

# **RESEARCH ARTICLE**

### ASSESSING THE CONSPIRACY IN THE PROCUREMENT CONTRACT OF GOVERNMENT'S GOODS AND SERVICES: ELECTRONIC PROCUREMENT CASES.

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*Keywords:-*Auction, Conspiracy, Contract, E-Procurement, Goods and Services, Nowadays, the enforcement of government procurement auction cannot be separated from the conspiracy practice. The improvement of procurement system is one of them done by reformation, such as the establishment of institution of procurement policy of government goods and services. The auction or tender is conducted openly through Electronic Procurement, so the process proceeds fair and healthy and the winner is really determined by the offer (price and quality of the goods or services proposed). E-Procurement Unit can minimize the existence of tender conspiracy although technical and administrative have not been able to avoid the procurement of government goods and services from various problems in the implementation from the auction, contract implementation, to post contract.

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#### Introduction:-

Since the economic crisis in middle of 1997 to its peak in 1998, the Indonesian economy has faced many challenges, including inflation, economic infrastructure, balance of payments deficits and unmet food needs and monopoly of market stakes. With the economic crisis, the engender of demands made reform, including bureaucratic reform. One of the objectives of the bureaucracy reform that began in 1998 was the good and clean governance. The implementation of bureaucratic reform is done by stages of the overall administration of government,<sup>1</sup> including bureaucracy reform in the procurement of government service procurement. The implementation of such reform which is manifested by forming laws in the field of antitrust, which is due to the unavailability of a law that comprehensively and adequately regulates the business competition in Indonesia. However, the law of Comprehensive Antimonopoly is urgent and necessary need for the interests of business people, consumers, and business world.

The Government and the People's Legislative Assembly subsequently issued Law Number 5 of 1999 concerning Prohibition of Monopolistic Practices and Unfair Business Competition (abbreviated as Law No. 5 of 1999). The most important part of the regulation in the Law No. 5 of 1999 is the provision that regulates the auction conspiracy. The conspiracy in the Law No. 5 of 1999is a part of prohibited activities. The practice of auction conspiracy is one of the many activities done by business actors and auction committees at the central and regional levels. In the

<sup>1</sup> Nalle,	V.	(2018).	The	Scope	of	Discretion	in	Government	Administration	Law:	Constitutional
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**Corres ponding Author:-Merry Tjoanda.** Address:-Faculty of Law, University of Pattimura. auction conspiracy, there are many violations of the principles of tender procurement of goods and services contained in the law of business competition in general.

The implementation of government procurement auction cannot be separated from the existence of the conspiracy. Significant increases in the number of government goods and services require the Government to improve the better procurement of goods to produce the required goods and services. The improvement of goods procurement system one of which is done by reformation, namely the existence of institutional formation Government as a regulator. The institution in question is the Government Procurement Policy Approval Agency (abbreviated as LKPP) established based on Presidential Regulation No. 106 year 2007 on Government Goods and Services Procurement Institution (abbreviated as President Decree No. 106/2007).

Then, followed by the issuance of Presidential Decree No. 54 year 2010 on Procurement of Government Goods. Presidential Decree Number 54 Year 2010 was made to replace Presidential Decree Number 80 Year 2003 concerning Guidelines on Procurement of Government Goods and Services (abbreviated as Presidential Decree Number 80 Year 2003). The implementation of procurement of goods and services of the government cannot be separated from the efforts of the action against the law. Unlawful acts that may occur in the procurement of government goods and services are conspiracies.

Therefore, the Presidential Decree Number 54 Year 2010 and its changes also regulate conspiracy in the procurement of government services. The arrangement of conspiracy aims to reduce state losses in the procurement process. Auctions or tenders are made for government service goods above the value of Rp 200,000,000 (two hundred million rupiah) for procurement work, construction works, and other services, while for Consulting Services above the value of Rp 50,000,000 (fifty millions of rupiah). Surely this auction or tender is done to get the price of goods or services as cheap as possible, but with the best quality.

