



RESEARCH ARTICLE

Transforming Indonesia's Procurement Policies: Digitalization And Sustainability For Inclusive Economic Growth

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ARTICLE INFO	ABSTRACT
Received: Jan 6, 2025	Strengthening the Procurement of Goods and Services (PBJ) sector is one of the government's plans for economic recovery. Laws and regulations have regulated the use of domestic products in PBJ. This PBJ aims to generate economic value that benefits users and is expected to reduce negative environmental impacts during its use cycle. The problem faced in this study includes the role of sustainable PJB policies and PBJ digitalization in realizing social and economic justice. This study applied a literature approach and analyzed policies related to sustainable PBJ and digitalization in Indonesia. The primary sources in this study include policy documents from government institutions. While the secondary sources are from relevant documents, books, journal articles, and other relevant electronic sources. The study found that digital PBJ and sustainable procurement policies had a significant role in developing economic growth. Digitalization also enhances efficiency, accessibility, and innovation in procurement processes by assisting Micro, Small, and Cooperative Enterprises (MSMEs) in decision-making. On the other hand, sustainable PBJ policies enhance environmental, economic, and social outcomes by prioritizing local providers and supporting equitable prosperity.
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INTRODUCTION

A. Background

Local governments are responsible for consistently improving the welfare of their people. One way local governments can do this is by fulfilling the needs of their citizens with various goods, services, and infrastructure development. To ensure community involvement in implementing physical and non-physical development (services) in local government efforts, whether by the local government itself or by involving the community (individuals or institutions), laws and regulations are needed to regulate how the parties exercise their rights and authority. Fulfilling the needs of goods and services is an important component of the government's implementation ¹. The government and private companies can purchase goods and services differently. Need them with their abilities or debt, while the government or public sector must conduct a tight auction to get the best goods and services at a low price. Therefore, the government often contracts with the private sector to meet the needs of this local government.

The government's fulfillment of its obligation to meet the needs of its people, as well as procurement contracts with the private sector, are solutions or efforts that the government can make. Therefore, to interpret and understand the meaning of procurement contracts, a discussion is needed about the meaning and substance of contracts involving the government as a party, also known as government contracts. Procurement of Goods and Services (PBJ) is carried out for the benefit of the government,

¹ Simamora, *Law of Agreement, Principles of Law on Procurement of Goods and Services Contracts by the Government*.

which is one way to drive the national economy to improve the welfare of the Indonesian people. Developing the PBJ system is an essential part of the transformation design to uphold justice for the development of a clean government system.

On October 5, 2020, the Indonesian government passed Law Number 11 2020 concerning Job Creation (UU Cipta Kerja). This was done to increase the use of domestic products (PDN) in government PBJ. The mandate stipulated in the Job Creation Law was followed by the issuance of Presidential Regulation (Perpres) Number 12 of 2021, which amended Presidential Regulation Number 16 of 2018 concerning Government Procurement of Goods/Services. Perpres Number 12 of 2021 and its implementing regulations mandate that small businesses and cooperative products must receive at least 40% of the budget for goods/services purchased by ministries, institutions, and the government.

Moreover, the National Movement Proud of Indonesian Products, including PDN and Micro, Small, and Cooperative Enterprises (MSMEs), is to expedite their usage under Presidential Instruction (Inpres) Number 2 of 2022. The "Proud of Indonesian Products" National Movement (GERNAS BBI) is the government's pledge to promote PDN use as part of PBJ implementation. Industrial enterprises may use this presidential direction to improve their PDN and boost their competitiveness. Presidential Decree (Kepres) Number 20 of 2003 concerning Guidelines for the Implementation of Government Procurement of Goods/Services has regulated PDN use in Indonesia since 2003. The decree explains the government's general policy in PBJ, including increasing the use of PDN, design, and national engineering to increase employment and develop domestic industry to improve the competitiveness of PDN goods and services in international trade.

In the context of economics, domestic product is measured by Gross Domestic Product (GDP), which includes all production of goods and services produced domestically in a given period. The OECD states that government spending, also known as public spending, can represent up to 20% of a country's GDP and almost 50% of government expenditure². Most Indonesian government spending allocated to the State Budget (APBN) and Regional Budget (APBD) is done through the PBJ process. This includes spending on goods and services, capital, certain social welfare spending, and subsidies. Goods spending is allocated as non-investment PBJ state spending to support government operational activities.

Strengthening the government's PBJ sector is one of the government's plans for economic recovery in 2021. This will be achieved by optimizing PBJ using PDN and encouraging the participation of micro, small, and cooperative entrepreneurs so that the wheels of the economy continue to run. Presidential Regulation No. 12 of 2021 and its implementing regulations more firmly stipulate that small businesses and cooperatives must receive 40% of the Regional Government's goods/services spending budget from domestic production. In addition, this regulation increases the ceiling for procurement packages for goods/construction work/other services from 2.5 billion to 15 billion for small businesses.

