-pwgsc.gc.ca/app-acq/grf-vpm/pgrf-ypmp-eng.html>, on July 26, 2024.

57. Public Services and Procurement Canada, "Vendor Performance Management Policy", accessed at <https://www.tpsgc-pwgsc.gc.ca/app-acq/grf-vpm/pgrf-ypmp-eng.html>, on July 26, 2024.

58. Public Services and Procurement Canada, "Vendor Performance Management Policy", accessed at <https://www.tpsgc-pwgsc.gc.ca/app-acq/grf-vpm/pgrf-ypmp-eng.html>, on July 26, 2024.

Rating	Score	Definition or achievement
Exceptional	5	The supplier's performance greatly exceeds the expected performance.
Surpassed	4	The supplier's performance exceeds the expected performance.
Very Good	3	The supplier's performance meets the expected performance.
Moderate Improvement Needed	2	The supplier's performance is below the expected performance.
Significant Improvement Needed	1	The supplier's performance is significantly below the expected performance.

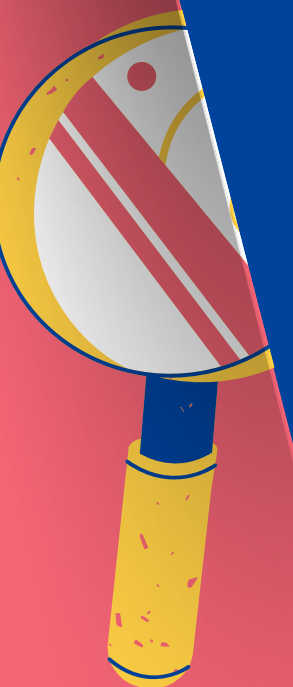
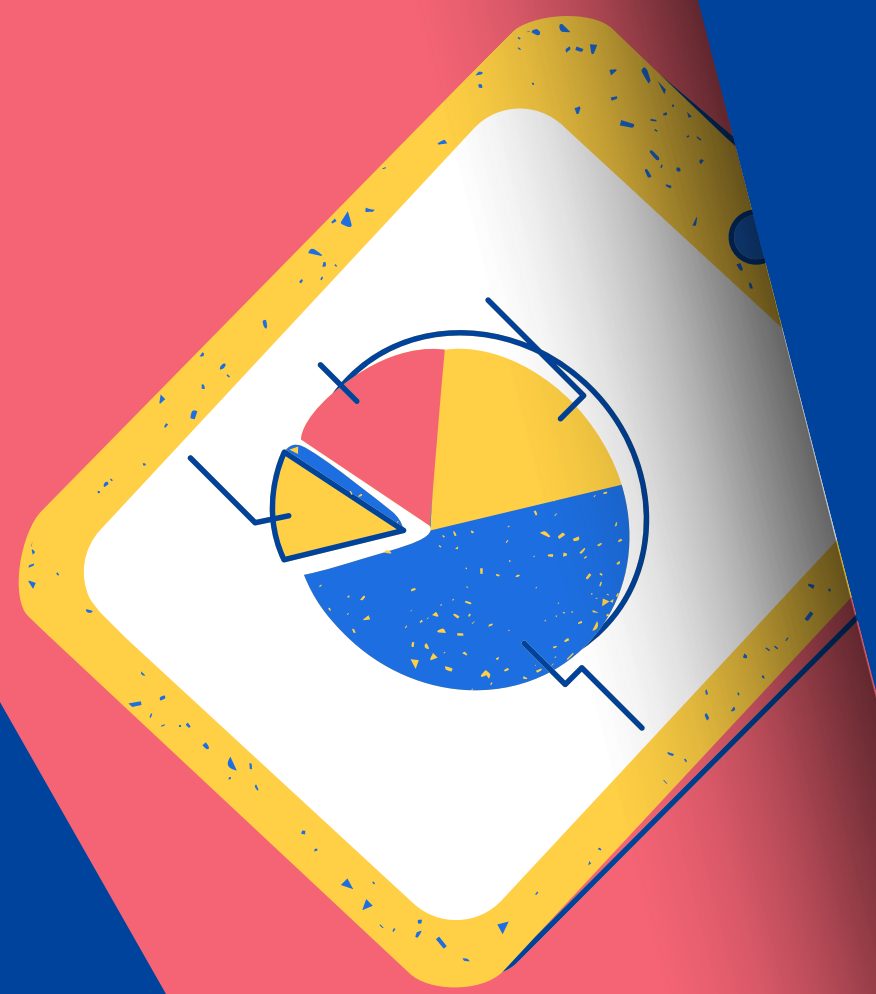
Table 4. Definition of rating, score, and description of performance accomplishments in Canada.

At the contract development stage, the parties to the contract (i.e. the government entity and the supplier) are required to discuss and agree on the targets to be achieved in the key performance indicators as well as the performance assessment date. Performance assessment uses not only quantitative indicators; a qualitative description is required for suppliers who are assigned with a score of 3. Meanwhile, the assignment of scores from 1 to 5 requires approval from a director general or a regional director-level official.⁵⁹ In addition, the performance assessment may be changed during guarantee period.⁶⁰



59. Public Services and Procurement Canada, "Vendor Performance Management Policy", accessed at <https://www.tpsgc-pwgsc.gc.ca/app-acq/grf-vpm/pgrf-vpmp-eng.html>, on July 26, 2024.
60. Public Services and Procurement Canada, "Vendor Performance Management Policy", accessed at <https://www.tpsgc-pwgsc.gc.ca/app-acq/grf-vpm/pgrf-vpmp-eng.html>, on July 26, 2024.