The auction or tender is conducted openly through Electronic Procurement (abbreviated as E-Procurement), so the process proceeds fair and health so that the winner is really determined by the offer (price and quality of the goods or services proposed). Consequently, in this process conspiracy in auction process or tender with significant enough can be reduced and can eliminate the role of a certain person at the State Ministry and Institution. Therefore, the issues raised in this paper are: "Is the application of E-procurement in the procurement of government goods and services can eliminate conspiracy as a form of unfair business competition?"

# 2. Method of the Research

This research is a normative research, which purpose to analyze the provisions of the legislation in the field of procurement of government goods and services, associated with conspiracy and business competition. The problem approach used is the statute approach and the conceptual approach. Primary legal materials and secondary legal materials that have been collected (inventory), then conduct assessments with legislation approach and conceptual approach. The analysis results in the form of an argument to the problem rose, so from the argumentation, provides a prescription as a solution to the problem being analyzed.

# 3. Conspiracy in the Perspective of Business Competition Law

The conspiracy comes from the basics word "cob", which is the Great Dictionary of the Indonesian language<sup>2</sup> (abbreviated KBBI) is defined as the person who participates in the conspiracy to commit a crime or dishonesty and so forth. Whereas in Article 1 item 8 of the Law No. 5 of 1999, conspiracy or business conspiracy is conceptualized as a form of co-operation by business actors with other business actors with the intent to control the market concerned for the interests of business actors who conspire.

Law of Business Competition or Antitrust Law (United States), Antimonopoly Law ('*DokusenKinshibo'* in Japan), Restrictive Trade Practices Law (Australia) or the Competition Law (Europe) in Indonesia is part of the economic law. The economic law of Indonesia refers to Article 33 of the 1945 Constitution of the Republic of Indonesia (abbreviated as the 1945 Constitution). Under Article 33 of the 1945 Constitution, the economy is structured as a collective effort on the basis of kinship<sup>3</sup>. Family terms are often interpreted as anti-competitive. But the essence of

<sup>&</sup>lt;sup>2</sup>KamusBesar Bahasa Indonesia (KBBI) Offline. Retreive from website: *http://pusatbahasa.diknas.go.id/kbbi/*. Accessed on May 16, 2016.

<sup>&</sup>lt;sup>3</sup> Usman, Rachmadi, 2004, *Business Competition Law in Indonesia*, GramediaPustaka Utama, Jakarta. Page 10.

Article 33 of the 1945 Constitution is the Indonesian economy oriented to the people's economy. This constitutes the constitutional jurisdiction of the mandate contained in the Preamble of the 1945 Constitution, which is to create social welfare for all Indonesian people<sup>4</sup>.

Competition in the business competition law in Indonesia in Law Number 5 Year 1999, namely 'monopoly' and 'business competition'. These two terms then distinguish Indonesia's competition law with antitrust laws in the USA and many other countries, where Indonesian law uses both terms simultaneously<sup>5</sup>. The monopoly in the arrangement of Article 1 Sub-Article an of Law Number 5 Year 1999 shall be defined as: "control over the production and marketing of goods and or on the use of certain services by a business actor or a group of business actors."

Understanding of competition or competition according to Black's Law Dictionary <sup>6</sup> is:

"Contest of two rivals. The effort of two or more parties, acting independently, to secure the business of a third party by the effort of the most favorable terms; also, the relations between different buyers or different sellers which result from this effort. It is the straw between rivals for the same trade at the same time; the act of seeking or endeavoring to gain what else is endeavoring to gain at the same time. The term implies the idea of endeavoring by two or more to obtain the same object or result ".

Unfair business competition is also conceived in Law Number 5 of 1999. Unfair business competition in Law Number 5 of 1999 is contained in Article 1 letter f, which states:

"Unfair business competition is the competition between business actors in carrying out production and or marketing activities of goods and or services done by dishonest or illegal or inhibiting business competition."