The use of PDN in PBJ is regulated in Law Number 3 of 2014 concerning Industry, which has been amended by Law Number 11 of 2020, which deals with the creation of jobs, regulations on industrial empowerment (Government Regulation No. 29 of 2018), and regulations governing the acquisition of goods and services by the government (Presidential Regulation No. 16 of 2018; Amendments to Presidential Regulation No. 12 of 2021). In addition, the government seeks to provide policy and regulatory instruments to achieve sustainable development goals through the Public PBJ Law. The procurement aims to generate economic value that benefits ministries/institutions/regional apparatus (K/L/PD) users and significantly reduces negative environmental impacts during its usage cycle. Here is a problem statement based on the background information provided: "How the role of sustainable Goods and Services Procurement policies and the digitalization of Goods and Services

² Juniarty Erika Magdalena Saragi, Hamka Hamka, and Mala Sondang Silitonga, "Strategy for Increasing the Use of Domestic Products in the Procurement of Goods/Services in Government Procurement Agency Authors," *International Journal of Economics Development Research (IJEDR)* 4, no. 2 (2023): 980–96.

Procurement is essential in realizing social and economic justice.” This study aims to explain how sustainable Goods and Services Procurement policies and digitalization can support inclusive economic growth in Indonesia, especially by focusing on small and medium enterprises (MSMEs).

B. Research Methods

This study employs a legal research technique that is both normative and qualitative. Primary, secondary, and tertiary legal documents comprise its secondary data analysis, containing the following details:

- 1.Primary legal materials (primary resources or authoritative records) are applicable laws and regulations with binding force, including the digitalization and sustainability for inclusive economic growth;
- 2.Secondary legal materials (secondary resources or non-authoritative records) are materials containing explanations of primary law, such as books, newspapers, journals, draft laws, and other research results;
- 3.Tertiary legal materials (tertiary resources) are in the form of explanations and instructions that provide clarity on primary and secondary legal materials, such as lexicons, encyclopedias, and so on.

I. Theoretical Framework

A. Inclusive Economic Theory

Inclusive growth has different concepts about how economic growth will be affected by inclusion, so growth is an essential condition whether economic growth can guarantee equality in economic activities without considering the conditions of each person can be measured by inclusive growth. Inclusive economic growth is usually defined as growth in the economic sector that focuses on creating economic opportunities that everyone can feel or access, and inclusive economic growth allows everyone to benefit from economic growth. According to the United Nations Development Program (UNDP), inclusive growth is growth in which everyone can participate and gain equal benefits from the growth. Therefore, inclusive growth requires equality, producing equity ³.

Inclusive economic theory focuses on creating an economic system that provides equal access and opportunity for all individuals and groups regardless of social, economic, or cultural background. Six key concepts underlie inclusive economic theory. First, access to resources includes (a) education and training, increasing access to quality education and skills training for all levels of society so that they can actively participate in the economy; (b) access to capital: providing opportunities for MSMEs to obtain the financing needed to grow their businesses. Second, economic empowerment includes (a) active participation, encouraging the active participation of individuals and groups in the economic decision-making process, including in the planning and implementation of public policy; (b) entrepreneurship: supporting entrepreneurship as a tool to create jobs and improve community well-being, especially in underserved communities. Third, reducing the gap includes (a) redistribution of wealth: implementing policies that reduce economic disparities, such as progressive taxation and social programs that assist those in need; (b) regional development, focusing attention on the development of remote and marginalized areas to ensure that all areas benefit from economic growth. Fourth, social justice includes (a) gender equality, increasing women's participation in the economy and addressing gender discrimination in access to resources and employment opportunities; (b) protection of workers' rights, ensuring that workers are protected from exploitation and have equal rights in the work environment. Fifth, stakeholder engagement includes (a) multi-stakeholder cooperation, involving various stakeholders, including government, private sector, civil society, and academics, in formulating and implementing economic policies; (b) social innovation: encouraging innovation in social solutions that can address the economic and social

³ Hapsari, “ANALISIS PERTUMBUHAN EKONOMI INKLUSIF KABUPATEN/KOTA DI PROVINSI JAWA TENGAH.”

challenges facing society. Last, sustainability includes (a) a sustainable economy, ensuring that economic growth is not only profitable in the short term but also takes into account the long-term impacts on the environment and natural resources; (b) community-based development: encouraging development that focuses on local needs and potential, thereby strengthening economic and social resilience.

A holistic approach to inclusive economics means considering all aspects of people's lives, from meeting basic needs to achieving long-term aspirations. This approach is divided into three main dimensions that support each other: (1) Economic Dimension: An inclusive economy aims to create decent jobs, increase people's income, and support economic stability. One crucial step is to improve access to capital for Micro, Small, and Medium Enterprises (MSMEs), which form the backbone of the national economy. (2) Social Dimension: In the social aspect, an inclusive economy emphasizes reducing social inequality through equal access to education, health, and social protection. In addition, strengthening the role of local communities is a priority to create a more empowered society. (3) Environmental Dimension: Economic development must maintain environmental sustainability. This is done by encouraging the efficient use of resources, adopting environmentally friendly practices, and supporting green initiatives that have long-term benefits.

An inclusive economic approach offers various benefits, among others: (1) Reducing Poverty: By expanding access to economic opportunities, an inclusive economy helps the poor to break out of the cycle of poverty. For example, access to capital for smallholder farmers can increase their productivity and income; (2) Improving Social Stability: Economic inequality often triggers social conflict. By creating a more equitable system, an inclusive economy can reduce the potential for conflict and strengthen social harmony in society; (3) Spur Innovation and Growth: By involving more individuals in the economic process, this approach triggers innovation. Incubation programs for MSMEs, for example, can generate new creative and innovative entrepreneurs; (4) Promoting Long-term Sustainability: An environmentally inclusive approach ensures that economic development benefits the current generation and ensures future generations' well-being.

