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INSTITUTIONAL STRENGTHENING AND IMPROVEMENT OF NATIONAL LOGISTICS PERFORMANCE THROUGH THE ESTABLISHMENT OF A NATIONAL SUPPLY CHAIN AGENCY

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Abstract

The logistics sector has a very important role in driving Indonesia's economic growth. However, the national logistics system currently faces various obstacles that prevent it from reaching its full potential. Many challenges slow down the development of this sector. To overcome these obstacles, it is necessary to strengthen institutions that are able to integrate and optimize logistics performance throughout Indonesia. This research suggests the establishment of a National Supply Chain Agency as a solution to improve the coordination, efficiency, and effectiveness of the logistics system. The purpose of this study is to identify and evaluate the role and impact of the establishment of the National Supply Chain Agency on improving national logistics performance. This research uses a qualitative method with data collection from literature studies. The collected data were then analyzed through the stages of filtering, presenting, and drawing conclusions. The results showed that the establishment of the National Supply Chain Agency is an important step to improve logistics performance in Indonesia. The agency is expected to address current challenges, such as inefficiency, high logistics costs, and distribution delays. Thus, the National Supply Chain Agency is proposed as a solution to improve the competitiveness of national logistics, both in the domestic and international markets, and contribute to sustainable economic growth.

Keywords: Institutional strengthening, improvement, national logistics performance, establishment, National Supply Chain Agency.

Introduction

A country's logistics performance plays an important role in supporting economic growth and global competitiveness. As stated by Bugarčić et al. (2023), the logistics sector is a key element in the supply chain of goods and services, connecting producers with end consumers (Bugarčić et al., 2023). The process involves the delivery of goods, and also includes various aspects that contribute to the value of a product. The value is influenced by several factors, including production costs, marketing costs, logistics, and expected profits (Haris et al., 2022).

In Indonesia, although the logistics sector has great potential, the national performance still faces significant challenges. One of the main issues is the high cost of logistics, which is often a barrier to operational efficiency. In addition, poorly integrated infrastructure impedes the flow of goods and increases delivery times. This problem is exacerbated by the lack of coordination between various stakeholders in the logistics sector, leading to inefficiencies in the distribution process (Syaputra, 2024).

Based on the Logistics Performance Index (LPI) data released by the World Bank, Indonesia ranks 46 out of 160 countries in terms of logistics performance in 2018. This

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ranking shows that Indonesia is still far behind compared to neighboring countries, such as Singapore at number 7 and Thailand at number 41. This challenge in the logistics sector continues, especially evident in the first quarter of 2021, where Indonesia's logistics costs reached 23.5% of gross domestic product (GDP). This figure is high compared to other ASEAN countries, such as Malaysia, which only recorded logistics costs of 13% of GDP.

Inefficiencies in the national logistics system have a direct impact on increasing product prices and decreasing the competitiveness of Indonesian products in the global market. The high cost of logistics is an additional burden for the manufacturing industry, which is one of the important sectors in the economy. This burden directly affects the industry's ability to produce goods and services competitively (Chairuddin, 2015). In addition, uneven distribution and lack of access to remote areas are also obstacles to regional economic development. Hard-to-reach areas often experience difficulties in obtaining supplies of goods and services, thus widening the economic gap between developed and remote areas (Fajar et al., 2023).

Indonesia's low logistics performance index (LPI) at the global level indicates an urgent need to improve the logistics system through institutional strengthening. One of the proposed solutions is the establishment of a National Supply Chain Agency. This agency is expected to coordinate various supply chain activities in a more structured and efficient manner, and serve as a key driver in policy-making, logistics infrastructure arrangements, and increased collaboration between the government and the private sector. With this institutional strengthening, it is expected that logistics costs will decrease, distribution efficiency will increase, and the competitiveness of Indonesian products in the international market will be stronger.

Previous research conducted by Budisiswanto (2023) proposed an institutional model for intermodal transportation to support an efficient and fast logistics system in Indonesia (Budisiswanto, 2023). The results of the analysis indicate the need to adopt several components that have been successfully implemented in other countries, with modifications that are in accordance with Indonesia's unique culture and character. This is important for better logistics system implementation to occur, in accordance with the local context.

In addition, research by Karanina et al. (2020) also highlighted the importance of analyzing and improving national logistics models on an international scale, especially in the conditions of the economic crisis in Russia (Karanina et al., 2020). This research found that there are several important steps that need to be taken, such as considering logistics models in international transportation and analyzing logistics models in the Russian Federation. One of the main results of this research is the development and implementation of improvements to the logistics model by forming multimodal logistics products for national companies.

The novelty of this research lies in proposing a new approach to managing and strengthening the logistics system in Indonesia through the establishment of a National Supply Chain Agency. This agency will serve as a liaison and developer of integrated logistics policies, something that has never been studied before. The results of this research are expected to provide strategic solutions to overcome the challenges faced in the logistics sector in Indonesia. With the National Supply Chain Agency, decision-making and policy implementation in the logistics sector can be carried out in a more planned and efficient manner. Therefore, the main objective of this research is to identify and examine more deeply the role and impact of the establishment of the National Supply

Chain Agency on improving national logistics performance, as well as how institutional strengthening can be a strategic solution to logistics problems in Indonesia.