ANALYSIS



1 IMPLEMENTING SUPPLIER PERFORMANCE ASSESSMENT IN SIKaP: BARRIERS AND CHALLENGES

The National Strategy for Corruption Prevention has issued the 2023-2024 National Strategy Action Plan, which includes increasing the effectiveness of corruption prevention in public procurement.⁶¹ According to the Report of the National Strategy Quarter V Implementation in 2024, this action item has achieved 33.35% of its targets.⁶² One of the outputs under this action item is to have suppliers' performance and profile data available, evaluated, and exchangeable. The target of this output is improved performance scores of government suppliers.⁶³

The value for money concept emphasizes the efficient, effective, and economical use of resources to achieve maximum results.⁶⁴ Performance assessment is one of those efforts taken to ensure that the selected suppliers can deliver results at value. In the context of corruption prevention, supplier performance assessment is crucial in minimizing opportunities for problematic business actors to participate in future contracts.

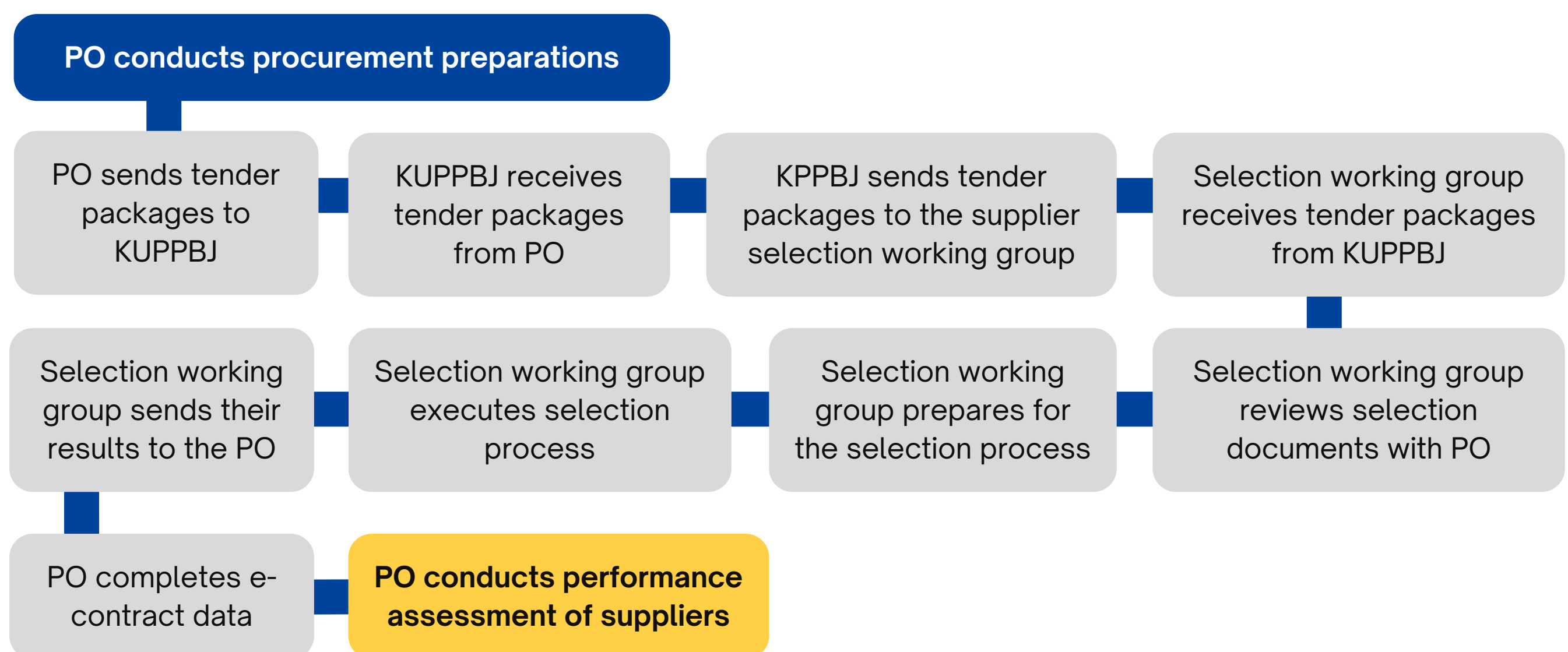


Chart 1. Flow of tender implementation on the SPSE application. Adapted from NPPA's social media account.⁶⁵

61. Joint Decree of the Chairman of the Corruption Eradication Commission, the Minister of National Development Planning/Head of the National Development Planning Agency, the Minister of Home Affairs, the Minister of State Apparatus Empowerment and Bureaucratic Reform, and the Chief of Presidential Staff Number 1/GAH.00/01/12/2022, Number KEP.148A/M.PPN/HK/12/2022, Number 100.4.3-6292 of 2022, Number 4 of 2022, Number 1/KB of 2022 concerning Corruption Prevention Actions in 2023-2024.

62. National Secretariat for Corruption Prevention (Setnas PK), "Report on Quarter V Implementation of the National Strategy for Corruption Prevention 2023-2024", Stranas PK (2024), p. 29.

63. National Secretariat for Corruption Prevention (Setnas PK), "Report on the Implementation of the National Strategy", 30

64. Mahmudi, *Manajemen Kinerja Sektor Publik [Performance Management in the Public Sector]*, 83.

65. Tender Implementation Scheme on the SPSE Application, accessed at https://x.com/eproc_lkpp/status/1501414080124682241?s=46&t=Ri4RD41iwO9RBRLvYdh_Bw on August 22, 2024.