Despite offering many benefits, implementing an inclusive economy faces several challenges: (1) Structural Inequalities: A long-standing inequitable economic system is complex to change in a short period. Inequality in access to education, healthcare, and capital is a major obstacle to inclusiveness; (2) Lack of Political Commitment: Implementing inclusive economic policies requires strong political support. Unfortunately, not all governments have a clear vision or make inclusiveness a top priority; (3) Social Stigma: Marginalized groups often face social stigma that prevents them from actively participating in the economy. For example, in some cultures, women are still restricted from working outside the home; (4) Limited Resources: Creating an inclusive economy requires large investments in infrastructure, education, and empowerment programs. However, many countries face budget constraints in supporting these efforts.

To overcome those challenges, various strategies are needed, such as: (1) Investing in Education and Training: Education is a key foundation for creating an inclusive society. The government must ensure that every individual has access to quality education and skills training relevant to the needs of the labor market; (2) Empowerment of MSMEs: MSMEs are a pillar of the economy in many countries. Providing MSMEs with access to capital, training, and policy support can promote more equitable economic growth; (3) Fair Taxation Policy: A progressive taxation system, where the wealthier pay higher taxes, can help redistribute wealth to support social programs and economic equity; (4) Infrastructure Improvement: Adequate infrastructure, such as roads, electricity, and internet, is essential to connect rural communities with wider markets. It also opens up new economic opportunities in remote areas; (5) Multi-stakeholder Collaboration: The government, private sector, civil society organizations, and local communities need to work together to create inclusive solutions. For example, partnerships between large companies and smallholder farmers can help them access technology, financing, and global markets.

Inclusive economic theory emphasizes the importance of creating a financial system that focuses not only on growth but also on equalizing welfare and reducing injustice. With a holistic approach, it is

hoped that every individual, especially marginalized ones, can contribute and feel the benefits of economic progress. Good economic development is economic development that can improve welfare, reduce inequality, and give everyone an equal opportunity to identify the level of inclusiveness so that the inclusive economic development index is used ⁴. Inclusive economic development is greatly influenced by three factors, namely economic growth and development, income equality and poverty reduction, and expansion of access and opportunities. So, it can be concluded that the inclusive economic theory aims to improve economic performance by providing a broad path for society.

B. Transparency and Accountability in Procurement of Goods and Services

One area where corruption is most likely to occur is in the government's purchase of products and services. However, quality and transparency have become essential issues in recent years. The government has the responsibility to minimize the extent of corruption in the PBJ ⁵. No transparency and accountability can lead to corruption and abuse of power. Ensuring the procurement process specifically on transparency and accountability may reduce corruption. PBJ that has occurred so far is still considered less than optimal with a manual method; many loopholes allow for deviations that can lead to corruption. Openness and transparency of information related to the procurement process are essential to ensure that the procurement process runs fairly. Conversely, accountability means being responsible for decisions and actions taken during the procurement process.

The principle of transparency is a fundamental element of good Public Procurement (PBJ) management. Transparency aims to ensure that all parties involved in the process have equal access to relevant information. As such, transparency can reduce the likelihood of corrupt practices, such as bribery, collusion, and nepotism, which often occur due to a lack of openness in the procurement process. The transparency of PBJ can be ensured by applying four actions: (1) Clear and Broad Announcements: Announcements regarding the public procurement process must be made openly and accessible to all interested parties. Media for announcements may include government procurement portals, official websites, or print media. The information announced should include details about the goods or services to be procured, the estimated budget, and the deadline for submitting proposals. It is important to provide equal opportunities for all bidders, both large businesses and Micro, Small, and Medium Enterprises (MSMEs); (2) Providing Sufficient Time to Prepare Proposals: One of the causes of unfairness in public procurement is the provision of too short a time for participants to prepare proposals or bids. Adequate time will allow participants to understand the requirements in depth, draft documents correctly, and ensure compliance with the procurement needs. In addition, giving sufficient time can also encourage participation from more providers, thus creating fair competition. (3) Provision of Adequate Information on Requirements: Transparency in public procurement is also determined by the extent to which information on requirements is provided to potential participants. Requirements should include technical specifications, evaluation criteria, and contract terms. Clear and detailed information will help reduce ambiguity and minimize the potential for abuse of power by irresponsible parties; (4) Complete Information on Bid Evaluation Procedures: The bid evaluation procedure should be explained in detail to all participants. This includes the assessment criteria, the weight of each assessment aspect, as well as the decision-making mechanism. With this information, participants can understand how their bids will be assessed, thereby encouraging them to develop proposals that meet the needs and criteria.

Besides transparency, accountability also plays an important role in maintaining the integrity of the public procurement process. Accountability means that all parties involved, both suppliers and users, are responsible for every decision and action taken during the procurement process. Accountability ensures that the process not only complies with the regulations but also reflects the values of fairness

⁴ Sitorus and Arsani, "A Comparative Study of Inter-Provincial Inclusive Economic Growth in Indonesia 2010-2015 with Approach Methods of ADB, WEF, and UNDP."

