

**PROCUREMENT ASSESSMENT OF INDONESIA'S STATE ELECTRICITY CORPORATION (PLN)
FOR A POSSIBLE RBL OPERATION**

JUNE 2015

ABBREVIATIONS

ADB	Asian Development Bank
anggaran	budget
APBN	Anggaran Pendapatan dan Belanja Negara (Central Government Budget)
APLN	Anggaran PLN (PLN Budget)
BAPPENAS	Badan Perencanaan Nasional (National Planning Agency)
BPK	Badan Pemeriksa Keuangan (Supreme Audit Agency)
CSA	Country Procurement and Sector Assessment
DLI	disbursement-linked indicator
DPEP	Directorate of Procurement and Energy Primer
DPT	Daftar Penyedia Terseleksi (Selected Service Providers List)
EPC	engineering, procurement, and construction
GOI	Government of Indonesia
KPK	Komisi Pemberantasan Korupsi (Corruption Eradication Commission)
kV	kilovolt
kWh	kilowatt-hour
LKPP	Lembaga Kebijakan Pengadaan Pemerintah (National Government Procurement Policy Agency)
LV	low voltage
Perpres	Peraturan Presiden (Presidential Regulation)
PLN	Perusahaan Listrik Negara (State Electricity Corporation)
RBL	results-based lending
RPJMN	Rencana Program Jangka Menengah Nasional (National Medium Term Development Plan)
RUPTL	Rencana Usaha Penyediaan Tenaga Listrik (Electricity Power Supply Business Plan)
SBD	standard bidding documents
SMI	PT Sarana Multi Infrastruktur (state-owned enterprise focusing on infrastructure provision)
SOE	state-owned enterprise
VfM	PLN Value for Money Committee

I. INTRODUCTION

1. The Government of Indonesia (GOI), in its National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional, or RPJMN) 2015–2019 has pledged a priority on improving energy security. Within this context, GOI developed a medium-term plan in the power sector, which is to have an additional 35 gigawatts (GW) of generating capacity to support economic growth. For this purpose, at the request from GOI, ADB has set several actions to respond to such demand, including preparing a program called Electricity Grid Strengthening—Sumatra (EGSS) program which will be implemented by the State Electricity Corporation (Perusahaan Listrik Negara or PLN). To enhance the delivery of the programs and results, ADB has proposed to deliver EGSS using the Result Based Lending (RBL) modality, which would be the first RBL in Indonesia. This type of modality requires a paradigm shift which moves the operational focus from financing expenditures and controlling transactions to directly supporting results, and from a rule-based approach to a principle-based approach. Accordingly, as required under para 186 of the Staff Guidance for Piloting Results-Based Lending for Programs (November 2013—referred to as “RBL Guidelines”), as part of the fiduciary assessment, the national and sector procurement system must be assessed to ensure its adequacy to deliver the Program.

2. The Objective of this report is to assess the procurement capacity of PLN to implement a possible RBL project. The in-depth procurement assessment of PLN was guided by the Supplementary Appendix No. 5 of the RBL Guidelines, which presents indicative questions for assessing RBL program fiduciary systems, to ensure that an adequate procurement system exists to support a principle-based program. On the basis of the procurement risk assessments undertaken, PLN risks are identified and assessed, risk mitigation/management strategies are proposed to address identified risks, and the PLN procurement risk rating is determined. It has to be underlined that the proposed RBL is the first in Indonesia and it is the first in the power sector by any of the multilateral development banks (MDBs) and it the first time that an RBL will be with a state-owned enterprise (SOE) as the executing agency and not with a line ministry. This poses some additional challenges in assessing procurement risks since a utility company will apply certain private sector procurement methods, which are normally not seen in the other sectors where ADB has piloted the RBL approach.

3. This in-depth assessment utilizes the Indonesia Country Procurement and Sector Assessment (CSA) Report, interviews with PLN staff using the questionnaires as mentioned in para 2 above, and by performing a desk study on PLN’s procurement system including review of procurement data provided by PLN. The Staff Guidance for Piloting Result-Based Lending for Programs requires a four-stage process for the procurement assessment:

- a. Procurement profile of the program
- b. Country, sector and/or program-level procurement regulations, rules, procedures and arrangements
- c. Agency-level organizational capacity and arrangements
- d. Procurement system performance

4. Based on the available information and data the assessment covers all four aspects.

II. THE PROGRAM CONCEPT

5. The EGSS will contribute to PLN’s overarching power development plan for Sumatra as identified in the Rencana Usaha Penyediaan Tenaga Listrik (Electricity Power Supply Business

Plan or RUPTL). The strengthening of the region’s transmission and more importantly, distribution networks is a precursor to strengthening Sumatra’s transmission backbone system and to unite the various priority segments in the eastern part of the island. The centers of large-scale generation and load centers in Sumatra will then be eventually connected to the transmission backbone. These networks will also enable the reliable transfer electricity from areas with adequate generation to areas that lack energy. The strengthening of the transmission system in Sumatra will (i) further enable interconnection between Sumatra and Java; and (ii) strengthen the distribution networks that will strengthen and increase reliability of connections with industrial, commercial, and residential customers.

6. The Sumatra transmission grid network will see a significant change with the establishment of the interconnection systems in the eastern and southern part of the region. The system development is being undertaken to meet the growing demand in Sumatra as well as to improve reliability by phasing out diesel generators in the interconnected systems. The program will support the strengthening of both the Sumatra grid and PLN’s program implementation capacity.

Table 3: Program Scope

Item	Broader PLN Program	Results-Based Lending Program
Outcome	Enhanced energy security.	Adequacy and reliability of power supply achieved for Sumatra
Key outputs	Sumatra’s transmission backbone system developed and the Sumatra and Java-Bali grid interconnected.	1. Existing transmission system strengthened and expanded 2. Distribution system strengthened and expanded 3. Performance management and implementation improved
Expenditure size	\$10,834.5 billion	\$1,100 million ¹
Geographic coverage	Sumatra	Sumatra
Implementation period	2015–2019	2016–2019

Sources: Asian Development Bank and PLN staff estimates.

7. Financing under the ADB loan will be disbursed over a period of 48 months (four years) subject to the achievement and verification of the agreed DLIs. A disbursement of 20% will be made for achievement of prior results in the amount of \$120 million.² Financing of these prior results, achieved not more than 12 months before loan signing, will support PLN’s initiation of actions required to achieve Year 1 disbursement-linked indicators (DLIs). From 2016 onwards, PLN may submit a withdrawal application periodically along with the evidence verifying the achievement of the DLIs and evidence of spending obligations incurred during the period. Any amounts not disbursed for an unmet DLI will be disbursed once it has been achieved. The verification of meeting DLIs under the program should be verified by an external third party such as a reputable audit firm.

8. There are currently two types of financing sources for contracts in PLN. The first type is contracts financed out of the state budget (referred to as “APBN”). This includes all APBN-

¹ ADB \$600 million and World Bank \$500 million.