Performance assessment comes last in the public procurement process. At this stage, a PO will access the Electronic Procurement Service Unit (LPSE) webpage and log in using their PO credentials. A completed contract that requires assessment will appear, and the PO will proceed with completing all assessment columns.

Currently, information on assessment results that is segregated by supplier is not available in SIKaP. This is due to the vast number of contracts that are unassessed by POs⁶⁶ given that assessment is not seen as mandatory and the lack of enforcement.⁶⁷ In fiscal year 2022, for example, out of 514,448 tendered packages, only 70,847 packages (13.8% of total packages) were assessed, and as many as 443,601 packages were unassessed.⁶⁸ For the 2023 fiscal year, out of a total of 527,509 tendered packages, as many as 86,279 packages (16.4% of total packages) were assessed, while as many as 441,230 packages were unassessed. The proportion of assessed to unassessed suppliers in both fiscal years was low.⁶⁹

Weak compliance among POs in carrying performance assessment leads to disparity and compromises the validity of the performance score. For instance, a supplier may be awarded 10 contracts but assessed for only two of those contracts. The results of their assessment, if published, would be misleading and may create non-credible conclusions.⁷⁰

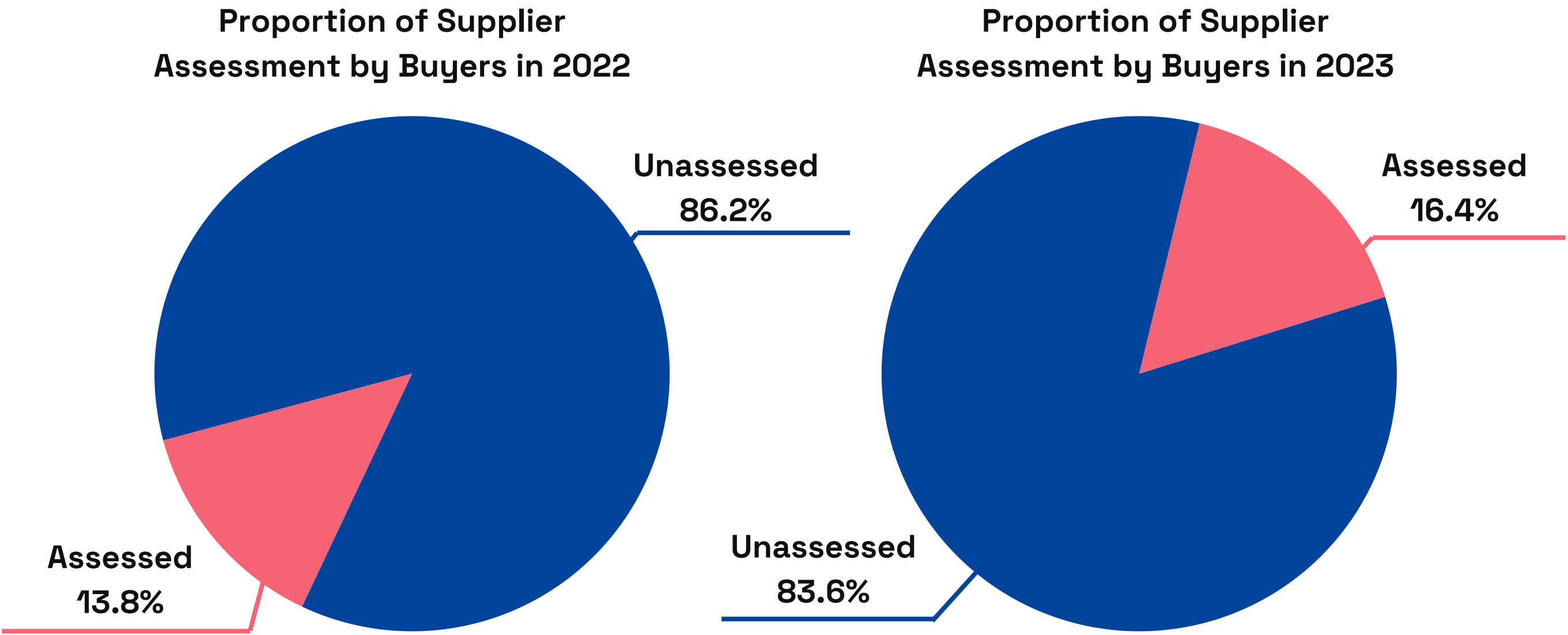


Chart 1. Proportion of Supplier Assessment by Buyers in 2022 and 2023

66. Focus Group Discussion with the NPPA on July 24, 2024, at Royal Kuningan, Jakarta.
67. Focus Group Discussion with the NPPA and Corruption Prevention National Strategy on August 13, 2024, at the Wyndham Hotel, Jakarta.
68. Supplier Assessment by Buyer in 2022, data as of August 8, 2024. Retrieved from <https://lookerstudio.google.com/embed/reporting/9018b0f8-4a71-4a72-86bd-6647f46ae2e3/page/57mVD>, accessed on August 22, 2024.
69. Supplier Assessment by Buyer in 2023, data as of August 8, 2024. Retrieved from https://lookerstudio.google.com/embed/reporting/9018b0f8-4a71-4a72-86bd-6647f46ae2e3/page/p_eo96ypzi7c, on August 22, 2024.
70. Focus Group Discussion with NPPA on July 24, 2024, at Royal Kuningan, Jakarta.

