

**Inter-Parliamentary Forum on Security Sector Governance (IPF-SSG)
in Southeast Asia**

**Explanatory Background Note
on the Role of Parliament in Defence Procurement in Indonesia
(IPF-SSG) Regional Parliamentary Workshop
Phnom Penh, 12-13 October 2008**

Defenceless Defence, Sophisticated Procurement Mechanisms

by Alexandra Retno Wulan

One of the main obstacles concerning Indonesia's defence issues is the limited defence budget. Despite, the lack of funding, the parliament still has to balance the capability, availability and international norms and standards to meet its objective to defend the nation. Based on the 2007 Indonesian defence budget, about 70% of the total amount of funds available was spent on routine expenses including the salaries of personnel and other general administrative items. Just 14% of the budget was allocated for defence procurement and only 15% was attributed to maintenance and operations. Hence, it is clear that although Indonesia is poorly equipped in terms of the size of its defence budget, it still has to adhere to democratic and good governance principles.

1. Indonesian Defence Budget Allocations 2007

This article describes the arrangements that Indonesia has made to manage the 14% of the defence budget that is allocated for defence procurement, concentrating on all limitations imposed and whether it adheres to international best practices standards.

Indonesia's Defence Procurement Overview: Legal Framework, Practices and Challenges

As a result of the comprehensive reform processes in Indonesia which began in 1998, the current defence or military procurement in Indonesia has to meet the generic requirements of procurement. In addition, those generic terms have to be in-line with the democratic and good governance principles, namely transparency and accountability.

Indonesia has at least three stages of procurement, which is similar to the defence procurement mechanisms of other countries. The first stage is planning. The second stage is the execution and the third stage is oversight.

2. Overview of Indonesia's Defence Procurement Mechanism

Defence Procurement: Legal Frameworks

In theory, Indonesia set up its legal framework for procurement (including defence procurement) very meticulously. However, the implementation processes will be tested in the upcoming years, primarily since the defence procurement mechanism that is currently in place was only created in 2006.

The rules, regulations, norms and standards of procurement in Indonesia are only stipulated in one single law. Indonesia has at least nine important laws and regulations that are applicable to defence procurement.

3. Legal Frameworks of Indonesia's Defence Procurement

RPJP (Rencana Pembangunan Jangka Panjang – Long-term Development Plan) is the multi-year basic reference document defining Indonesia's development strategy. Hence, Law No.17/2005 on the RPJP should be the foundation of Indonesia's defence policy including the plan for defence procurement. The law stipulates the general policy for the development for the period from 2006 to 2025. Based on the RPJP, the newly elected President has to formulate the mid-term development plan (RPJM – Rencana Pembangunan Jangka Menengah) for each tenure. Consecutively, the government has to prepare its work plan (RKP – Rencana Kerja Pemerintah) and annual state budget on an annual basis. In a more specific account of defence, the government (Ministry of Defence) has to set out the Defense White Paper. Indonesia launched its second Defense White Paper in 2008, while its first was launched in 2003.

On the implementation level, the legal frameworks are spread out within different laws and regulations.

List of Laws and Regulations of Indonesia's Defence Procurement

Practices in Indonesia

To simplify the complex process of defence procurement, the Indonesian case study can be observed in three stages, namely, planning, execution and oversight.

Defence planning in Indonesia operates under three different cyclical processes. The general national government planning which is formulated by the President and the National Development Planning Agency (Bappenas – Badan Perencanaan dan Pembangunan Nasional) early on in each presidential administration. Hence, although Indonesia might install new president in office, it can still have a “sustainable”

development plan with the Bappenas onboard to decide the national government planning on a five- year basis.

At the other end of a spectrum, the specific defence planning ought to be formulated by the Minister of Defence in cooperation with the Military Headquarters/ Chief of Armed Forces. This should be another five-year cyclical process. Therefore, it is necessary for Indonesia to have an annual cyclic process to link the process of national development planning and defence planning.