² If PLN requests advance financing on top of financing for prior results, the combination of the two is limited to 30% of the total loan amount which in this case would be \$180 million.

funded projects as well as other donor³ financed projects which are channeled through a two-step loan mechanism. Procurement for APBN-funded contracts strictly follows the national procedures as set forth in the Presidential Regulation (Perpres) 54/2010 (as amended). The bidding documents issued by the National Government Procurement Policy Agency (LKPP) are used. Procurement for donor-financed contracts is determined in the respective financing agreements, but normally follows the respective donor procurement guidelines and their standard bidding documents. Most major PLN investments are normally funded by these sources.

9. The second type is contracts financed out of the PLN budget (referred to as “APLN”). This includes the funds from PLN’s revenues, the government’s direct capital/equity injection⁴ as well as corporate loans from private sector. APLN is mostly used for the operation and maintenance, rehabilitations/improvements of equipment/facilities, and some small portion of major investment.

III. PROCUREMENT ASSESSMENT

10. PLN is 100% owned by the Republic of Indonesia, whose controls are represented by the Ministry of State-Owned Enterprises (MSOE)⁵ on the company operations and management aspects, and by the Ministry of Energy and Mineral Resources (MEMR) on the technical advisory aspect. According to the law, PLN is the major provider of all public electricity and electricity infrastructure in Indonesia, including power generation, transmission and distribution systems, and retail sales of electricity. PLN has a medium procurement risk, with a total score of 2.86 (out of 3.00) which is well above the Indonesia countrywide score of 2.44.⁶

1. Procurement Profile of the RBL

a. Existing transmission system strengthened and expanded (output 1)

11. Output 1 will contribute to PLN’s efforts to strengthen and expand the transmission system by (i) reconductoring of existing 150 kilovolt (kV) transmission lines; (ii) extension of 150 kV and 275 kV substations; (iii) installation of 150 kV and 275 kV reactors and capacitors; (iv) expansion of outgoing 20 kV switchgear at existing 150 kV substations; and (v) expansion and reinforcement of the medium voltage (20 kV) and LV distribution network.

- a. Procurement will be carried out by the *Unit Induk Proyek* (Development Unit or UIP) for a total estimated amount of \$900 million;
- b. Civil Works (estimated at \$600 million) consisting of EPC contracts for reconductoring 150 kilovolt (kV) transmission lines, and the installation of 150 kV and 275 kV capacitors and reactors;

³ JICA, World Bank, and ADB are the three major financing partners for PLN.

⁴ It is noted that PLN has just recently received the government direct capital/equity injection of IDR 5 trillion (equivalent to \$400 million) as part of the government support to the PLN achieving the national target of 35,000 megawatt power generation

⁵ Under the current law and regulations, Ministry of Finance has delegated part of its role to MSOE as representative of the Government of Indonesia in the shareholder’s activities in SOEs.

⁶ PLN’s new management was recently appointed, with the following promising feature for better assuring good governance and compliance: (i) the President is an ex CEO of a private bank; (ii) one director is an ex-private bank Compliance Director; (iii) one director is an ex-World Bank staff; (iv) a dedicated director for strategic procurement; (v) the President Commissioner is an ex-Deputy of the Corruption Eradication Commission (KPK); and (vi) an MOU with KPK and auditor general (BPK) for strengthening governance and compliance.

- c. Goods and related services (estimated at \$300 million) for the extension and uprating of 275 kV and 150 kV substations;
- d. All procurement under UIP will consist of individual contracts of less than \$10 million, and will be procured following the PLN's open competitive bidding procedures; and
- e. Procurement carried out by PLN's Penyaluran dan Pusat Pengatur Beban Sumatera (Sumatra Load Dispatch Center or P3BS) for improving and maintaining the existing facilities).

The main procurement is as follows:

- f. Civil works (EPC) contracts for the substations estimated at \$50 million, with individual contracts of less than \$5 million, will be procured following the PLN's open competitive bidding or limited bidding with pre-qualified contractors; and
- g. Reconductoring of 70kV, estimated at \$100 million, where individual contracts are between \$30,000 and \$10 million, will follow PLN's open competitive bidding procedures.

b. Existing distribution system strengthened and expanded (output 2)

12. Output 2 will contribute to PLN programs for expanding and reinforcing the medium voltage (20 kV) and low voltage (LV) distribution network, the installation of 20 kV lines, 20 kV/LV distribution transformers, LV lines, service connections, and customer meter boxes and circuit breakers as required. The procurement of the main distribution materials (material distribusi utama or MDU), for a total estimated amount of \$1.4 billion consists of individual contracts between \$5-25 million. There are 16 MDU materials to be purchased with the following arrangements.⁷

13. Materials to be procured by the PLN Supply Chain Management Unit (SCM), includes the following:

- a. Group 1 Materials, include the following 5 materials, i.e. distribution transformers, one phase prepaid kilowatt-hour (kWh) meter, power cable, conductor, and cubicle. The procurement of these materials are pooled and carried out by PLN SCM unit following PLN limited competitive bidding with reversed auction (see the reversed auction procedures below). The framework contracts are signed with successful bidders based on unit prices of an estimated quantity for the period of contracts (normally for one year), so that the purchasing units will just issue the purchase orders (PO) 3 months in advance of the intended delivery.
- b. Group 2 materials, include the following four materials: main circuit breaker, lightning arrester, fuse cut out (FCO), and isolator. It has been the experience of PLN that the procurement of these materials always (which was done through an open competitive bidding) resulted in the participation of only less than three bidders. Accordingly, starting year 2015, the procurement of these Group 2 materials is done through the open book system.

14. Materials to be procured by the regional offices or distribution offices of PT PLN under the joint procurement mechanism includes the following:

⁷ Detailed estimates for value of framework contracts have been reviewed but can't be disclosed due to non-disclosure agreement with PLN.

- a. 3 phase kWh Meter procured by PLN Distribution West Java and Banten (through open book)
- b. Current transformers procured by PLN Distribution Bali
- c. Potential transformers procured by PLN Distribution Bali
- d. Steel posts procured by PLN Regional Riau and Riau Islands
- e. Concrete posts procured by PLN Regional East and North Kalimantan
- f. Low voltage panel procured by PLN Distribution Jakarta and Tangerang
- g. Pole top switch (PTS)/load break switch (LBS) procured by PLN Distribution East Java

15. All of these materials are pooled procured in each of the pool centers mentioned above for the user needs of throughout Indonesia, following PLN limited bidding procedures with reverse auctions. The framework contracts are also signed by the respective pool centers with the successful bidders, on which each purchasing units will just issue Purchase Orders (PO) 3 months in advance of the intended delivery.

16. Installation works is estimated at 20 % based on figures received from PLN on the budget projection for Aceh⁸, with individual contracts between \$10,000–\$1 million procured following the PLN’s open competitive bidding or limited bidding procedures.