The following table shows the proportion of assessment by type of buyer:

Agency	Number of Packages	Proportion in Percentage
Ministry (35 ministries)	Assessed: 7.324	20.96%
	Unassessed: 27.631	79.04%
Government Institution (46 institutions)	Assessed: 1.840	13.79%
	Unassessed: 11.503	86.21%
Local Government (535 local governments)	Assessed: 61.683	13.23%
	Unassessed: 404.467	86.77%

Table 5. Proportion of assessments by type of buyer in 2022 ⁷¹

Instansi	Jumlah Paket	Persentase
Ministry (34 ministries)	Assessed: 11.544	31.35%
	Unassessed: 25.276	68.65%
Government Institution (50 institutions)	Assessed: 1.963	16.91%
	Unassessed: 9.644	83.09%
Local Government (541 local governments)	Assessed: 72.772	15.19%
	Unassessed: 406.310	84.81%

Table 6. Proportion of assessments by type of buyer in 2023 ⁷²

71. Supplier Assessment by Buyer in 2022. Retrieved from <https://lookerstudio.google.com/embed/reporting/9018b0f8-4a71-4a72-86bd-6647f46ae2e3/page/57mVD?params=%7B%22df13%22%22include%25EE%2580%25800%25EE%2580%2580IN%25EE%2580%2580PEMERINTAH%2520DAERAH%22%7D> on August 22, 2024.

72. Supplier Assessment by Buyer in 2023. Retrieved from https://lookerstudio.google.com/embed/reporting/9018b0f8-4a71-4a72-86bd-6647f46ae2e3/page/p_eo96ypzi7c?params=%7B%22df13%22%22include%25EE%2580%25800%25EE%2580%2580IN%25EE%2580%2580PEMERINTAH%2520DAERAH%22%7D on August 22, 2024.

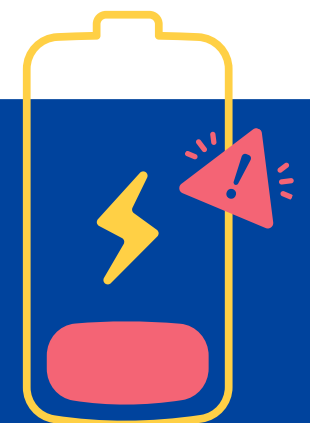
The factors that hinder supplier performance assessments include the lack of consequences against POs that neglect conducting the assessment, the lack of capacity among POs, and the lack of interoperability between procurement application systems.

A. LACK OF CONSEQUENCES FOR POS WHO NEGLECT TO CONDUCT PERFORMANCE ASSESSMENT



While supplier performance assessment is part of a PO's responsibility, the PR in Public Procurement and the NPPA Regulation No. 4 of 2021 do not provide a mechanism to penalize or to give consequences to POs who neglect their responsibility. These regulations, therefore, need to be strengthened. Currently, both regulations do not set out explicit mandate and rules that supplier performance assessment by POs is mandatory. Both regulations also need to be equipped with provisions on the consequences for POs who fail to meet this requirement. The deadline for POs to conduct performance assessment is also unclear, which adds to the barrier.⁷³

B. LACK OF CAPACITY AMONG POS IN CONDUCTING PERFORMANCE ASSESSMENTS



The tables above show that local government buyers have the highest proportion of unassessed suppliers in both 2022 and 2023. Conversely, ministries have the highest proportion of assessed suppliers in both years. This data indicate the lack of capacity among POs at the local government level—both in terms of qualitative and quantitative capacity.⁷⁴ Therefore, the ability of local government POs in conducting assessment needs attention. They need, for example, capacity building through training and mentoring activities.

73. Focus group discussion with the NPPA and Corruption Prevention National Strategy on August 13, 2024, at the Wyndham Hotel, Jakarta.

74. Interview with Emin Adhy Muhaemin, Director of General Procurement Strategy and Policy Development of LKPP on August 29, 2024.

C. LACK OF INTEROPERABILITY AMONG PROCUREMENT APPLICATION SYSTEMS

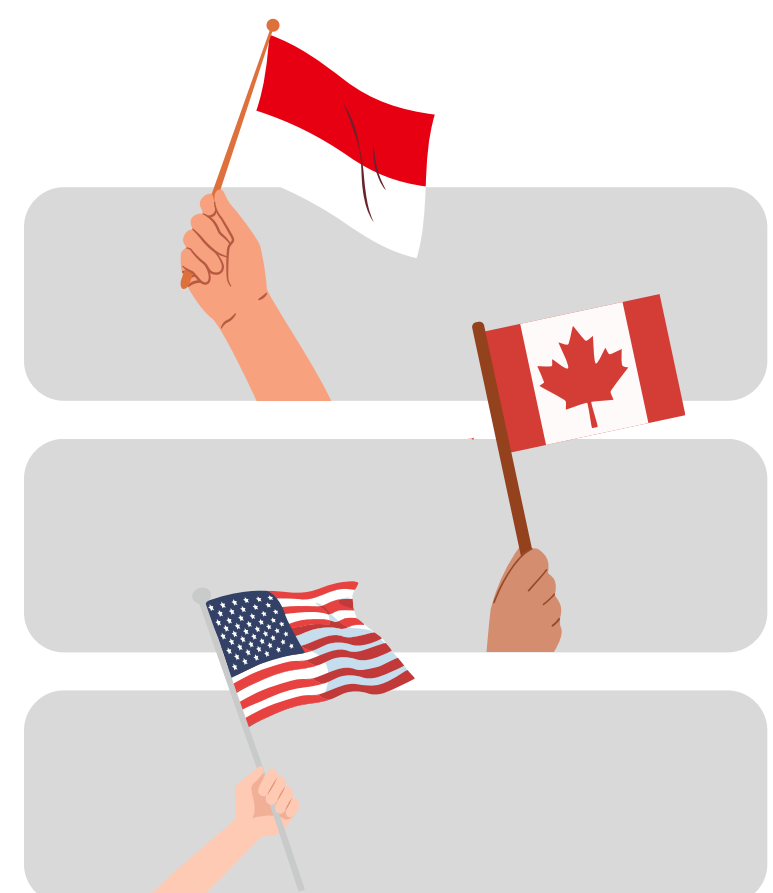


The NPPA currently has multiple applications that are not interoperable. The assessment feature in e-Purchasing app, for instance, is not linked to the assessment feature in SIKaP. There are also several other applications, such as the LPSE hosted by different government entities that are not interoperable with the SAKTI application under the Ministry of Finance.