⁵ Malinda and Hardjomuljadi, "FAKTOR DOMINAN KENDALA PENGGUNAAN E-CATALOGUE PADA PROSES PENGADAAN PROYEK KONSTRUKSI JALAN DENGAN METODA SPSS & RII."

and professionalism. The accountability of PBJ can be ensured by applying four steps: (1) Complete Reporting and Documentation: Every stage in the public procurement process should be well documented, including the announcement, bid evaluation, and contract signing. This documentation is important to create a clear audit trail so that in case of irregularities, the authorities can investigate easily; (2) Implementation of Digital Technology: The use of digital technology, such as e-procurement, can improve accountability by automatically recording every transaction and interaction. It also allows the public to monitor the procurement process, thus increasing public trust in the government; (3) External Audit and Oversight: Involving a third party, such as an independent auditor or anti-corruption agency, in the procurement process can increase transparency and accountability. External audits ensure that all parties act by applicable regulations and prevent conflicts of interest; (4) Sanctions for Violations: To ensure compliance, it is important to establish strict sanctions against those who violate the rules. These sanctions can include fines, termination of contracts, or revocation of business licenses, depending on the severity of the violation.

Transparency and accountability in the PBJ are essential to ensure that the procurement process runs fairly, efficiently, and free from corruption. Applying transparency and accountability principles in public procurement provides significant benefits that contribute to the effectiveness and efficiency of public resource management. It is an essential foundation for building a public procurement system that is clean, fair, and positively impacts society. The following is a detailed discussion of the key benefits of transparency and accountability in public procurement: (1) Increasing Public Trust: Transparency and accountability are key in building public trust in the procurement process carried out by the government or related institutions. This trust is essential for creating legitimacy in the management of public resources. Transparent procurement processes provide clear and publicly accessible information, such as tender details, evaluation criteria, and procurement winners. The public can see that procedures are fair and there is no manipulation. This creates a positive perception of government integrity. The built trust also encourages the public to participate in the oversight of public procurement actively. With this involvement, the government can receive constructive feedback and criticism to improve the quality of procurement. Governments or institutions that consistently apply transparency and accountability in public procurement tend to have a better reputation in the eyes of the public, investors, and other cooperation partners. This supports overall social and economic stability; (2) Reducing Corruption: Corruption is one of the biggest challenges in the procurement process. With transparency and accountability, the potential for corruption can be minimized. Transparency ensures that all parties involved in public procurement act according to the rules. The public and oversight bodies can monitor every step in the procurement process, from announcement to winner determination. This makes it difficult for certain parties to commit irregularities.

In a transparent public procurement system, all providers of goods/services have equal opportunities. This reduces opportunities for bribery or collusion between procurers and suppliers. With an accountable system, violations in public procurement are easier to detect and report; (3) Efficiency and Effectiveness: Transparent and accountable procurement processes tend to be more efficient and effective in the use of resources. This contributes to better management of the state budget and optimized procurement outcomes. Transparency ensures that resources, be it time, effort, or budget, are used appropriately. Procurement funds can be optimally utilized to produce quality goods/services by eliminating unfair practices such as collusion or price mark-ups. A transparent and accountable system has clear and structured procedures. This reduces the potential for delays in the procurement process due to administrative obstacles or irregularities. With accountability, every decision in public procurement is based on reliable data and analysis; (4) Improved Quality of Public Services: Transparency and accountability in public procurement play an important role in ensuring that the goods/services procured optimally meet the needs of the community. With an open procurement process, goods or services obtained through public procurement are more in line with the needs of the community. For example, procurement of medical equipment for hospitals will be more effective if it goes through a transparent tender process, where the specifications of the goods are in line with medical needs. Goods/services providers participating in a transparent procurement

process tend to compete to offer the best quality products or services. This leads to improved quality standards of procurement outcomes. An efficient and accountable public procurement system allows goods or services to be made available more quickly so that services to the community are not hampered.

C. Sustainability Principles in Procurement

Sustainable development has three main pillars: environmental, social, and economic. The principles of sustainable development can be explicitly examined from an environmental/ecological and socio-political perspective based on environmental/ecological constraints and socio-political criteria. According to Article 68 of Presidential Regulation of the Republic of Indonesia Number 16 of 2018 and its amendments, Presidential Regulation Number 12 of 2012 concerning Government Procurement of Goods/Services, the process of government PBJ considers aspects of sustainability. This allows the government to implement procurement practices aligned with the Sustainable Development Goals (SDGs) targets.

The principle of sustainability in procuring goods and services (PBJ) focuses on achieving economic, social, and environmental goals in a balanced manner. Five key aspects of the principle of sustainability in procurement such as (1) economic aspects that includes cost efficiency (ensuring effective and efficient use of budget without compromising quality) and support for local economies (prioritizing local providers to drive regional economic growth); (2) social aspects that includes fairness and equality (providing equal opportunities to all providers, including vulnerable or minority groups) and improving quality of life (ensuring that the goods and services obtained provide benefits to society, such as health, education, and social welfare); (3) environmental aspects that includes environmental impact reduction (choosing environmentally friendly products and services, and considering the product life cycle to minimize waste) and sustainable resource use (prioritizing materials and processes that use natural resources sustainably); (4) integration of sustainability principles that includes selection criteria (establish criteria that include sustainability aspects in the evaluation of bids) and stakeholder engagement (inviting various stakeholders, including the community, to participate in the procurement process); and (5) reporting and transparency that includes sustainability reportin (communicating sustainable procurement results to the public and stakeholders) and monitoring and evaluation (monitoring the social and environmental impacts of procurement carried out).