Table 4: Summary Procurement Profile

Procuring Entity	Procurement Method		
	Open Competitive Bidding	Framework Contracts	Direct Contracting through Open Book
UIPs	\$900 million		
P3BS	\$150 million		
PLN regional offices	\$255 million		
PLN HQ MDU		\$950 million	\$65 million
Total	\$1,305 million	\$950 million	\$65 million

HQ = headquarters, MDU = material distribusi utama (main distribution material), P3BS = Penyaluran dan Pusat Pengatur Beban Sumatera (Sumatra Load Dispatch Center), PLN = State Electricity Corporation, UIP = Unit Induk Pembangunan (Development Unit).

2. Procurement Policy and Strategy

17. Procurement will follow PLN’s procedures and not government procedures.⁹ PLN has recently developed and approved a comprehensive procurement policy and strategy, which is being implemented at the moment. The general procurement principles are in line with international practice and are as follows:

- a. Efficient: the procurement must be managed to obtain the best result, in a timely and fair manner and not just based on the lowest price.
- b. Effective: the procurement should suit the needs that have been established and provide the biggest benefits supporting PLN’s objectives.
- c. Competition: procurement has to be open to suppliers that are qualified and shall be carried out through healthy competition between the suppliers that meet the

⁸ Details has been reviewed but can’t be disclosed due to non-disclosure agreement with PLN.

⁹ The assumption is that the RBL will be Direct Lending modality to PLN and that PLN corporate procurement guidelines will apply.

established conditions/criteria based on clear and transparent provisions and procedures.

- d. Transparency: all the provisions and information regarding the procurement, including the conditions of the procurement method, evaluation procedure, evaluation result, the contract award is open to all Suppliers who are interested.
- e. Fair and reasonable: the same treatment shall be afforded to all qualified prospective Suppliers.
- f. Accountable: all procurement shall be documented and accounted for thus reducing/eliminating the potential for abuse and mismanagement.

18. To implement the procurement principles a comprehensive procurement strategy has been developed covering both overall objectives, sourcing strategies, procurement performance managements, institutional arrangements and development as well as tactical and operational guidelines. The overall objective of the procurement strategy is to increase value for money for the organization identified as the correct balance of the six rights as illustrated in Figure 1 below¹⁰

19. In addition to the principles above, PLN as an SOE is mandated to stimulate the national economy through procuring national produced goods. For a number of commodities PLN has minimum requirements for domestic content ranging from 10-50 %. In reality it means that only suppliers with manufacturing facilities in Indonesia are eligible as suppliers. The requirement does originate from Ministry of Industry and is thus outside the direct control of PLN even if it is PLN that sets the actual percentages of domestic content. The internal procurement rules also include provision for preference for domestically-manufactured goods/products.¹¹ The maximum preference that could be applied is 15% (for goods) and 7.5% (for construction).

Figure 1: The Six Rights

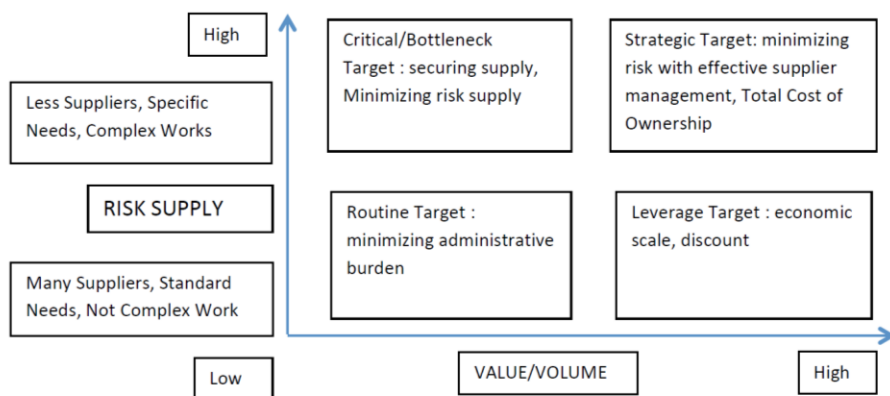


20. The right price is only considered once the other five rights have been complied with. The socioeconomic goal may include social, environmental or other strategic objectives but will most often include the objective of utilization of domestic products, suppliers and contractors. A key for PLN in implementing their procurement strategy is to conduct extensive market research

¹⁰ Board of Directors (BOD) Decree No: 0620.K/DIR/2013 on PT PLN (Persero) General Guidelines for Procurement.
¹¹ Which carries at least 25% of domestically produced/manufactured components as listed in the List of Domestically Produced/Manufactured goods issued by the Ministry of Industry.

and identify appropriate sourcing strategies depending on the supply market, the overall expenditure for different spending categories and the importance to PLN operations. As an analytic framework PLN uses the Kraljic Portfolio Purchasing Model¹² to categorize spending and in Strategic, Bottleneck, Leverage and Routine categories and based on the categorization develop the appropriate sourcing strategy (Figure 2).

Figure 2: PLN Supply Positioning Matrix¹³



21. The procurement under the RBL will cover bottleneck, leverage and routine products while strategic products is excluded from the scope of the RBL, however is part of the overall Electricity Grid Strengthening – Sumatra program.

- a. Strategic products: includes capital investments including generation, new substations and transmission lines. This is normally procured through open competitive bidding (includes EPC contracts and the majority of ADB's investment loans fall into this category).
- b. Critical/bottlenecks products: equipment where only few suppliers are in the market but are critical to the performance of PLN and include power transformers and certain categories of distribution equipment. This is to a large extent procured through PLN's open book system.
- c. Leverage products: includes various types of equipment for distribution and installation and works contracts for maintenance and improvement of transmission lines, substations and distribution networks. This is procured through PLN's limited bidding (framework/umbrella contracts) or open competitive bidding.
- d. Routine products: includes smaller works/installation contracts for distribution (e.g. household connections) and general equipment/supplies for office operations. This is procured through limited bidding, shopping, or direct purchases.

3. Procurement Methods and Capacity

22. The various procurement methods which will be applied for the RBL are all described and assessed in the following paragraphs:

¹² Developed by Peter Kraljic and first published in the Harvard Business Review in 1983

¹³ Footnote 12.

a. Open Competitive Bidding

23. Participation is based on an open invitation which is advertised widely through electronic or non-electronic media; could also follow prequalification or postqualification depending on the complexity and size of works; may involve participation of international and national/local bidders. This is the most common procurement method currently practiced. PLN's open competitive bidding is similar to Perpres 54/2010, however using PLN's e-procurement system and improved sample bidding documents (SBD) with FIDIC and other clauses from the standard bidding documents of donors. Therefore, the SBDs appear to be more comprehensive than those produced by LKPP. The SBDs have the following features:

- a. Comprise standard templates for various types of simple and complex procurement, for example: single stage vs. two stage bidding, one vs. two envelope systems for the supply-install and EPC contracts.
- b. May be customized as necessary by users.
- c. Written in Bahasa Indonesia (although there is an English translated version, there is relatively no substantial customization to streamline requirements and procedures for the participation of foreign bidders).
- d. The bidding documents are available in hardcopies and can be collected in person for those who are interested. For international participants, PLN normally sends hardcopies through registered mail. Electronic versions of the bidding documents are not officially used¹⁴, although in practice PLN sends such versions quite often to those who so request, but the hardcopies prevail.