These different, unlinked applications become another barrier to POs' compliance with carrying out performance assessment.⁷⁵ The linking of SAKTI and SIKaP systems should make it easier for POs to carry out their responsibility; when a PO issues a payment request, they can be automatically linked to SIKaP and the PO can proceed with performance assessment.⁷⁶

2. METHODS OF SUPPLIER PERFORMANCE ASSESSMENT AND HOW FINDINGS ARE UTILIZED: A COMPARISON BETWEEN INDONESIA, CANADA AND THE UNITED STATES

The methods employed in supplier performance assessment in Indonesia, Canada, and the U.S. are broadly the same, at least in terms of the aspects assessed and the use of rating scale. The following table summarizes performance assessment in the three countries:



75. Focus group discussion with NPPA on July 24, 2024, at Royal Kuningan, Jakarta.

76. Focus group discussion with NPPA on July 24, 2024, at Royal Kuningan, Jakarta.

	Indonesia	Canada	the U.S.
Assessor	Procurement Officials (PO)	Client (technical authority or project authority)	Contracting officers
Aspects assessed	<ul style="list-style-type: none"> • Specifications (quality and quantity) • Cost • Time • Service 	<ul style="list-style-type: none"> • Cost • Time • Quality • Management 	<ul style="list-style-type: none"> • Cost • Time • Quality • Management • Subcontractor assessment (optional, only if applicable) • Legal compliance
Score range	1 to 3	1 to 5	1 to 5
Timing of assessment	<ul style="list-style-type: none"> • After supplier hands over work output • Contract termination by PO due to force majeure • Contract termination by PO due to poor performance 	Every 6 months and at the handover of output (except for 12-month contracts, where assessment takes place only upon the handover of output)	Minimum once a year and at completion of work
Feedback	Only from PO to supplier	Only from client to supplier	Supplier may also raise comments as feedback to their contracting authority
Evaluation and mentoring of supplier	Only available for new suppliers	Available for poor-performing suppliers	Available for poor-performing suppliers

Table 7. Comparison of supplier performance assessment methods with the United States and Canada

A. PERFORMANCE ASSESSMENT ASPECTS

The current performance assessment in Indonesia considers 4 (four) dimensions, namely: quality, cost, time, and service. Canada also considers four dimensions with a slight difference from Indonesia, namely: cost, time, specifications, and management. Meanwhile, the U.S. considers 5 (five) dimensions with the possibility of adjustment based on the supplier’s working conditions. The five dimensions are quality, cost, time, management, and legal compliance. In comparison with Canada and the U.S., there are at least two different indicators, namely management and legal compliance. Apart from the indicators that may be adopted from the U.S. and Canada, there are more indicators that may be considered depending on the type of contract or work provided by the supplier. These include:⁷⁷

fulfillment of key performance criteria	the level that a supplier is able to meet performance indicators that are established as the performance standard
timeframe or timeliness of implementation	supplier’s ability to complete the contract as scheduled
cost control	supplier’s ability to manage and control project costs to ensure efficiency and savings
work quality	quality assurance and standard of work completed by the supplier
regulatory compliance	supplier’s compliance with all applicable rules and regulations
availability of work team or personnel	availability and reliability of the supplier’s manpower to meet their contractual obligations
project and contract management	supplier’s ability to manage projects and contracts effectively
responsiveness	speed and efficiency in responding to requests or in addressing problems
professionalism	the level of expertise and professional attitude demonstrated by the supplier throughout the contract

77. Elena Hoffnagle, et al., "Assessing and Tracking Supplier Performance" Harvard Kennedy School: Procurement Excellence Network (2022), p. 6.

B. ASSESSMENT SCORE RANGE



To provide objective results, the Likert scale is used to quantify different perspectives.⁷⁸ In Indonesia, the NPPA's assessment policy uses a range of 1 to 3, translated to sufficient, good, and very good predicates. The indicators that the NPPA is using can be improved based on the score scale implemented in other countries, such as the U.S. and Canada. Both countries use a range of 1 to 5 with similar predicates compared to Indonesia's own score range.

Compared to a shorter score range, a higher score range can make assessment results more objective.⁷⁹

The use of the Likert scale, with more options or levels of assessments, allows the assessor to assign scores more objectively—therefore resulting in unambiguous responses.⁸⁰ In addition, a shorter score range affects data validity and the breadth of opinion rendered.⁸¹ The shorter the range, the narrower the room for the assessor in assigning their evaluation.

C. PERFORMANCE ASSESSMENT PERIOD

In Indonesia, supplier performance assessment is carried out in 3 (three) conditions, namely after the supplier hands over the work to the PO and certified with an MoH/FHO, contract termination due to force majeure that hinders contract completion, and contract termination by the PO due to the supplier's poor performance.⁸² In a regular situation where contract is completed, an assessment would be carried out after the MoH or FHO is issued.