From the concept of Article 1 letter f of the Law No. 5 of 1999 above, it can be seen that unfair business competition is a contrary action to the concept of competition. Above all, in the legal dictionary it is mentioned that the conspiracy is:

"A combination or confederacy between two or more persons formed for the purpose of committing, by their joint effort, some unlawful or criminal act, or some act which is lawful in itself, but be unlawful when done by the concerted action of conspirators, or for the purpose of using criminal or unlawful means to the commission of an act not in itself unlawful."<sup>7</sup>

Based on the understanding of conspiracy, conspiracy can involve cooperation between two or more business actors jointly taking action against the law. The term conspiracy actually comes from the Antitrust Law in the United States, where in Article 1 The Sherman Act 1890 states: "... a conspiracy to impede trade ...". The United States High Court coined the term 'Concerted action' to define the term conspiracy in terms of inhibiting trade, as well as to formulate the principle that the perpetrators of the business must be proven, that there are mutual adjustment activities based on conspiracy to inhibit trade and the proof can be inferred from the existing conditions. From that definition, conspiracy is an agreement which has the consequence of a concerted action (conspiracy is an agreement in the form of cooperation which consequently is behavior which mutual adjust).

There are also equate the term conspiracy (conspiracy/conspiracy) with the term collusion, namely as: "A secret agreement between two or more people for deceitful or fraudulent purpose". That is, that in collusion there is a secret agreement made by 2 (two) people or more with the aim of fraud or embezzlement which is the same as conspiracy or tend to negative/negative connotations.

Juridically, the definition of conspiracy or conspiracy is regulated in Article 1 letter h of Law Number 5 Year 1999 which states:

<sup>7</sup>Lucio Budi Kagramanto, 2008, *Prohibition of Tender Conspiracy (Perspective on Business Competition Law)*, Srikandi, Surabaya. Page 29

<sup>&</sup>lt;sup>4</sup>Chatamarrasjid, 2000, (Piercing the Corporate Viel); KapitaSelekta Company Law, Citra Aditya Bakti, Bandung. Page 113, 40 - 141

<sup>&</sup>lt;sup>5</sup>Kagramanto, Lucio Budi, 2008, *Knowing Business Competition Law (Based on Law No. 5 Year 1999)*, Laros, Surabaya. Page 57

<sup>&</sup>lt;sup>6</sup> Black, Henry Campbell, 1990, Black's Law Dictionary, 6th, Ed. West Publishing Co. St. Paul - Minnesota, USA.Page 52.

"A conspiracy or business conspiracy is a form of cooperation undertaken by a business actor with another business actor with a view to controlling the relevant market for the interests of the conspiring business actor."

Thus, conspiracy is a part of a business competition. Conspiracy or business conspiracy is done after the cooperation done by business actors with other business actors with a view to dominating the relevant market for the interest of the conspiring business actor. Consequently, the conspiracy involves more than one business actor cooperating with the aim of exploiting the market for the interests of the conspirators.

# 4. Prohibition of Auction Conspiracy and Legal Sanction in Government's Goods and Services Procurement Contracts

As a results, the Law No. 5 of 1999 issued with the background of the need for economic development should be directed towards the realization of people's welfare based on Pancasila and the 1945 Constitution, democracy in the economic field requires equal opportunity for every citizen to participate in the process of producing and marketing service goods, in a healthy business climate, effective, efficient, so as to encourage economic growth and the workings of a reasonable market economy. In addition, every person who strives in Indonesia must be in a healthy and fair competition situation, so that there is no concentration of economic power in certain business actors.