24. The thresholds for participation of foreign bidders are as follows:¹⁵ \$4 million (for construction works), \$800,000 (for goods), and \$400,000 (for consulting services). All foreign bidders are required to form partnerships with local firms, in the forms of joint operation, subcontractors, etc, when there is a qualified local firm available in the particular procurement subject.

25. For procurement below the thresholds mentioned in para 22 above, the competition is for particular class of contractors or class of suppliers. However, this requirement is not applicable for procurement above the thresholds mentioned above.

26. The minimum period for submission of bids is not clearly stated in the PLN Corporate Procurement Guidelines, however, in the current practice, the normal default is 30-45 days, and under special circumstances it could go to 3 days only (for very simple procurement with straightforward bid preparation), and up to 3-8 months (normally for cases which require amendments to the bidding documents).

27. The officer in charge of a procurement process is required to exhaust any possible attempts to salvage a procurement process. If those attempts are not successful, then the concerned officer may provide a justification to the VfM for a cancellation of bids. If granted, such cancellation of bids must be announced to all bidders. Users then request the officer in charge for procurement to carry out a rebidding with or without revising the bidding documents. A cancellation of bids may be justified under any of the following circumstances:

¹⁴ Even under the PLN e-procurement system, submission of bids is still using hardcopies.

¹⁵ In domestic currency Rp50 billion (for construction works), Rp10 billion (for goods), and Rp5 billion (for consulting services)

- a. In cases that the lowest evaluated bid prices are above the owner's estimate, the negotiation with the lowest bidder fails to reach an agreement.
- b. After evaluation following criteria defined in the bidding documents, no bids pass the technical aspects.
- c. Changes in the plan and schedule which significantly affect the type, quantity, and quality of the goods/works being procured.
- d. There is a strong indication of corrupt/collusive practices.
- e. There is a strong indication of monopolistic practices.
- f. Protests from bidders are deemed to be correct.
- g. At the recommendation of the VfM in response to a proposal submitted by the officer in charge of procurement or users or other related officials.
- h. In response to a court legal decisions.

28. Areas for potential improvement in the open competitive bidding system include improving the English-version SBD to allow more effective international competition, especially since PLN will be performing more large contracts which are subject to international competition. The improved documents can also be a model for LKPP to adopt for the national level.

29. The PLN e-procurement system needs further improvement before it can be sustainable. All bidders have to register with the PLN e-procurement system before they can advance to participating in a bidding process.

b. Limited Bidding

30. Limited Bidding is a new method which was just introduced in the most recent PLN corporate procurement rules.¹⁶ Limited bidding in the terminology of PLN has in fact two meanings (i) the use of framework contracts for leverage products, which are procured centrally either in PLN headquarters by the MDU, by regional centers for the entire PLN (referred to as joint procurement) or by regional centers for their own needs; and (ii) normal open competitive bidding with pre-qualification.

31. For framework contracts pre-qualification is advertised either yearly or every six month for power meters meaning framework contracts are only valid for 6-12 months before being retendered. All qualified bidders are invited to submit bids. And depending on the equipment one to five suppliers are awarded the framework contract, however, in the bidding document it is defined what percentage of the total volume the first ranked bidder will get, what percentage the second rank will get and so forth.

32. If described in the bidding document, the price will be set using reverse auction. Bidders will submit their price bids and afterwards an auction is carried out either using PLN's e-procurement system or manually. If manually, a three round auction is conducted and suppliers have 30 minutes between each offer. Prices are public to all bidders. Once the final lowest price is identified, all bidders on the framework contract will have to match the price of the lowest evaluated bidder, otherwise they are disqualified. An overview of the equipment categories that are procured using framework contracts are provided in Annex 1.

¹⁶ Since this is a newly introduced method, there is no precedent yet of such method in the current PLN procurement system performance. However, it is anticipated that PLN will move towards such practices, particularly for procuring those works/goods/equipment which can be "planned ahead", for example: maintenance works and purchase of operational goods/equipment of large value.

33. Whenever, PLN uses pre-qualification they call it limited bidding, which in fact is the preferred or default procurement method. However, in ADB definition it would in fact be open competitive bidding with pre-qualifications. PLN uses the Preselected Suppliers List (Daftar Penyedia Terseleksi or DPT) for pre-qualifications. The DPT¹⁷ is a list of pre-approved bidders that has been vetted by PLN as technically and financially sound to bid for PLN contracts. The DPT is updated regularly and firms can apply to be included at any point. In addition PLN carries out market analysis to capture new entrants to the market.

c. Direct Appointment through Open Book System

34. In cases where there is only a limited supply market, PLN uses an Open Book system to directly award contracts to the suppliers under the framework contract. Normally a limited supply market means only two to three suppliers are meeting the qualification criteria.

35. Based on discussion with Accenture, it is understood that basically the Open Book procurement is a “more transparent way to do a single sourcing” and has been practiced at PLN since 2012. Interested firms may register to participate in the system, and after checking on their qualifications, a firm can be included in the list of pre-selected suppliers. To this extent, the Open Book System is not entirely consistent with para 196(iii) of the RBL Guidelines: “The procurement processes are governed by clear rules that are easily accessible and can be consistently applied. Contract opportunities are advertised widely.”

36. The firm signs a performance service agreement (PSA) for an initial contract of three years, which can be extended for another two years. Eligible commodities included under Open Book System include transmission transformers, where currently only two vendors are listed in the Open Book System, which are CG Power and Unindo (of which PLN has 30% ownership). For transmission transformers, the open book will be expanded to include four suppliers in 2015 and most likely five in 2016. However, not all suppliers will be able to cover all types of transmission transformers. Due to the size of the contracts for transmission transformers, it is excluded from the RBL.

37. Open book is also used for four commodity groups under distribution equipment (i) main circuit breakers; (ii) lightning arresters; (iii) fuse cut outs; and (iv) isolators.

38. Risks associated with this system include:

- a. A small number of pre-selected vendors create the potential for collusive practices.
- b. Allowing vendors to contribute to preparing the specification is potentially a conflict of interest, including the potential to ‘gold plate’ the specification to increase the cost of materials and therefore the value of the profit that the vendors are permitted to earn.
- c. Limiting a vendor’s profit margin may affect its ability to invest in new technology or equipment.
- d. Renowned international suppliers may be reluctant (and even prevented by their home country’s laws) to grant access to their commercially confidential records.