By implementing sustainability principles in PBJ, organizations can create a broader positive impact, ensuring that procurement meets current needs and contributes to future generations' well-being. Increasing awareness of how to buy environmentally friendly products and easy access to environmentally friendly products through e-catalogs and integrating knowledge, skills, and communication that support PBJ encourage sustainable procurement practices. In the procurement process, Indonesia's sustainable government procurement strategy integrates economic, social, and environmental elements to maximize value for money. This means that every government must commit to incorporating these objectives into the procurement plan as early as possible. This will include the specifications of goods and services as well as construction works. The parties involved are expected to work closely with procurement specialists from the beginning of the planning process to determine sustainable requirements and how to evaluate Supplier bids. This includes verifying sustainable consumption and production patterns carried out by Suppliers or business actors.

II. METHODS

This study uses several approaches related to data and information collection and the analysis and presentation of data related to sustainable PBJ and digitalization in Indonesia. This study uses qualitative descriptive research by sharing in-depth descriptions of current rumors, reviewing points on policy documents from the Government Goods/Services Procurement Policy Agency (LKPP) and related ministries, and case studies of PBJ initiatives in the regions.

Data presentation is intended to find meaningful patterns and allow conclusions to be drawn and action taken. Data presentation in this study is also designed to find meaning from the data that has

been obtained, then arranged systematically from complex information forms to simple but selective⁶. Miles & Huberman stated that analysis consists of three paths of activity that coincide: data reduction, data presentation, and data concluding/verification⁷. This study used primary and secondary data sources. Primary sources are policy documents from government institutions, specifically LKPP and relevant ministries documents. Secondary sources are gained from books, journal articles, and other electronic sources that are related to the topic of the study.

Once the data from the various case studies was collected, it was analyzed using a qualitative approach. This approach aimed to explore the patterns, relationships, and implications of existing policies and public procurement initiatives. The analysis was not only limited to the interpretation of policy documents but also included the relationship between findings in the field and best practices in various contexts.

From the case studies and analysis, this research identifies several successes in the implementation of digital and sustainable procurement. One of the main successes is the increased participation of MSMEs in the procurement process. With a more transparent and accessible system, local MSMEs can compete fairly with larger companies.

On the other hand, this research also identifies several opportunities that can be utilized to encourage the implementation of digital and sustainable procurement policies. One of the biggest opportunities is the potential for collaboration between the government, private sector, and civil society to create innovative solutions. For example, digital literacy training for MSMEs can be conducted through partnerships with technology companies, while universities and research institutions can support the development of environmentally friendly products.

III. RESULTS AND DISCUSSION

A. Digital Transformation in Procurement of Goods and Services

The procurement of government goods and services is identical to the existence of various new facilities, buildings, roads, hospitals, office buildings, stationery, and even English courses held by a government agency. Government organizations aren't the only ones who engage in procurement, sometimes known as tender when looking to acquire products and services. Both BUMN and private enterprises can engage in procurement on a national or worldwide scale. Companies and government organizations purchase products and services to fulfill their demands for those things that may help them function better. Private companies and government agencies can leverage the power of technology to drive continuous improvement and innovation in the procurement process because digital procurement transformation enables them to adapt to changing market conditions, discover new trends, and capitalize on new opportunities.

Efficient and effective government PBJ procurement is essential to improving state financial management, including implementing the PBJ process electronically/digitally. PBJ complied with all applicable rules and regulations via electronic transactions and information technology. To oversee the acquisition of goods and services by the government using electronic means, Presidential Regulation No. 12 of 2021 amends Presidential Regulation No. 16 of 2018 regarding such acquisition. If the minister, head of institution, or regional head determines that products or services are necessary for national or strategic purposes, then Article 50 Paragraph (5) states that digital procurement is needed.

Digital PBJ can improve the effectiveness, efficiency, transparency, and accountability of state spending. This process can also enhance the accessibility of information, provide business opportunities, and encourage healthy competition and fairness for all businesses moving forward. The government procurement process can be done electronically by using an *e-purchasing platform*.

⁶ Moleong, *Metodologi Penelitian Kualitatif* / Lexy J. Moleong.

⁷ Miles, Huberman, and Saldana, *Drawing and Drawing Conclusions*.

This platform provides some benefits such as creating packages, downloading or uploading formats of agreement letters or order letters, uploading or uploading scans of signed contracts, and so on.

The lack of openness in government PBJ information is a significant concern in Indonesia, particularly for MSMEs. This information is crucial for determining whether the money is being spent appropriately. Despite the use of electronic procurement in Indonesia, a large amount of procurement data remains unpublished. It is believed that as the government digitizes its procurement processes, the publication of government PBJ data will enhance public access to data that can be utilized for research, oversight, and engagement in the procurement process. This pledge conforms to the openness mandated by Presidential Regulation No. 16 of 2018 on Government Procurement of Goods and Services and Law No. 14 of 2008 on Public Information Disclosure (Perkisip 1/2021).

Consequently, enhancing community capacity is an essential precondition for monitoring procurement if we want to raise the profile of community supervision—specifically, of MSME players within the framework of Government PBJ. Procurement Goods and Services (PBJ) is a vulnerable area to practice corruption Because the process often involves Lots of parties and large funds. Technology is considered a tool with the potential To increase transparency and accountability in PBJ, but implementation technology also faces various challenges that can hinder its effectiveness in preventing corruption.