Unlike Indonesia, performance assessment in Canada and the U.S. does not take place only after the work is completed. Performance assessment in Canada is conducted every 6 (six) months with the final assessment taking place after the work is completed. However, short-term contracts of less than 12 months are exempted from this policy;⁸³ these contracts are only subject to

78. Ankur Joshi, et al., "Likert Scale: Explored and Explained" *British Journal of Applied Science & Technology* 7 no. 4 (2015), p. 397. DOI: 10.9734/BJAST/2015/14975.

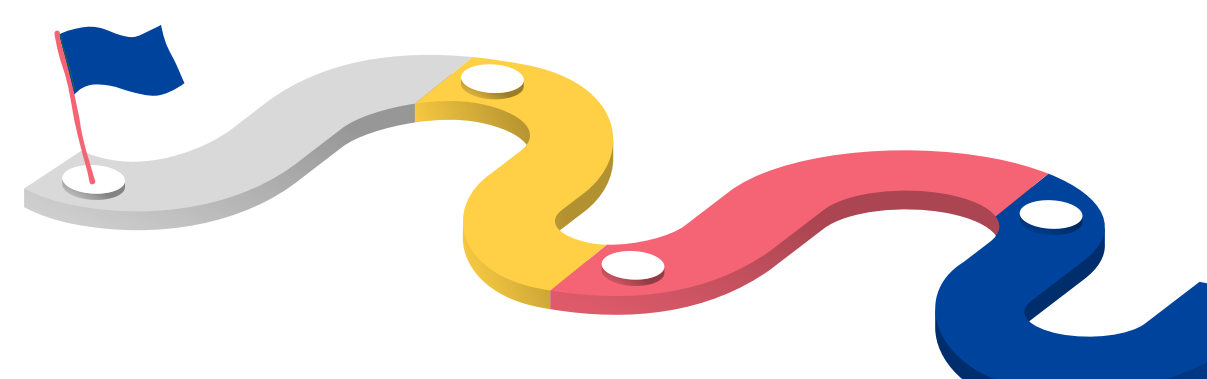
79. Noel Pearce, "Deciding on the Scale Granularity of Response Categories of Likert type Scales: The Case of a 21-Point Scale" *Electronic Journal of Business Research Methods* 9 no. 2 (2011), p. 162.

80. Ankur Joshi, et al, "Likert Scale: Explored and Explained", 399.

81. Ankur Joshi, et al, "Likert Scale: Explored and Explained", 399.

82. Appendix I, Regulation of the National Public Procurement Policy No. 4 of 2021 concerning the Development of Public Procurement Business Entities (State Gazette of the Republic of Indonesia Year 2021 Number 486).

83. Government of Canada, "Managing supplier performance", accessed at <https://www.canada.ca/en/public-services-procurement/services/acquisitions/better-buying/simplifying-procurement-process/supplier-performance.html> on July 29, 2024.



the final assessment at the end of the contract. On the other hand, the U.S. assesses the performance of its suppliers at least once a year for contracts longer than 12 months. However, the contracting authority⁸⁴ may conduct an ad hoc assessment of the supplier.

D. FEEDBACK TO THE ASSESSOR

CPARS allows suppliers to provide their feedback on their assessors. The assessment is thereby reciprocal between the suppliers and the contracting authorities instead of one-way.⁸⁵ This practice is different from the policies in Indonesia and Canada, where assessment is a one-way process with suppliers having no opportunity to give comments about the assessment. Under a two-way process, suppliers can provide general comments or even criticisms against the contracting authorities, which may serve as recommendations for improvements for the assessors.

E. USE AND RESULTS OF SUPPLIER PERFORMANCE ASSESSMENT

According to NPPA Regulation No. 4 of 2021, businesses may receive assistance to grow their capacity in the form of: capacity building, performance assessment, and blacklisting. Nevertheless, the focus of this assistance is the business entities and not awarded suppliers. As the result, suppliers with low scores are not targeted for coaching with the NPPA⁸⁶ although one of the objectives of performance assessment is to help suppliers improve in future tenders.

In the U.S., the results of performance assessment are utilized to help government entities identify suppliers with exceptional performance that are eligible to participate in future public tenders.⁸⁷ Meanwhile, for suppliers with unsatisfactory score or are deemed in need of assistance, the U.S. federal government helps ensure that suppliers can address their problems. If the supplier remains interested in participating in public tenders, they will need to submit corrective action plans (CAP) as proof or as consideration for the government when screening their proposals.⁸⁸

84. Contracting Authority is a procurement officer at Public Services and Procurement Canada who is authorized to be a party to a contract on behalf of the Government of Canada. Appendix A: Definition, Supplier Performance Management Policy.

<https://www.tpsgc-pwgsc.gc.ca/app-acq/grf-vpm/pgfr-vpmp-eng.html>.

85. "What can Contractors/Financial Assistance Recipients do here?", accessed on cpars.gov, on July 29, 2024.

86. Interview with Emin Adhy Muhaemin, Director of General Procurement Strategy and Policy Development of LKPP on August 29, 2024.

87. USAID, "Assessment and Use of Contractor Performance and Integrity Information", (August 2022), p. 6. Accessed at <https://www.usaid.gov/sites/default/files/2022-05/302mbh.pdf>, on August 15, 2024.

