Case Study

Advancing beneficial ownership and transforming procurement systems in Indonesia

Situation

Globally, COVID-19 has heightened the impact of weak procurement systems. As trillions of dollars are directed to mitigate the crisis, oversight of who is benefiting from this public spending has been found to be lacking. Beneficial ownership opacity (not knowing who owns and controls businesses), coupled with insufficiently robust public procurement systems, is undermining Indonesia’s response to the pandemic.

Procurement reform was previously identified as a crucial focus area for anti-corruption efforts in Indonesia, and is part of a new National Strategy for 2021-2022. According to data from corruption eradication institutions, around 20–30% of the national budget is unaccounted for due to corruption. Since the pandemic began, there has been an increased emphasis on eradicating corruption in procurement and acknowledging the foundational role beneficial ownership transparency (BOT) plays in this.

President of Indonesia, Joko Widodo, instructed ministries and agencies to monitor activities related to the acceleration of procurement caused by COVID-19.

Task

As experts in implementing beneficial ownership and leading the work on procurement and data integration, Open Ownership (OO) was tasked with supporting the implementation of high priority areas of reform and conducting a rapid needs assessment for the Indonesian government, which would determine the course of action over a six month period.

Specifically, OO was asked to analyse the technical systems that Indonesian agencies used to collect relevant data, and to identify and propose solutions for policy and technical barriers in using beneficial ownership data in procurement. OO was also asked to build the capacity of key stakeholders on how beneficial ownership reforms could be advanced.
**Action**

From September 2020 to March 2021, OO worked in collaboration with the Open Contracting Partnership, the United Nations Office on Drugs and Crime (UNODC), and the UK Government Digital Service. OO provided the following critical support:

1. **In depth assessments of the regulatory framework and technical systems relevant to the use of beneficial ownership data within procurement;**
2. **Capacity building activities, including workshops with key actors and agencies to raise awareness of how beneficial ownership can support procurement and explore potential methods of verifying Indonesia’s beneficial ownership data;**
3. **The development of a localised version of the Bluetail prototype and using this to demonstrate how a system modelled on machine-readable, shareable data can enable government agencies to combine open contracting data with beneficial ownership data, with the potential to transform due diligence throughout procurement.**

**Result**

OO’s work under the Transforming Procurement Systems project considered key technical barriers that had previously been blocking Indonesia’s progress to using beneficial ownership data in procurement.

**OO’s analysis of the existing technical systems demonstrated how Indonesia can link beneficial ownership data with contracting data in ways that build on the existing systems in place.**

It established firm technical foundations to support the use of beneficial ownership data in procurement, in particular building on existing structured data and information sharing software (API) that is already in use by the Ministry of Law and Human Rights (MLHR).

OO’s policy engagement work found opportunities for the MLHR to share data with other agencies for the purposes of transforming procurement. A comprehensive data-sharing arrangement between the MLHR and executive agencies in Indonesia will be an important next step in working towards using data to identify conflicts of interests.

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