¹⁷ Maintaining a list of pre-qualified vendors is common practice for large private firms and utility companies. An example is the common Nordic list of pre-qualified firms, which can be found at <http://www.achilles.com/communities/833-sellihca>

- e. Visiting of vendors' premises by Accenture staff could affect transparency and may be prone for other risks if the governance issue is not addressed properly.

39. Based on the assessment, the Open Book system currently appears to have some gaps in terms of being fully transparent (i.e. unclear procedure how vendors can participate) and has only two vendors on the list. Therefore, the Open Book system would benefit from further improvements and be embedded in a proper PLN legal instrument. Some areas for further improvement of the open book system are as follows:

- a. The detailed procedures should be stated very clearly in the PLN Corporate Procurement Guidelines/Directives.
- b. The opportunity to be considered as a listed vendor should be advertised properly to attract more vendors including the qualification criteria
- c. Contract awards under the open book should be advertised.
- d. There should be monitoring of "eligibility" for a commodity being referred to the open book system, i.e. only for those which only have less than 3 suppliers who can deliver the requested goods/commodity.

d. Organizational Arrangements and Capacity

40. As of 24 December 2014, PLN has a new Board of Directors and Board of Commissioners, who may set more changes and reforms to the company. Under the current arrangement in the company, the Directorate of Procurement and Energy Primer (DPEP) is responsible for preparing the annual overall procurement plan for the company (Central and Unit at the provincial level), while the strategic procurement plan at the Unit level is prepared by the Unit staff or the representative of the user, together with the procurement staff from the DPEP. The preparation of strategic Procurement Plan is conducted periodically in line with the planning cycle of PLN whether it is one year or multi-year plans. As part of the preparation of the planning, the team reviews the RUPTL & other planning documents, procurement portfolio, capacity of the procurement team, market survey & DPT, and performance evaluation of the corporate procurement.

41. At the procurement planning stage, the procurement planning division of DPEP (assisted by the respective users from various directorates) leads in delivering the following outputs:

- a. The PLN spending analysis of the corporate procurement portfolio.
- b. The corporate procurement strategy for all needs.
- c. The DPT (list of selected service providers/suppliers), which are selected through prequalification and due diligent processes.
- d. The targeted procurement performance.

42. At the procurement implementation stage, the officer in charge of the procurement execution and management from DPEP leads the procurement process (assisted by the respective users from various directorates), to deliver the following outputs:

- a. The procurement which provides the best value for money for PLN.
- b. The procurement methods compliance with the company procurement rules and regulations, which provides the most efficiency, effective, and simplicity.

43. There is a Value for Money Committee (VfM) to ensure the corporate procurement planning strategy follows the value for money principles for the best efficiency to the company. During the procurement process, the VfM (together with the bid evaluation committee) also ensures that the value for money principles have been factored into the bid evaluation process, and if necessary recommends to the users for any further inputs/revisions to the contracts. This feature is noted as a distinct one for a procuring agency organization in the country, which is an option to build the capacity of quality assurance as well as quality control aspect to the organization.

44. At the contract management stage, the respective users (who are the “owners” of the contracts) lead the supervision of contracts as well as on the evaluation of the performance of the respective contractors and suppliers. These users are assisted by DPEP, in particular the procurement planning division to ensure good quality results as well as good business environment and to update of the performance of the contractors/suppliers in the DPT.

45. The organizations and functions are relatively new after PLN underwent a restructuring program a few years back. The staff and management involved in the above procurement cycles have adequate capacity and experience in all types of procurement that PLN normally carries out. They are also familiar with donor financed projects, as PLN has long executed many donor financed projects (such as ADB, World Bank, JBIC, and other bilateral donors or private financing).

46. Most procurement is centralized and carried out by a procurement committee under supervision of the directorate of procurement. There may be some procurement carried out in local/regional levels by UIP (Unit Induk Pembangunan or the Development Unit) and P3B (Penyaluran dan Pusat Pengatur Beban or Load Dispatch Center). These units are normally involved in the procurement of replacement of parts, extension, and upgrading with small in value. Furthermore, PLN’s regional offices are responsible for contracting of installation services for distribution.

47. The Directorate Procurement is responsible for developing the procurement policy for the company, as well as developing procurement training modules and certification system, while the procurement training is managed by the Pusdiklat (the PLN Training Center). Regular procurement training is conducted.

e. Complaints Handling

48. A complaint handling system has been developed and is quite robust with a clear record and responsibility. Responding to such complaints is also part of the key performance indicators of the respective staff/units. Bidders or contractors/suppliers can easily file complaints and request follow up response.

49. There are two kinds of complaints:

- a. Complaint by a bidder related to the procurement process and contract awards for which the complaint should be received within the complaint period, and it will be managed by the procurement team who are responsible in processing the respective procurement package.

- b. Complaint by public / whistleblower for which the complaint handling system is managed through PLN Bersih program (Clean PLN). This system is applied for customers' and public /whistleblower, and the mechanism is as follows:
- (i) The complainant / the whistleblower can submit their information of violations to the PLN Bersih PO Box or e-mail to plnbersih123@gmail.com. The email address and PO Box are managed by an institution (a compliance function under the Risk Management Division), which is mandated by the Board of Directors to receive reports of violations and specifically handles anti-fraud, gratification and whistleblowing system as well as transformation towards a cleaner PLN and has direct access to the Board. The designated e-mail address doesn't use the company's email provider so that the sender is not traceable by the PLN's information system. Further communication on the reports submitted will be made via e-mail.
 - (ii) Upon the submission of the report, follow-up action will be taken to investigate the case by verifying the available evidence as to whether the complaint is true or not, and/or collect other evidence as necessary. For any initial evidence of criminal misconducts, after the report and its supporting documents are sufficiently provided, no later than one month, the Board of Directors will submit to the law enforcement body including to the Corruption Eradication Commission (KPK) for further processing.

50. As the RBL modality rely on country systems, bidders will need to use the national system to raise any complaints. Unlike investment loans, ADB does not have role for individual transactions and cannot intervene and review any complaints.

f. Transparency and Internal Control

51. As stipulated in the Minister of Stated-Owned Enterprises regulation No.PER-01/2011 on the implementation of Good Corporate Governance Practices in SOEs that each SOE shall establish a system of internal control and supervision. PLN has established an internal control and supervision unit with their roles as one of the internal mechanism of each working unit and that every decision-making on transaction execution shall be reviewed by an internal mechanism to ensure that the decision with regard to the transaction has been made correctly, fairly, and professionally.

52. The PLN Internal Supervisory and Control Unit (SPI) is chaired by a Head who is positioned directly under and reports to the President Director. The SPI organization structure consists of the following:

- a. A Head of Internal Supervisory Unit;
- b. Four Division Heads of Supervisory Unit at headquarters level;
- c. 13 Heads of Supervisory Unit Office at Regional level;
- d. Five experts; and
- e. 220 auditors.