The first challenge is readiness infrastructure and technical resources implementation technology in PBJ, which requires adequate infrastructure and source power capable humans to operate it well. In Indonesia, the gap in digital infrastructure still becomes an obstacle, especially in remote areas with no stable internet access. In addition, the limited technical ability of PBJ officers can hinder the optimal utilization of technology. Second, organizational culture and culture work to implement technology to prevent corruption. Many employees are reluctant to adopt a new system because of cultural work. This resistance can become a great obstacle that reduces the effectiveness of technology in corruption prevention ⁸. Third, unauthorized policies and regulations comprehensive policies and regulations governing applied technology in PBJ are still inadequate and even overlap, causing ambiguity in its implementation. Ambiguity This can open opportunities for a person to abuse the PBJ process even though technology has been applied. Research shows that comprehensive and coordinated regulation is critical in implementing effective technology to prevent corruption ⁹. Fourth, risk security cyber implementation technology in PBJ also brings new risks, namely threat security cyber. Data hacking or manipulation systems can damage public trust in PBJ systems based on technology. Therefore, it is essential to ensure that the system-applied technology in PBJ has reliable security to protect PBJ data and processes from cyber threats ¹⁰. Last, Problem transparency and accountability electronic system, although technology can increase transparency, several electronic PBJ systems still lack features to ensure accountability from all stakeholders' interests. In many cases, instead of reducing corruption, technology creates a track new for the person for abuse, a complex process tracked manually. This shows that transparency is insufficient; the system must be designed with notice and accountability in every process stage ¹¹.

This commitment will encourage Public Agencies related to Government PBJ to provide more detailed information regarding K/L/PD transactions, including emergency procurement information, thereby increasing public participation in supervising Government PBJ, increasing the efficiency of Government PBJ claim control channels, expanding MSME participation in Government PBJ, ensuring the implementation of Perkisip 1/2021 in Government PBJ, and increasing public participation and supervision of Government PBJ.

⁸ Ahmad and Ali, "Resistance to Technology Adoption in Public Procurement: A Cultural Analysis."

⁹ Jones, "Regulatory Challenges in the Digital Transformation of Procurement."

¹⁰ Usman Tariq et al., "A Critical Cybersecurity Analysis and Future Research Directions for the Internet of Things: A Comprehensive Review," *Sensors* 23, no. 8 (April 19, 2023): 4117.

¹¹ Mardiasmo, *Transparency and Accountability in Procurement Goods and Services Based Technology*.

Digital transformation in the PBJ has great potential to increase efficiency, transparency, and participation in the procurement process. Electronic catalogs facilitate access to information about available goods and services, allowing providers to list and offer their products online. This digital catalog system streamlines procurement by providing easy access to various options. Furthermore, e-tendering allows the auction process to be conducted online, reducing bureaucracy and speeding up the procurement process, which makes it more efficient and accessible. On the other hand, open data access becomes a critical feature of digitalized procurement, as all procurement-related information—such as tender documents, evaluation results, and tender winners—is publicly accessible. This openness reduces the risk of corruption and increases public trust. Additionally, with a digital system, government agencies can monitor and report project progress in real time, increasing accountability and ensuring that projects remain on track.

Digitalization opens up opportunities for MSMEs to participate in tenders that were previously difficult to reach. The existence of digital platforms may assist MSMEs with adequate information and training them to navigate the procurement process. Furthermore, a tender scheme explicitly designed for MSMEs prioritizes local values and sustainability, giving smaller businesses a fair chance to compete. MSMEs also can utilize artificial intelligence (AI) to collect and analyze big data to understand procurement patterns, market needs, and supplier performance. Thus increasing efficiency in the evaluation process and risk identification, and leading to better service quality.

Digital transformation enables the inclusion of sustainability criteria in procurement processes, encouraging providers to consider their products and services' environmental and social impacts. Technology-based innovations like blockchain can increase transparency and security in procurement transactions, fostering trust and supporting sustainable practices. Despite the benefits, digital transformation in procurement also increases other challenges. Training is needed to improve digital skills among business people and government employees so that the proper use of technology in the procurement process is applied maximally. Additionally, attention to data security and privacy issues is essential in digital systems to protect sensitive information, ensuring the digital transformation is secure and effective. Digital transformation in PBJ can be a key driver in creating a more efficient, transparent, and inclusive procurement system. By utilizing technology and innovation, procurement is expected to support sustainable economic growth and benefit society more significantly.

B. Sustainable Procurement and Domestic Products

Prioritizing public welfare and improving the life of the nation is one of the goals of the Republic of Indonesia in the 1945 Constitution. For this purpose, Government Procurement of Goods/Services (PBJP) has an essential function. Without PBJP, the government cannot develop and provide services to the community. In addition, because of the significant value of government spending, PBJP is also very important for the national economy. It is hoped that PBJP will encourage faster development and economic equality. Presidential Regulation: The government made Number 106 of 2007 concerning the Goods/Services Procurement Policy Institution to ensure that PBJP runs well and is accountable. The government is responsible for developing and establishing policies for procuring goods and services. President of the Republic of Indonesia Previously, Joko Widodo had asked the LKPP to ensure that government spending prioritizes PDN and MSMEs. This ensures that government spending supports PDN and MSMEs quickly, transparently, and efficiently to achieve national economic equality. The government hopes to use more local materials and services for operational, capital, and project spending throughout every region in Indonesia. For this reason, the assessment of bids from participants in the procurement of goods or services considers technical and price aspects and the domestic component level (TKDN) of the goods and services offered by the provider.

PDN is used to select procurement preferences that focus on domestic goods and services. One of the PBJ policy strategies is to increase domestic PBJ. The PBJ cycle begins with selecting goods and services specifications, choosing goods and services providers, establishing contracts, and implementing and maintaining them. Each cycle sells products and services that use local resources

¹². The long-term benefits of PDN procurement will help reduce poverty, promote inclusive growth, and encourage sustainable development. The PDN has great significance as it has the potential to boost the nation's economy by increasing domestic demand, promoting domestic industry development, and generating new employment opportunities.