Research Methods

This research uses qualitative methods as its main approach. This method focuses on in-depth observation of certain phenomena with the aim of understanding the quality of the entity under study. In qualitative research, aspects of meaning and value are highly emphasized, where a deep understanding of an event or phenomenon is a priority. This research does not rely on the use of numbers or statistical analysis to reach conclusions, but rather on exploring the meaning behind the data collected (Hammarberg et al., 2016). Data collection in this study was carried out through literature studies, namely by collecting various relevant reference sources related to research problems and objectives from existing materials. After the data has been collected, the next step is to analyze the data. This process begins with filtering the information that has been obtained to ensure its relevance and quality in accordance with the research focus. Data that is irrelevant or less supportive of the research objectives will be eliminated, so that only the most useful information is retained. After the screening process, the selected data is organized and presented in a systematic way. Data presentation aims to provide a clear picture and facilitate understanding of the findings. The final stage of the analysis process is to make conclusions based on the data that has been filtered and presented. Conclusions are the final result of the analysis, where researchers formulate answers to research questions and draw implications from the findings obtained.

Results and Discussion

The logistics sector has a very important role in supporting a country's economic growth (Nasser & Ouerghi, 2024). Through the efficiency and effectiveness of the logistics system, national competitiveness can increase, thereby strengthening the position of countries, including Indonesia on the global economic stage (Munandar, 2021). This is revealed in line with the Master Plan for the Acceleration and Expansion of Indonesian Economic Development 2011-2025 (MP3EI) which is regulated in Presidential Regulation of the Republic of Indonesia Number 32 of 2011. One of the strategic steps in MP3EI is to strengthen national connectivity that is integrated locally and globally, or known as locally integrated, globally connected. This strengthening aims to create synergies between economic growth centers, improve the logistics system so that transaction costs can be reduced, and ensure more equitable access to services.

Despite its important role, the performance of the logistics sector in Indonesia is still not optimal. There are many challenges that hinder the maximum potential of the logistics system. According to Kurniawan (2022), improvements in the logistics sector are still urgently needed in order to support the national economy more effectively (Kurniawan, 2022). One of the main obstacles in the logistics sector in Indonesia is the fragmented regulations and coordination between the various ministries and agencies that govern the sector. This creates gaps and adds to the complexity of logistics management, especially in relation to the disparity between food production and distribution bases in different regions. This challenge is further complicated by government programs such as free nutritious meals which need to be supported by adequate food logistics infrastructure and superstructure. In addition, the implementation of Halal Logistics provisions and Zero ODOL (Over Dimension Over Load) rules in the trucking transportation sector add to the layers of challenges faced by the government and logistics industry players.

The Free Nutritious Meal Program (MBG) is an initiative of president-elect Prabowo Subianto, which will begin in January 2025 with a prepared budget allocation. The main goal of MBG is to create a healthy and qualified young generation. The program is expected to reduce maternal mortality, address the problem of child malnutrition, reduce stunting cases, reduce the prevalence of anemia, and support the absorption of crops from farmers and fishermen. However, to achieve these goals, a strong logistics system is needed so that food distribution runs effectively, without accumulation or delays that could interfere with the achievement of program targets.

In addition, the implementation of halal logistics standards has been regulated in Government Regulation 39/2021 and BPJPH Decree Number 20 of 2023, which requires halal certification for logistics services starting October 2024. Halal logistics is an important element in the food supply chain to maintain the integrity and sanctity of halal products, from the production process to consumption. In general, halal logistics involves various physical activities such as storage, transportation, and data management. The main objective is to ensure that halal products can be recognized, tracked, and managed properly through effective communication and good management along the food supply chain (Febriyanni, 2022). The principles of halal logistics, such as avoiding contamination and complying with sharia, require strict supervision at every stage of distribution. Strong institutions are needed so that halal standards can be applied consistently, which in turn will increase Muslim consumers' confidence in the products they consume.

Meanwhile, the zero ODOL policy has been implemented since 2017 by the Ministry of Transportation to reduce the risk of accidents and damage to road infrastructure due to over-dimensional and overloaded vehicles (Ministry of Transportation, 2022). This policy emphasizes the importance of the agency's role in overseeing its implementation, including ensuring that the transportation of goods is carried out in accordance with existing regulations. By improving logistics in line with the ODOL policy, the distribution of goods can be done more efficiently without damaging infrastructure or compromising the safety of road users. In the face of these challenges, the development of a more integrated and efficient logistics system is crucial to address these obstacles, both in the short and long term.