53. Most of the auditors are qualified internal auditor-certified. As part of an effort in enhancing good corporate governance, PLN conducts routine Annual Supervisory Work Program, including the procurement process in each business unit. On performing the procurement audit, the internal auditor may clarify any issues as necessary, and reports directly to the President Director of their findings. In 2013 the Company performed operational audits

into 45 main units, 275 executing units, 4 head offices and 3 subsidiaries, resulting in 2,347 number of findings of which 1,580 have been followed-up and were declared completed. Other remaining findings must be followed-up by each respective unit until they are declared completed. Further the Board of Commissioners is entitled to review whether any follow up actions have been taken on audit findings, as found by both the internal (SPI) and external (Supreme Audit Agency or BPK) auditors; and raises any the projects which are at risk to the Board of Directors.

54. As an SOE, the financial statement of PLN is audited by an independent public accountant in each fiscal year. PLN assigned an independent public auditor through a competitive bidding process, which delivers the audit services aiming at compliance with regulations and internal control for fiscal year ending 31 December, work execution audit, an audit of the 10,000 megawatts Fast Track Program, two-step loan audit, review on performance evaluation report, audit of partnership program and community development program, and a review on proforma consolidated financial statements of the holding company. The audited financial statement for each fiscal year and unaudited quarterly financial statement are uploaded on the PLN website, and accessible by the public.

55. The PLN website is publicly accessible and the important information of PLN is available on the website. The information on RUPTL is also on the website. Information related to the procurement (including e-tendering) whose source of funds is from APBN is available on the Layanan Pengadaan Secara Elektronik (Procurement through Electronic System or LPSE) system. Information related to the procurement whose source of funds is from APLN is available on the PLN e-procurement system. Interested bidders can access both LPSE PLN and the PLN e-procurement system fairly easily to participate in any procurement opportunities.

g. Corruption Risks

56. Corruption risks are present in all programs and projects in Indonesia and PLN has had a number of procurement cases investigated for corruption over the years and some have led to conviction of senior PLN staff.¹⁸ According to Transparency International, Indonesia rank as number 107 out of 175 countries in the 2014 Corruption Perception Index¹⁹ with a score of 34. In comparison Philippines ranks 85, Vietnam ranks 119, and Malaysia ranks at 50.

57. PLN has introduced a number of initiatives to curb corruption. First of all, they have signed a MOU with Transparency International Indonesia (TII). The MOU covers two objectives. The first objective is to improve the procurement system and the second to improve the quality of service. To improve the procurement mechanism, TII facilitated PLN to hire an international expert on corporate governance and procurement system.²⁰ Furthermore, TII assists PLN and its vendors, ranging from international power system companies like Siemens or Alstom to local manufacturing companies, in a collective action initiative. This initiative aims to develop consensus between PLN and all its companies, to conduct a clean, transparent process. It was launched at the end of the year 2012, where all stakeholders involved in this initiative made an integrity pact.²¹

¹⁸ See for example: <http://thejakartaglobe.beritasatu.com/archive/former-pln-head-gets-5-years-for-corruption/>; <http://en.tempo.co/read/news/2013/10/30/056525750/PLN-Project-Chief-Gets-8-Years-Behind-Bars>; <http://en.tempo.co/read/news/2013/05/30/055484388/Suspecting-Corruption-AGO-Arrests-5-PLN-Officials>

¹⁹ <http://www.transparency.org/country#IDN>

²⁰ The procurement guidelines adopted by PLN in the 4th quarter of 2014 is an important step in the process.

²¹ Control Risks Group Limited 2013: "Anti-Corruption in Indonesia".

58. PLN has a program “PLN Bersih – no suap” (“Clean PLN – no bribery”) for managing public complaints and the whistleblower system through PO Box, direct calls, and email. PLN explained their program at the Anti-Corruption International workshop organized by KPK and TII and issued the book on anti-corruption i.e Saatnya Hati Bicara 1 & 2 as the compilation of PLN staff and its Directors experiences in managing anti-corruption.

59. PLN has a Good Corporate Governance (GCG) manual, Board Manual, as well as manuals on the Code of Ethical Conducts, and the Anti-Gratification (Memahami Gratifikasi) including the forms for reporting the gratification and information to whom it should be submitted.

60. The dissemination of ethical code to PLN staff includes basic information about the rules relating to ethics including: (i) policy on conflict of interest, (ii) policy on the prohibition of giving and receiving gifts, bribes and others similar practices, (iii) policy on procurement of Goods and Services, and (iv) distribution of compliance with the code of conduct sheet that each employee must sign.

61. For improving transparency and accountability in recording and reporting the financial transactions, PLN cooperates with Independent Institution, namely the Indonesian Transparency Society for preventing fraud and corruption. PLN has a partnership with BPK by providing access to them for verifying any transactions incurred at any time. In addition, PLN also formed the partnership with the KPK in improving the quality of supervision on substantial business transactions.

h. Procurement System Performance

62. PLN’s new procurement strategy has only been in force since late 2014 and there is therefore limited data available to access the procurement performance in the new system. However, based on the interviews made with the procurement officers of PLN, it appears there is no significant issue on these aspects. The procurement timelines are closely monitored by the users, and the principles of total cost of ownership as well as value for money are applied, and are a subject of the company’s annual review and audit. There is a standard quality which has been set at the corporate level for the delivery of quality goods and works. On payments, the service standard is 30 days after receipt of the completed payment request documents.

63. However, as part of the program action plan, a robust procurement monitoring system is proposed to be implemented by PLN, which will provide PLN insights to their procurement performance and allow for early warnings to PLN and ADB should the program experience delays in implementation.

64. The overall government program for Sumatra will increase investment in the sector significantly which poses some risks to the program overall and to ADB’s proposed RBL program. First of all, procurement capacity may stretch, especially in P3BS, UIPs and regional offices leading to increased procurement lead times and lack of contract monitoring and management. Secondly, although the RBL program supports relatively simple rehabilitation work on transmission and distribution systems, the increase in investment may challenge the capacity of the private sector in delivering timely. Furthermore, there may be an increased risk of supply failure or as a minimum supply delays for equipment, especially in the categories where only two suppliers are available locally and the open book system is used. This needs to be closely monitoring during implementation to ensure that the program is not delayed and

capacity issues internally and externally of PLN does not lead to either corrupt or collusive practices.

i. Electronic procurement²²

65. The PLN electronic procurement (e-proc) system would be in general compliance with MDBs e-General Procurement guidelines by providing a transparent, accessible, open and competitive procurement environment.

66. The system supports most of the common features and functions of an e-proc portal including the advertisement opportunities, online access to bid documents and amendments, vendor registration, publication of awards. For standard open tenders, the system currently applies a manual bid submission process and provides a function to tender committees to record the evaluation results as to public award announcements. Tenders may be conducted with either a pre-qualification or post-qualification process and with a one or two-envelope system.

67. Any pre-bid meetings, if required, may be conducted at a specific place and time or electronically through message exchange or online video calls.