The Public Procurement Bill (RUU PBJ) initiative that focuses on strengthening PDN and MSMEs through digitalization, such as the latest version of the electronic catalog, can create a more inclusive and transparent procurement system. Establishing specific criteria for prioritizing domestic products in the procurement process is essential for strengthening domestic PDN. This may include additional assessments for local suppliers using domestic raw materials, which supports local industries and encourages using locally sourced inputs. Developing a certification system for domestic products makes it easier for stakeholders to identify and select products that meet quality standards, further promoting domestic products within procurement channels.

Creating procurement schemes specifically designed for MSMEs, such as small tender packages, allows these businesses to participate more easily. These schemes are tailored to ensure that MSMEs have a fair chance to compete in the procurement process. Furthermore, training MSMEs to participate in tenders, understand procurement processes, and improve product quality to meet standards is crucial to support their involvement and capacity-building. Developing an integrated electronic catalog where all products and services from providers, including MSMEs, can be transparently accessed by government agencies and the public is an essential step in digitization. This integrated catalog increases the visibility of available products and services. Additionally, simplifying the registration process for MSMEs in the electronic catalog enables them to market their products more effectively, enhancing their accessibility to potential buyers.

Ensuring that all procurement-related data, including tender winners and evaluation criteria, is openly available for public access is a fundamental aspect of transparency. This level of data accessibility increases public trust and accountability in the procurement process. Involving the public in procurement evaluation through discussion forums or feedback on selected providers also promotes inclusivity, allowing stakeholders to have a voice in the selection and evaluation process. Integrating sustainability aspects into procurement criteria, such as using environmentally friendly materials and ethical business practices, reinforces sustainable procurement practices. Furthermore, implementing social equity assessments ensures that the procurement process benefits large providers and creates opportunities for the wider community, especially in remote areas, promoting a more equitable and just system. Creating a digital-based monitoring system that allows transparent tracking of budget usage, project implementation, and its impact on the local economy is critical for effective monitoring and evaluation. This system provides real-time insights and accountability, enabling stakeholders to track progress and assess the effectiveness of procurement activities in supporting local economic development.

With an integrated approach in the PBJ Bill, focusing on strengthening domestic products and involving MSMEs through digitalization, as well as maintaining inclusive and transparent aspects, it is hoped that the procurement system can be more equitable, support the local economy, and provide tangible benefits to the community. This is in line with creating a better justice system in procuring public goods and services. Since 2003, Presidential Decree (Kepres) Number 20 of 2003 concerning Guidelines for the Implementation of Government Procurement of Goods/Services regulates the use of PDN in Indonesia. The government explains the general policy in PBJ, namely increasing the use of PDN, design, and national engineering to increase employment and develop domestic industry to improve the competitiveness of PDN goods and services in the global market.

C. Policy Implications for an Inclusive Economy

Improving public services and national and regional economic growth are two outcomes of national development that rely heavily on government procurement of goods and services. In addition, PBJ is

¹² Hawkins, *Consumer Behavior: Building Marketing Strategy*.

highly expected to provide the fulfillment of great benefits and contribute to increasing PDN, increasing the role of MSMEs, and sustainable development because the government issued Presidential Regulation Number 16 of 2018 Jo. Presidential Regulation No. 12 of 2021 concerning Government Procurement of Goods and Services. Presidential Regulation Number 12 of 2021 encourages MSMEs to increase their role in procuring goods and services in the government environment. As providers, MSMEs operating in specific fields have the opportunity to provide goods and services based on contracts.

In the context of government procurement of goods/services, MSMEs are part of the business actor who becomes the provider of goods/services based on a particular contract. As a provider, MSMEs must meet the following requirements to know the administrative, legal, and technical requirements. As a provider, MSMEs are held liable for the execution of the agreement, the caliber of the products or services, the precision of the amount or volume, the punctuality and whereabouts of the delivery. They must also comply with laws and regulations and meet the requirements set.

PBJ policies positively impact MSMEs. Some benefits that can be identified regarding these policies include: (1) better market access, as this policy encourages the government and large companies to work with MSMEs and to provide them capacity building (where MSMEs improve their managerial and technical skills through training and mentoring programs); (2) economic inclusion, as this policy helps reduce economic disparities and increase the participation of previously marginalized groups by providing opportunities to MSMEs; (3) innovation support, which encourages MSMEs to innovate in their products and services, increasing their competitiveness; (4) sustainability and social responsibility, as MSMEs that engage in sustainable sourcing often focus more on environmentally and socially friendly business practices, enhancing their reputation; and (5) financing and capital access, with policies providing financing schemes or more accessible access to capital for MSMEs involved in government procurement projects.

Although there are many benefits, challenges such as a lack of understanding of PBJ procedures and access to information must also be addressed so that MSMEs can feel the benefits optimally. It is hoped that government PBJ by MSMEs can encourage economic growth in the regions and the center. A method that speeds up economic growth is known as economic development, and the same holds for economic development. To raise people's incomes, economic development is a structural transformational endeavor that seeks to boost productivity and provide more employment possibilities. According to Coxhead (2008), a fair and affluent society is the ultimate goal of economic progress ¹³. When the number of production variables employed in a process increases without corresponding technological improvements, the result is a rise in community output, known as economic growth. Economic growth indicators measure the growth rate of a country's production and show how much economic activity that occurs during a specific period has generated income for the community ¹⁴.