88. USAID, "Assessment and Use of Contractor Performance and Integrity Information", 7.

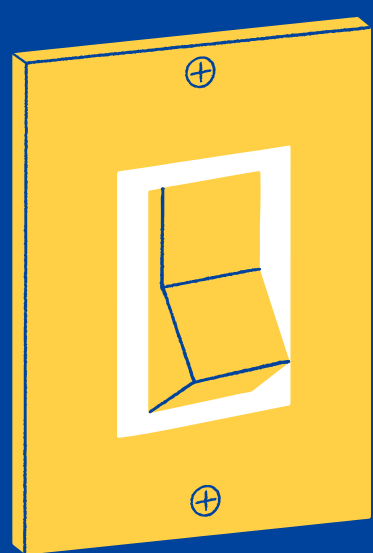
Canada, on the other hand, enacted an Ineligibility and Suspension Policy in May 2024. Any supplier that is assessed poorly for three consecutive years will be suspended from participating in public tenders.⁸⁹ In addition, the Registrar (Assistant Deputy Minister of Public Services and Procurement Canada) may enter into a discretionary administrative agreement with the supplier prior to suspension. This agreement entails: separation of specific employees from management or programs, implementation or extension of compliance programs, training of employees, external audits, access to specific documents, information, and records, and corrective actions or compliance with public interests.⁹⁰ Therefore, performance assessment becomes an important benchmark to consider suppliers' future participation in tenders.

Based on the above elucidation, Indonesia can improve and maximize its supplier performance assessment practices by expanding mandatory assessment indicators for POs to evaluate. Indonesia can also add flexibility so that an assessment can be adjusted to a specific contract type. For example, an additional assessment may be exercised based on procurement category, i.e. goods, construction services, consulting services, and other services. Indonesia can also increase its score range from 1—3 to 1—5 to strengthen assessment objectivity on supplier performance.

Performance assessment in Canada and the U.S. is periodical, namely every 6 (six) months in Canada and at least once a year in the U.S. to give suppliers the opportunity for improvement if problems arise or as an interim evaluation. Reciprocal feedback from suppliers to government entities (or POs in Indonesia) can also make the assessment process more balanced. Lastly, Indonesian suppliers with low performance score, for instance below sufficient, may be given coaching sessions. Problematic suppliers may benefit from continuous evaluation and feedback for improvement. Suppliers may participate again in public tenders after they complete their coaching program and may be subjected to certain contract value threshold as a prerequisite of re-participation.

89. Appendix 2: Grounds– Ineligibility/Suspension, Ineligibility and Suspension Policy of Canada, accessed at <https://www.canada.ca/en/public-services-procurement/services/standards-oversight/supplier-integrity-compliance/policy-directives/ineligibility-suspension-policy.html#appendix-1>, on August 15, 2024.

90. Chapter 10. Administrative agreements, Ineligibility and Suspension Policy of Canada, accessed at <https://www.canada.ca/en/public-services-procurement/services/standards-oversight/supplier-integrity-compliance/policy-directives/ineligibility-suspension-policy.html#appendix-1>, on August 15, 2024.



CONCLUSION



There are 2 (two) areas of conclusions that we draw from the analysis above:

1. IMPLEMENTATION OF AND BARRIERS TO SUPPLIER PERFORMANCE ASSESSMENT:

a. The proportion of suppliers assessed for their performance in 2022 was only 13.8% and just 16.4% in 2023, evidencing the low rate of performance assessment overall.



b. Local government buyers conducted the least performance assessment, and this requires special attention.



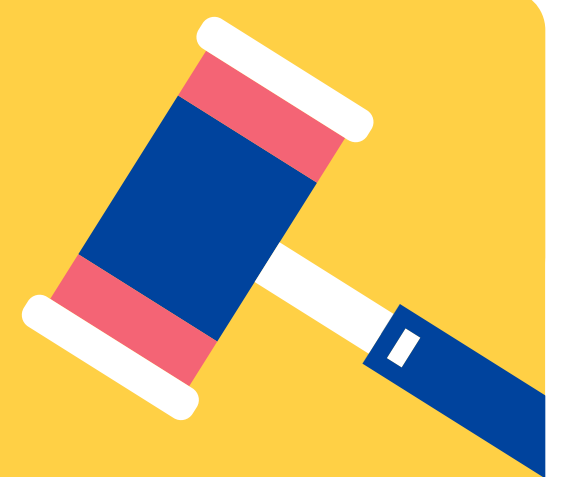
c. PO compliance with conducting supplier performance assessment needs to be strengthened, given that information on performance can inform efforts to increase the effectiveness of public procurement audit.



d. Unassessed performance hinders future procurement activities. Assessment results should help the government in their supplier selection in future tenders.



e. The biggest barriers to performance assessment are the lack of mechanism to enforce this requirement, the lack of qualitative and quantitative capacity of POs, and the lack of interoperability across procurement information systems.



2. SUPPLIER PERFORMANCE ASSESSMENT METHOD AND COMPARISON BETWEEN INDONESIA, CANADA AND THE U.S.:



a. Supplier performance assessment in Indonesia uses four key indicators: job specifications (quality and quantity), cost, time, and service. Canada and the U.S. have management and legal compliance indicators, respectively, that differentiate them from Indonesia;



b. All countries use the Likert scale; Indonesia applies the range of 1—3, while Canada and the U.S. apply a range of 1—5 for more objective results.