68. The system provides a reverse auction function for request for quotes and limited or direct bidding with pre-qualified suppliers which would be established through an initial open tender. Reverse auction is the preferred method for price evaluation to ensure the best possible value for PLN.

69. The general public and registered users can freely access current and past opportunities and award information on the portal, though only registered users may participate in a bid. The portal provides access to the general terms and conditions for using the e-proc portal and includes access to general procurement guidelines and process applied as well direction for requesting information under an access to information guideline and for submitting a complaint or challenge with regards to a procurement. At present, the portal appears to include procurement information, notices, and awards since 2009.

70. The portal is designed for national competitive bidding procurement as a local and domestic service offering in accordance to the guidelines at the time of its original development. The e-proc portal is presented in Bahasa Indonesia only and the vendor registration is structured for the registration of domestic vendors only with requirements for local business permits and tax ID numbers. Vendors are also required to present themselves with original documents for verification at a PLN operation office to complete the online registration process.

71. The PLN e-proc portal is one of a series of systems supporting procurement, vendor management, project management, inventory management, budget management, and payment processing. Some of the systems are supported by a backend SAP system while others, like the e-proc portal, are developed internally by PLN. Most of the systems were initially developed independent of each other. Automation of the PLN business processes began in 2000/2003 and has continued to evolve over the years, in accordance to the approved guidelines by the Board of PLN.

²² Republic of Indonesia: Sumatra Grid Strengthening Program: Procurement Review (March 2015) report prepared by Joseph Fagan, e-procurement consultant hired by ADB.

72. Together, the different systems provide PLN with effective fiduciary controls to monitor project development and implementation, budget and procurement planning, inventory and disbursement in accordance to approved budgets. Components of the systems could provide necessary monitoring tools to support ongoing project management and monitoring of the proposed ADB-funded program.

73. PLN has an ongoing project to harmonize the content and classifications between the various operations units and the centralized procurement, inventory, and budget systems. This will provide more integration between the systems.

74. PLN is also in the process of updating their e-proc application to become a more paperless system, supporting full e-bidding and bid submission in addition to the current reverse auction. The system changes will also include support for registration of international vendors in the system so that international competitive bidding tenders can be supported in the e-bidding process. The enhancements of the e-proc system are work in progress with the new system functions anticipated for the last quarter of 2015.

IV. CONCLUSION

75. The in-depth procurement assessment of PLN was guided by the Supplementary Appendix No. 5 of the RBL Guidelines, which presents indicative questions for assessing RBL program fiduciary systems, to ensure that an adequate procurement system exists to support a principle-based program. These guidelines had to be adapted to special circumstances since this RBL is the first in Indonesia; it is the first in the power sector by any of the MDBs and it the first time that an RBL will be with a state-owned enterprise as the executing agency. The assessment utilized the Indonesia draft Country Procurement and Sector Report, information obtained from PLN staff using the questionnaires provided in the Staff Guidance, and by performing a desk study on PLN's procurement system including review of procurement data provided by PLN.

76. The procurement for the program will include equipment for transmission and distribution networks as well as civil works and installation services. PLN will use a variety of procurement methods, which include open competitive bidding, framework contracts and direct contracting through open book. The procurement of large transformers has been excluded from the RBL since the contracts will exceed the limits for goods contracts of \$30 million.

77. It is this assessment's finding that the procurement framework as expressed in PLN's Board of Directors (BOD) Decree no. 0620.K/DIR/2013 on PT PLN (Persero) General Guidelines for Procurement is appropriate and follows best practices used by utility companies around the world. The framework provides the overall principles for procurement, a procurement strategy as well as detailed procedures. The overall objective of the procurement strategy is to increase value for money (VfM) for the organization, which are identified as the correct balance of the six Rights (Rs)—quality, quantity, location, time, social-economic impact, and price. The right price is only considered once the other 5 Rs have been complied with. The social economic goals of the procurement process may include social, environmental or other strategic objectives and can also include building national capacity to supply PLN by utilizing domestic products, suppliers and contractors. A key for PLN in implementing their procurement strategy is to conduct extensive market research and to identify appropriate sourcing strategies depending on the supply market, the overall expenditure for different spending categories and the importance of those goods and services to PLN operations. As an analytical framework PLN uses the Kraljic Portfolio Purchasing Model to categorize spend and classifies its procurements

in Strategic, Bottleneck, Leverage and Routine categories to develop the appropriate sourcing strategy. PLN have implemented a number of framework contracts for equipment to improve efficiency, security of supply and achieve better value for money through fostering economies of scale. For works and engineering, procurement, and construction (EPC) contracts open competitive bidding is the default procurement method. To ensure quality of supply and of contractors, PLN has a list of pre-approved vendors, which meet the financial and technical requirements set out by PLN.

78. There are two key issues for ADB to consider for implementing an RBL using PLN's procurement system – local content requirements and direct contracting through open book, which are integral parts of PLN's procurement system. It is recommended that ADB accept these conditions when deciding to use the RBL modality because RBL policy clearly states that implementation rely on country systems not ADB Procurement Guidelines. More specifically:

- a) **Local content requirements.** The requirement for local content for equipment means that only suppliers with manufacturing facilities in Indonesia are eligible to bid for and receive contracts. It should be noted that several multinational firms do have manufacturing facilities in Indonesia and PLN is actively encouraging foreign firms to either open facilities or expand the line of equipment they manufacture in Indonesia.
- b) **Direct contracting through open book.** For direct contracting, only those suppliers who are pre-selected by PLN are eligible to supply goods and services. Although competition is sacrificed, open book contracting brings other benefits such as security of supply and according to PLN also value for money. Overall, it is only 6-6.5 % of the procurement spending for distribution equipment anticipated under the program will go through the open book system.

79. While PLN's overall procurement framework is appropriate, PLN will face a number of risks in managing procurement under this program. ADB's procurement assessment has identified the following procurement risks:

- a) **Procurement and market capacity.** As the investment in distribution and transmission will be significantly increased in the implementation period, it may strain the capacity both internally in PLN as well in the supply markets. Not only is ADB processing a RBL, other partners are likely to support the distribution and transmission program and PLN is investing heavily to meet the ambitious goals of the power sector development program. The absorptive capacity of PLN and perhaps more importantly the private sector capacity to deliver needs to be carefully monitored. The increase in investment in both transmission and distribution may result in (1) lack of qualified contractors to carry out installation and works contracts and (2) supply risk for equipment categories especially where only limited suppliers exist. A procurement monitoring and spending profiling system should be actively used by PLN to identify capacity issues (whether internally or externally) and to develop mitigating measures and action plans should capacity issues arise.
- b) **Anti-corruption measures.** All large scale procurements must include suitable safeguards against fraud and corruption. PLN has, over the last three to four years, has taken a number of important initiatives to curb corruption within the organization and has significantly strengthened internal controls. To further strengthen the PLN's oversight and detection mechanism the program action plan includes a procurement

monitoring framework and spending profiling of the program. PLN will report every quarter to their board/Value for Money Committee and to ADB on the indicators in the procurement monitoring framework and provide the updated spend profile.