Part IV Article 22 up to Article 24 of Law Number 5 Year 1999 sets out specifically about conspiracy. Such arrangements include:

- a. Business actors are prohibited from engaging in a conspiracy with other parties to regulate and/or determine the winning bidder, which may lead to unfair business competition (Article 22).
- b. Business actors are prohibited from engaging in a conspiracy with other parties to obtain information on their competitors' business activities that are classified as confidential, which may result in unfair business competition (Article 23).
- c. Business actors are prohibited from engaging in a conspiracy with other parties to inhibit the production and / or marketing of competing business goods and / or services with the intention that the goods and/or services offered or supplied in the relevant market be reduced by either quantity, quality or timeliness as required (in Article 24).

Conspiracy in Law Number 5 Year 1999 emphasizes the possibility of unlawful relationships between entrepreneurs to dominate the market for the benefit of individuals or groups. The elements of conspiracy in Article 22 of the Law No. 5 of 1999 as stated by Kagramanto are as follows<sup>8</sup>:

a. Elements of business actors;

Business actor according to the regulator of Article 1 Sub-Article e of Law Number 5 Year 1999 is an individual or business entity, whether in the form of a legal entity or non-legal entity established and domiciled or conducting business activities within the territory of the Republic of Indonesia, together through agreements, conducting various business activities in the economic field.

### b. Elements of conspiracy;

What is meant by a conspiracy is the cooperation undertaken by a business actor with another party on the initiative of any person in any way in order to win certain bidders. Therefore, based on conspiracy, the conspiracy can be distinguished based on its behavior which includes among others:

- 1. approach and enter into agreements with the bidding agency of the tender organizer/committee prior to the tender implementation related to various matters which may lead to the winning of certain business actors;
- 2. to approach and enter into agreements that violate the prohibition of tender conspiracy in relation to specifications, brands, quantities, places of delivery of goods and services to be tendered;
- 3. approach and make an agreement on the manner, place, time and limit of the tender announcement;
- 4. make any communication or any information related to the price to be presented in the tender;
- 5. the provision of an expedition exclusively by the bidders or related parties directly to business actors bidding, by unlawful means;
- 6. create false competition between the bidders. This may occur where one of the bidders does not fully complement and fulfill the requirements requested by the employer as set forth in the procedures for submission of bid;
- 7. adjust bid between business actors with other business actors/bidders;

<sup>8</sup>*Ibid*, Page 99 - 111

- 8. undertakes the opportunity to win tenders in rotation among business actors/bidders; and
- 9. make adjustments, including manipulation bidding requirements and bids received for the tender

### c. Elements of other parties;

The other party's element shows that conspiracy always involves more than one party. Understanding the other party, in this case, includes the parties involved, both horizontally and vertically in the tender bidding process that performs a tender conspiracy, whether the business actor as the tender participant and/or other legal subject related to the tender.

### d. Elements govern and/or determine the winner of auction; and

Another bid rigging element is to regulate and/or determine the winning bidder. This element is defined as an act of the parties involved in a conspiracy tender process, which aims to exclude other business actors as competitors and/or to win certain bidders in various ways. Arrangement and determination of the winning bidders can be done horizontally or vertically, meaning either done by business actors or by the executing committee.

#### e. Elements of unfair business competition.

The last element of the provision of conspiracy is the unfair business competition. This element shows that conspiracy using the rule of reason approach, because it can be seen from the sentence: "... so it can lead to unfair business competition". The rule of reason approach is a legal approach used as a competition controller to consider competitive factors and establish whether or not a trade barrier is appropriate. It means whether the barriers are interfering, or even disturbing the competition.

However, the Presidential Regulation Number 54 of 2010 and the amendment specifies that any act or action of a Sanctioned Service Provider shall enter into a conspiracy with another Service Provider to regulate the bid price outside the procurement procedures of the procurement of goods, thereby reducing, inhibiting, minimizing, and / or negate fair competition and / or harm others.