Indonesia sets up a number of annual based processes, led by the President and the procurement triumvirate (Minister of Defence, Minister of Finance and the Head of Bappenas), as the short-term planning mechanism. The process includes the budget allocations for defence procurement which has to be concluded by the parliament. These different cyclical processes operate simultaneously.

4. The Planning Process of Indonesia's Defence Procurement

At the execution stage, Indonesia assigns a special *ad-hoc* agency for each procurement process, including defence which is, in effect, an inter-agency body which comprises various related stakeholders, such as Ministry of Defence, Military Services/Units and the BUMN (Badan Usaha Milik Negara – State owned enterprises) for defence procurement. Furthermore, this *ad-hoc* agency is intended to act as coordinating body. The decision to execute the process of defence procurement is made by at least four primary institutions, i.e.: the Ministry of Finance, the Parliament (particularly the Budget Commission and Commission I for Defence & Foreign Affairs), and, the Ministry of Defence in corporation with the Military Headquarters and the Bappenas.

5. The Execution Process of Indonesia's Defence Procurement

To complete the process, Indonesia sets up the multi-layered oversight mechanism. The parliament is the primary institution in charge of overseeing the defence procurement process. However, the smallest circle of control rests within the procurement unit – internal audit unit. The internal audit unit should carry out supervision of a wide-range of issues, including the budget, specifications and processes of the defence procurement. Concurrently, the National Audit Office must specifically oversee the budget for defence procurement. Above both control units, the parliament should act on behalf of their constituents to oversee the whole defence procurement process, specifically as concerns taxpayers money and the objective to defend the nation and protect the country. As for precautions taken against any potential wrongdoings of parliamentarians, Indonesia has a vibrant civil society element and vigorous Corruption Eradication Commission (KPK-Komisi Pemberantasan Korupsi).

6. The Multi-layered Oversight Mechanism of Indonesia's Defence Procurement

Defence Procurement: Challenges

Indonesia only set up the mechanism for government procurement in 2006 and there are clearly challenges, in particular within the sphere of defence procurement. Most of the challenges actually come from the parliament side and concern non-systemic matters.

1. Lack of interest and knowledge of parliamentarians

Commission I and the budget commission within the Indonesian Parliament consist of a diverse group of parliamentarians. Most of them have no background in technology, military/defence nor do they have any managerial skills and it is difficult for them to actually oversee as the issue.

2. Sophisticated and complex technicalities

In relation to point number 1., defence technicalities are indeed complex and sophisticated. Unless the parliamentarians have a high level of interest, it would be difficult to understand and speak the same language as the military does regarding weaponry, military vehicles and other defence procurement items.

3. Funding

Last but not least, one of Indonesia's challenges concerning defence procurement issues is funding. With minimum budget allocations and complicated international restrictions or political requirements, Indonesia has to be very creative with defence procurement. Hence, tensions between state institutions are often inevitable as their interests are high but their capacity is low.

Concluding Notes: Defenceless Defence, Sophisticated Procurement Mechanism and Control

Budget allocations for procurement in Indonesia only represent approximately 14% of the total defence budget. Nevertheless, in order to correspond to the democratic and good governance values, Indonesia has set up a transparent and accountable procurement mechanism. In 2006, Indonesia decided that defence procurement should be treated as one of the other government procurement processes. Hence, starting from 2006, Indonesia has only had one generic procurement mechanism and its oversight procedures. Noticeably, the Presidential Decree No.80/2006 sets up the centralised, standardised and systematic mechanism of defence procurement. Simultaneously, Indonesia has prepared extensive laws and regulations to support the current defence procurement mechanism and its oversight procedures. Hence, the current defence procurement practices in Indonesia are transparent and accessible for public control (accountability). The two-year period is clearly not long enough to thoroughly test the newly set up mechanism. Therefore, it is indispensable to maintain the interest of civilians and particularly the

parliamentarians in this ongoing process in order to ensure the implementation of the sophisticated defence procurement processes. At least Indonesia can demonstrate its commitment to democratic and good governance values despite the defenceless defence in terms of inadequate military equipment.