80. The key to manage procurement risk in this and subsequent RBLs with PLN is to have all procurement monitored at a corporate level. PLN's procurement guidelines require that PLN introduce a procurement monitoring system, including an expenditure analysis of their procurement. A procurement monitoring framework is at Appendix 1. If this is implemented for the program both PLN and ADB can adequately manage procurement risks and take corrective action if and when necessary (Table 2).

Risk Description	Risk Assessment	Mitigation Measures
Market capacity/supply risk	Moderate to substantial	The procurement monitoring and spending profile should be used actively to identify lack of competition or above normal contract prices due to market failure.
Procurement delay	Moderate	Upgrade the e-procurement function and improve the capacity of PMO (the project management office) and the procuring entities. Furthermore, the proposed procurement monitoring framework will provide early warnings if procurement under the program experience systemic delays.
Institutional capacity	Moderate	Accelerate PLN's ongoing programs and initiatives to Improve institutional capacity and professional development for key staff. PLN already has 8 corporate strategic initiatives to this end.
Fraud and corruption	Moderate to substantial	Upgrade the capacity of the internal auditor. The procurement monitoring framework combined with spending profiling of the program will be used to detect red flags and suspicious patterns in contract awards.

V. PROGRAM ACTION PLAN

Actions	Responsible Agencies	Time Frame
Procurement		
1. Quarterly reports submitted to the Board of Director (through the SILM) highlighting spending analysis for the program including: <ul style="list-style-type: none"> a. Name of supplier/contractor b. Contract value c. Procurement method d. Category of equipment/works e. Procuring entity 	SPKK	From the third month after the commencement of the Program
2. Procurement monitoring framework prepared	SPKK	From the third month after the commencement of the Program
3. Reporting on the procurement complaints and handling	SPKK	From the third month after the commencement of the Program
4. Enhance the Project Management Office (PMO) system to produce data and information required under PAP 1 above	PMO	Within the first six months of the program implementation
5. Incorporate detailed guidelines for Open Book in the Board of Directors (BOD) Decree No: 0620.K/DIR/2013 on PT PLN (Persero) General Guidelines for Procurement including provisions to increase transparency	DPEP	Within 24 months of the program
6. Develop strategies to move from open book to limited biddings for selected equipment categories	DPEP	Within 24 months of the program

DPEP = Directorate of Procurement and Energy Primer, PLN = State Electricity Corporation, SPKK = Corporate Performance Control Unit, SILM = Information System for Management Report.

ANNEXES

Annex 1: PROCUREMENT MONITORING FRAMEWORK

QUARTERLY REPORTING TEMPLATE

Procurement Performance Measurement	Indicator ²³	Reporting
Spend profile (in excel)	Name of contractor Contract/PO value Procurement method Category of equipment/works Procuring entity	To be provided in excel
Efficiency from the competition process	1a. Percentage of procurement spend using open competitive processes	Reporting format to be determined by PLN
	1b. Percentage of procurement spend using limited bidding	Reporting format to be determined by PLN
	2a. Number of bids received in open competitive bidding (average)	Reporting format to be determined by PLN
	2b. Number of bids received for framework/umbrella/long-term contracts (average)	Reporting format to be determined by PLN
	3. Number of goods/commodities under open book*	Reporting format to be determined by PLN
	4. Procurement process lead time - number of days from advertisement to contract award (average)	Reporting format to be determined by PLN
	5. % of procurement cases where 2 or less substantially compliant bids received	Reporting format to be determined by PLN
Positive cost reduction/improvement	1. Level/amount of cost saving/reduction that is achieved with budget compared to realized contract value*	Reporting format to be determined by PLN

²³ Indicators marked with a * need to be manually collected by PLN. Other indicators are available from procurement monitoring databases.

	2a. Amount of centralized procurement spend due to aggregation of spend	Reporting format to be determined by PLN
	2b. Delivery time on framework contracts from purchase order to delivery on site – number of days	Reporting format to be determined by PLN
	3. Percentage of unsatisfactory goods, services and works*	Reporting format to be determined by PLN
Supplier management	1. Number of new suppliers that enter the DPT*	Reporting format to be determined by PLN
	2. % of Project delivery/contracts that is delivered late (% both in terms of value and number of projects)	Reporting format to be determined by PLN
	3. The percentage (%) of suppliers/contractors where satisfactory quality level is achieved*	Reporting format to be determined by PLN
System efficiency and internal process	1. Total number and value of low value < Rp500 million) transaction	Reporting format to be determined by PLN
	2. Total number and value of purchase/work orders on umbrella or framework contracts	Reporting format to be determined by PLN
Procurement management	1. Percentage of certified procurement staff*	Reporting format to be determined by PLN
	2. The total number of days of procurement training*	Reporting format to be determined by PLN
Complaints handling	1. Number of complaints received*	Reporting format to be determined by PLN
	2. The number of valid complaints, where the ruling was in favor of the complainant*	

DPT = selected vendors list.

Source: Asian Development Bank and PLN.

Annex 2: Spend Profile – Non-Framework Contracts

The spend profile shall as a minimum include the following information:

1. Contract number
2. Date of contract signing
3. Name of supplier/contractor
4. Address of supplier/contractor
5. Contract value at signing
6. Contract value realized (when is closed)
7. Procurement method
8. Category of equipment/works
9. Procuring entity
10. Number of compliant bids received
11. Date of advertisement
12. Contract completion date at signing
13. Contract completion date realized (when contract is closed)

A. Spend profile – Framework/Umbrella Contracts

The spend profile shall as a minimum include the following information:

1. Contract number
2. Name of supplier/contractor
3. Address of supplier/contractor
4. PO number
5. Purchase order value
6. Purchase order date
7. Category of equipment/works
8. Procuring entity
9. User unit
10. Delivery date on site

B. Establishment of Framework/Umbrella Contracts

This should include as a minimum the following information:

1. Contract number
2. Date of contract signing
3. Name of supplier/contractor
4. Address of supplier/contractor
5. Procurement method
6. Category of equipment/works
7. Procuring entity
8. Number of compliant bids received
9. Date of advertisement
10. Estimated contract value

C. Complaints Database

This should include as a minimum the following information:

1. Contract number
2. Name of complainant
3. Address of complainant
4. Nature of complainant
5. Resolution of complaint

ANNEX 3: SAMPLE OF DISTRIBUTION COST IN ACEH

Distribution cost in Aceh in USD			
Year	Materials	Services/Installation	Total
2015	18,859,972	4,420,099	23,280,071
2016	21,042,239	5,097,869	26,140,108
2017	25,566,770	6,231,010	31,797,780
2018	31,410,120	7,672,420	39,082,540
2019	38,581,426	9,446,113	48,027,539
Total	135,460,526	32,867,512	168,328,038