In contrast, the explanation of Presidential Regulation Number 54 Year 2010 and its amendment give an indication of the existence of a conspiracy. According to Samsul Ramli,<sup>9</sup> there are 5 matters relating to the above indication of conspiracy as follows:

- a. This first indication refers to the violation of the prohibition stipulated in Law Number 5 Year 1999 which discusses the subject of banned treaties. One of them is an oligopoly agreement. Article 4 paragraph (1) and paragraph (2) explain that business actors are prohibited to enter into agreements with other business actors to jointly control the production and/or marketing of goods and/or services that may result in monopolistic practices and/or not- healthy. Including a business, actor is allegedly or assumed jointly to control the production and/or marketing of service goods if two or three business actors or group of business actors control more than 75% market share of a certain type of goods or services.
- b. The second indication refers to the whole sentence of the offer indicating that the confidential (OEP) details should have been violated or leaked to the provider.
- c. For the third indication refers more to the restrictions set forth in Article 26 and Article 27 of Law Number 5 Year 1999. A person is prohibited from serving as director or commissioner of a company at the same time concurrently holding the same position in another company or business actor is prohibited to own majority shares in some similar companies do the same business activities on the same market.
- d. In the fourth indication, there are often offers that come from one business group or different group but use the same bidder. The practice of using bidders suggests that providers have limited capabilities but have strong motivation to win elections.
- e. While the fifth indication is generally the issuer of bidding warrants issuing a guarantee based on the serial number of the issuance, so collective bidding warranties serve as an indication that the bidding provider is in control. "

In order to ensure the realization of supervision, the implementation of the business can run properly, Law No. 5 of 1999 mandated the establishment of a commission to maintain and supervise business competition. The Commission

<sup>&</sup>lt;sup>9</sup> Ramli, Samsul, *Resolve Various Problems of Procurement of Government's Goods / Services*, Visi Media, Jakarta. 2014. Page 34

referred to is the Business Competition Supervisory Commission (abbreviated as KPPU). KPPU is established to supervise business actors in running their business activities in order not to practice monopoly and/or unfair business competition. Conspiracy is a prohibited activity that falls under the category of unfair business competition.

# 5. Government's Goods and Services Procurement Contracts through Electronic Procurement Unit

The contract is not only studied at the contractual stage alone but also must be considered the legal relationship that precedes and afterward, which includes the pre-contractual and post-contractual stages.<sup>10</sup> The problem of procurement of government goods and services lies not only in the presence or absence of disputes during the course of the contract, so that the necessary steps are not only a repressive step after a dispute but also a preventative measure to reduce the problem in the field current and future construction work and escorts in the procurement of government goods and services will be more directed from both sides.

So much efforts to optimize E-Procurement as a precautionary measure in reducing problems that may arise in the future in the field of procurement of government goods and services are implemented by utilizing synergies between LKPP, Construction Service Provider, and Committing Officer as the user of construction work services which is further managed by the Electronic Procurement Service (abbreviated EPS) through Electronic Procurement System (abbreviated as EPS) by optimizing the role and function of E-Procurement system in order to carry out the selection of PBJP construction service providers based on Time Capability Package owned through qualification documents with due regard to principles and principles in law contract. In addition, there should also be a comprehensive socialization related to the enactment of SPSE because there are still procurement committees or providers of construction work that do not understand the implementation of E-Procurement itself.

Government procurement of goods and services electronically or known as E-Procurement is the process of procurement of government goods and services whose implementation is done electronically based on website or internet by utilizing the facilities of communication and information technology. In this E-procurement application, all the auction process starts from the announcement, bid, selection, until the announcement of an online tender winner. The final mission of the implementation of e-procurement is how the process of procurement of goods and services in government and how to use information technology so as not to waste a lot of time and cost.<sup>1</sup>

The procurement of goods and services electronically in addition to improving transparency and accountability, enhancing market access and fair business competition, and improving the efficiency of the procurement process will indirectly also support the monitoring and auditing process and meet the need for real-time access to information realizing clean and good government in the procurement of government goods and services.