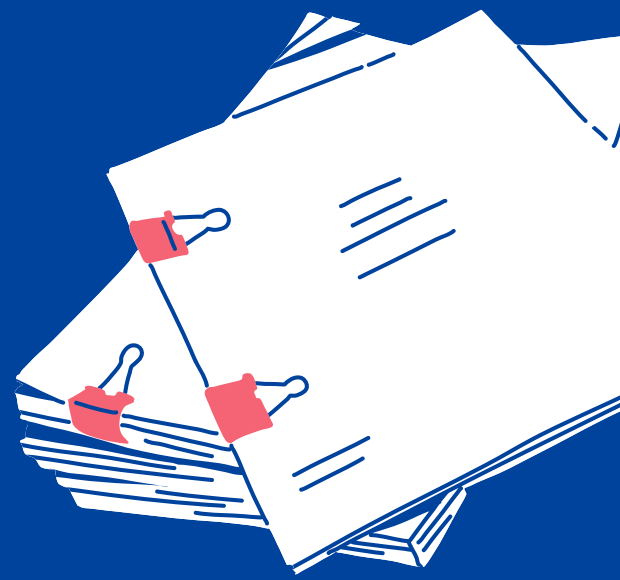
c. Assessment in Indonesia is conducted after work is completed or upon contract termination, while Canada carries out semester-basis assessment and the U.S. conducts annual assessment with the possibility of an ad-hoc or interim assessment. The Canadian practice gives POs the opportunity to track supplier's work, provide input, and avoid problems in the future.



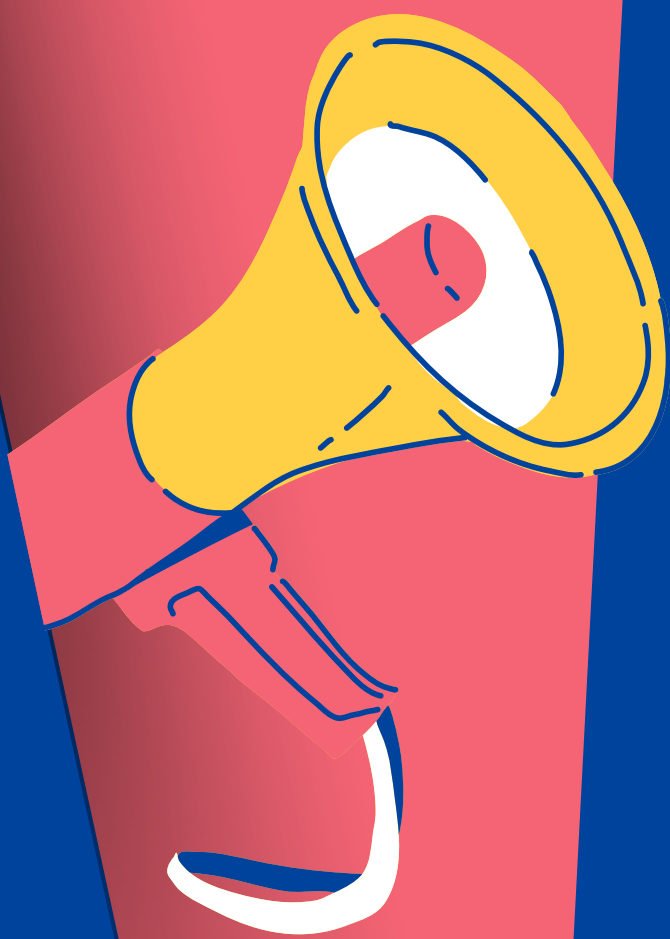
d. CPARS in the U.S. provides flexibility in assessment with additional indicators such as innovation and risk management. The U.S.' assessment system also gives suppliers the opportunity to raise feedback about their contracting authorities, which create a balanced, reciprocal relationship.



e. Coaching for poor-performing suppliers requires special attention. Coaching is practiced in the U.S. and Canada. It is also aligned with one of the objectives of performance assessment, namely for future improvements.



RECOMMENDATIONS



There are 3 (three) recommendations for the NPPA that are derived from the conclusions:

1. PERFORMANCE ASSESSMENT IMPLEMENTATION

a. POs' Assessment Compliance:

Give POs deadline to conduct performance assessment using SIKaP app; assessment should take place immediately following payment process in SAKTI app.



b. Capacity Building for POs:

Capacity building is important for POs, especially local government POs who perform the least number of assessments.



c. System interoperability:

Propose the linkage between SAKTI app under the Ministry of Finance and SIKaP under the NPPA to facilitate POs in carrying out performance assessments.



2. PERFORMANCE ASSESSMENT METHODS

a. Assessment period:

Point. 5.4 letter b of Appendix I of NPPA Regulation No. 4 of 2021 stipulates the current timing of assessment by POs, namely after work handover through the submission of MoH/FHO from supplier to PO, upon contract termination by PO due to force majeure, and upon contract termination by PO due to the supplier's poor performance. To have a better grasp of the overall contract implementation, performance assessment may take place in the middle and end of contract for contracts over 12 months and only in the end of contract work contracts less than 12 months.





b. Assessment Indicators:

Point 5.5 Appendix I of NPPA Regulation No. 4 of 2021 specifies 4 indicators, namely quality and quantity, cost, time, and service. The NPPA can expand these indicators and add legal compliance, e.g. compliance with environmental and labor laws as well as compliance with contractual obligations between suppliers and their subcontractors.



c. Score scale:

The score scale in point 5.5 of Appendix I of NPPA Regulation No. 4 of 2021 uses a range from 1—3. NPPA can increase the score range to 1—5 and provides more detailed descriptors, thereby making assessment more objective whilst maintaining its simplicity. Score 1 should be given to suppliers who lost their contracts due to poor performance.

Predicate	Score
Very good	5
Good	4
Sufficient	3
Poor	2
Very poor	1

3. COACHING



NPPA is required to coach suppliers with ≤ 2 score (poor). The NPPA can engage other government entities or private entities to aid suppliers in their improvement process. Improvement can then focus on low performing areas. If the supplier cannot demonstrate significant improvement in 3 (three) consecutive assessments, the supplier may be recommended to be blacklisted.

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Published by



Indonesia Corruption Watch
Jalan Kalibata Timur IV/D No.6,
South Jakarta, DKI Jakarta