There are three reasons why the goal of macroeconomics is economic growth. First, the population must continue to increase. Second, the economy must always be able to meet human needs and wants over time. Produce more goods and services to meet those needs and wants. Third, during periods of rapid economic growth, it is easier to achieve the goal of creating economic equality through income redistribution.

Improving public welfare is the government's goal in acquiring products and services. General government policy regarding the acquisition of goods and services seeks to incentivize local communities and small business groups (including cooperatives) to engage in domestic production,

¹³ Wattanakuljarus and Coxhead, "Is Tourism-Based Development Good for the Poor?"

¹⁴ Pratiwi, "The Influence of Economic Growth and Government Spending on Labor Absorption and Community Welfare in Bali Province."

design, and engineering; to generate new employment opportunities; and to enhance the international competitiveness of domestic goods and services ¹⁵.

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Improving public welfare is the government's goal in acquiring products and services. General government policy regarding the acquisition of goods and services seeks to incentivize local communities and small business groups (including cooperatives) to engage in domestic production, design, and engineering; to generate new employment opportunities; and to enhance the international competitiveness of domestic goods and services ¹⁶. PBJ significantly impacts Indonesia's national economic growth and equal welfare distribution. Several essential aspects that must be considered are first increasing public investment. Efficient PBJ can accelerate infrastructure development, such as roads, bridges, and public facilities. This will improve connectivity and accessibility, driving economic activity in various sectors.

The next aspect is job creation, a process involving large procurement projects that often involve a lot of labor. The government can help reduce unemployment rates and increase community income by involving local labor. Third, there is support for MSMEs: PBJ can be designed to support MSMEs. Providing opportunities for MSMEs to participate in government projects will improve economic equality in various regions. Fourth, Transparency and Accountability: Implementation of a transparent and accountable procurement system can reduce corruption and increase efficiency. This contributes to better budget use, which in turn supports economic growth. Fifth, there is Innovation and Technology Development: Procurement that prioritizes innovation can encourage the development of new technologies. This improves the quality of goods and services obtained and spurs national competitiveness. Sixth, there is Sustainable Development: Procurement that considers aspects of sustainability and environmental impact can support a green economy. Investing in environmentally friendly technology can create new jobs and reduce negative environmental effects. Seventh, there is the Distribution of Welfare: The development benefits can be felt evenly through inclusive procurement. If the procurement project involves local communities, they can directly benefit from the project. Improving the quality of public services will impact good PBJ in many sectors, especially health and education. This improvement will contribute to the welfare of the community. Overall, effective PBJ can drive economic growth and equitable prosperity in Indonesia. Policies that support broad participation, transparency, and sustainability will help create positive impacts in the long term.

IV. CONCLUSION

Digital transformation and sustainable procurement policies significantly impact achieving inclusive economic growth. Digital transformation significantly impacts procurement processes by increasing efficiency, accessibility, innovation, and data-driven decision-making. Firstly, digitalization streamlines procurement processes, reduces bureaucracy, and increases transparency, with digital platforms enabling better oversight and reducing the risk of corruption. In the aspect of MSMEs, digital technology provides better access to participate in government tenders, helping expand their market opportunities and increase income. Digitalization also drives innovation in producing and delivering goods and services, resulting in products that better meet people's needs. Additionally, technology enhances data collection and analysis, supporting policy planning and evaluation, as data analytics helps governments understand community needs and allocate resources more effectively.

¹⁵ Ridwan and Nawir, *Buku Ekonomi Publik*.

¹⁶ Ridwan Ridwan and Ihsan Nawir, *Buku Ekonomi Publik* (Yogyakarta: Pustaka Pelajar (ANGGOTA IKAPI), 2021).

Secondly, sustainable PBJ policies profoundly impact by fostering environmental, economic, and social benefits. These policies consider the environmental impact of projects, promoting the use of environmentally friendly materials and sustainable procurement practices. By prioritizing procurement from local providers, they empower local communities, strengthen local economies, create jobs, and support a more equitable distribution of prosperity. Emphasizing sustainability in procurement also raises the quality standards of products and services, benefiting society and encouraging innovation for more efficient and sustainable solutions.

Furthermore, social protection is enhanced as these policies prioritize products that uphold social and fair principles, helping to reduce social disparities. Lastly, sustainable PBJ policies profoundly impact by fostering environmental, economic, and social benefits. These policies consider the environmental impact of projects, promoting the use of environmentally friendly materials and sustainable procurement practices. By prioritizing procurement from local providers, they empower local communities, strengthen local economies, create jobs, and support a more equitable distribution of prosperity. Emphasizing sustainability in procurement also raises the quality standards of products and services, benefiting society and encouraging innovation for more efficient and sustainable solutions. Furthermore, social protection is enhanced as these policies prioritize products that uphold social and fair principles, helping to reduce social disparities. Combining digital transformation and sustainable PBJ policies can create an ecosystem that supports inclusive economic growth, where all levels of society benefit from sustainable and equitable economic development.

There are two suggestions for strengthening the implementation of digital PBJ and sustainable policies to support the local economy more effectively: 1) developing a user-friendly digital *platform* and 2) establishing collaboration between the government and the private sector. By implementing these suggestions, digital PBJ and sustainable policies enable better support of the local economy, improve community welfare, and create inclusive economic growth.

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