This E-Procurement system, the performance of existing government institutions is expected to increase, as purchases are made by selecting items in the system so as to reduce the inclination of error. All tender selection of government goods and services is done online through the internet so the process becomes effective, efficient and transparent. With E-Procurement, procurement providers get more bid prices and simpler administrative processes, whereas for suppliers of goods and services can expand business opportunities, create healthy business competition, open business opportunities open to anyone and reduce administrative costs.<sup>12</sup> In general, the benefits gained from the procurement of goods and services both in conventional and E-Procurement ways can be seen in the Table 1.

Conventional	e-Procure ment
Importing & retrieving documents is done by face-to-face	Entry & retrieval of documents can be done via internet
The announcement is only done in print media	Announcements are made on the internet through an existing website

<sup>10</sup> Salim H.S. 2004. Legal Development of Innominate Contract in Indonesia, SinarGrafika, Jakarta. Page 4

<sup>11</sup>Indraiit et al. 2016. "E-Procurement Analysis of LPSE Kendari City", Journal of Economics (JE) Vol.1 No. 1: 2

<sup>&</sup>lt;sup>12</sup>Jasin, M., A. R. Zulaiha, E. J. Rachman, and N. Ariati, 2007. Preventing Corruption through E-Procurement, Corruption Eradication Commission, Jakarta, page 13.

Regional coverage of limited notice	Regional coverage of the notice is very wide				
	Opportunities for collusion between committees &				
procurement committees & service providers	service providers can be minimized				
Less transparent	More transparent				
Source: Secondamy data 2017 (adited)					

Source: Secondary data, 2017 (edited).

Referring to the table above, it can be seen some more benefits of this e-procurement. The benefits are faster service, because the auctioneer does not take the time to travel to the place where the goods and services are being delivered and there is no need to do bureaucracy that sometimes spends a lot of time; transparency, accountability, effective and efficient because it can be accessed by anyone; and with this e-procurement become an effort in preparing national service providers to be able to face the challenges and compete in this global development. E-Auction covers the process of announcing the procurement of goods and services up to the announcement of the winner by involving the relevant parties namely KDP, ULP/Procurement Official and Provider of Goods and Services.

To be able to participate in the auction through LPSE National application, the company must first register to become a partner on the site that has been provided by LPSE. Through this process of electronic procurement of goods and services electronically it is expected to further improve and ensure the effectiveness, effectiveness, transparency, and accountability in spending state money. In addition, the procurement process of electronic goods/services can also ensure the availability of information, opportunities and business opportunities, and encourage a healthy competition and the realization of the aspect of justice (non-discriminative) for all business actors engaged in the procurement of goods and services government.

As a results, based on the provisions of Article 106 paragraph (1) Fourth Amendment of President Decree Number 54 of 2010 which mandates that in the implementation of government procurement of goods and services must be executed electronically with the loss of terminology "can" in the previous provisions, but as many contracts procurement of government goods and services sourced from the State Budget of Revenue and Expenditure/Regional Revenue and Expenditure Budget is not accompanied by increased effectiveness and efficiency of the procurement of government goods and services. Various regulations issued related to the procurement of government goods and services technically and administratively have not been able to avoid the procurement of government goods and services from various problems in the implementation from the auction, contract implementation, to post-contract.

# Conclusion:-

The procurement process of government goods and services through the E-Procurement Unit can further ensure the availability of information, opportunities and business opportunities, and encourage healthy competition and the realization of the aspect of justice (non-discriminative) for all business actors engaged in the procurement of goods and services government. E-Procurement Unit may minimize the existence of a tender conspiracy among business actors/participants with business actors/other bidders as well as between business actors/bidders with tender organizers or committees. Although various regulations issued related to the procurement of government goods and services are technically and administratively. In fact, have not been able to avoid the procurement of government goods and services from various problems in the implementation of the auction, contract implementation, to postcontract.

As a suggestion research, supervision and optimization of E-Procurement system is required as a preventive measure to reduce the high problems in the field of government goods and services. However, the optimization role and function of E-Procurement system should be the government's main concern in order to carry out the selection of government procurement construction procurement worker.

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