To ensure the success of all these policies, the Chairman of the Indonesian Association of Supply Chain Experts (IARSI), R. Beniadi Setiawan, proposed the establishment of a National Supply Chain Agency. This agency is expected to be fully responsible for all improvements and achievements in the key performance of national logistics. Through an agency that specifically handles logistics from various sectors, such as food, halal products, and transportation, the coordination and efficiency of goods distribution will improve. This aspect is important to face the major challenges faced by Indonesia in the logistics sector, especially related to public health, food security, and transportation infrastructure.

The establishment of a National Supply Chain Agency is proposed as an effort to improve Indonesia's overall logistics performance. This agency will play a strategic role as a coordinator and regulator in every stage of the supply chain, from the production process to the distribution of products to the hands of end consumers. With better coordination across the logistics sector, the National Supply Chain Agency is expected to create a more efficient and integrated system.

One of the main benefits expected from the establishment of this agency is the increased competitiveness of Indonesian products in the global market. Lower logistics

costs and faster delivery times will make local products more competitive abroad, helping to boost exports and expand international market share (Gani, 2017). In addition, a more efficient logistics system helps domestic companies to operate more productively and better face the challenges of the global market (Beysenbaev & Dus, 2020).

Another positive impact of logistics efficiency will also be felt in the national economy. When supply chains work more smoothly and distribution costs are reduced, industries in various sectors will experience increased economic efficiency (Sharipbekova & Raimbekov, 2018). This contributes to more sustainable and stable economic growth, creating opportunities for increased investment and development of logistics infrastructure across the country.

On the other hand, the establishment of the National Supply Chain Agency is also expected to directly improve people's welfare. The implementation of lower distribution costs makes the price of goods more affordable, so that people can enjoy the benefits of national products at a more friendly price. Logistics efficiency also has the potential to reduce uncertainty in the distribution of basic goods, which will ensure the availability of goods in the market, especially in remote areas or with difficult logistical access.

Considering the various benefits that can be generated, such as increased competitiveness, distribution efficiency, and economic growth, this proposal is supported as an appropriate strategy to improve institutions in the logistics business process, especially food distribution. As stated by Beniadi in the forum "Strategic Policy Forum: Dissecting the New Government's Strategic Programs and Solutions to Challenges Towards a Golden Indonesia 2045," the new government is expected to immediately develop a comprehensive strategy for improving food logistics through strengthening existing regulations. The strengthening of these regulations aims to improve the quality and productivity of logistics, so that food distribution can be carried out more efficiently and effectively.

In addition to establishing a National Supply Chain Agency, another alternative that can be taken by the government is to expand the role of the Government Procurement Policy Agency (LKPP RI). Based on Presidential Regulation number 106 of 2007 which explains that LKPP has the main task of formulating and developing policies related to the procurement of goods and services for the government. LKPP is the only institution authorized to formulate these policies, ensuring transparency, efficiency, and effectiveness in the procurement process.

The agency has shown positive performance in improving procurement regulations and modernizing the procurement system in Indonesia. Furthermore, LKPP RI's role, which currently focuses only on inbound procurement, could be expanded to cover the entire supply chain management process, including warehousing, logistics, and national distribution. This will strengthen supply chain control and management, which in turn will support distribution efficiency and availability of goods across Indonesia.

From these two alternatives, both the establishment of a National Supply Chain Agency and the expansion of LKPP RI's role, the government has several options to improve institutions and ensure a more resilient logistics system. Both approaches, if executed well, are expected to be able to answer Indonesia's logistics challenges, strengthen food security, and support the big target towards the Golden Indonesia 2045.

Based on the research results, it can be concluded that the establishment of the National Supply Chain Agency is an important step in the effort to improve logistics performance in Indonesia. This agency is expected to be able to face various challenges that currently hamper the logistics sector, such as inefficiency, high costs, and delays in

distribution. The agency is expected to create a more efficient, effective, and coordinated logistics system. The National Supply Chain Agency will be tasked with integrating various logistics elements, from procurement to final distribution, to reduce bottlenecks in the supply chain process. The agency will provide a clear structure and facilitate all processes to run smoothly and on time. From this more strategic approach, national logistics can become more competitive, both domestically and in the global market, and contribute to sustainable economic growth.

Conclusion

The results show that the establishment of a National Supply Chain Agency is an important step to improve logistics performance in Indonesia. The agency is expected to address current challenges, such as inefficiency, high logistics costs, and distribution delays. One of the main benefits expected from the establishment of this agency is the increased competitiveness of Indonesian products in the global market. Logistics efficiency will also have a positive impact on the national economy, which in turn can improve people's welfare. One of the main benefits expected from the establishment of this agency is the increased competitiveness of Indonesian products in the global market. Logistics efficiency will also have a positive impact on the national economy, which in turn can improve people's welfare. In addition to institutional strengthening through the establishment of the National Supply Chain Agency, the government can also improve institutions by expanding the role of the National Public Procurement Agency (LKPP RI). This role can be expanded to cover the entire supply chain management process, including warehousing, logistics and national distribution. Both approaches, if implemented effectively, are expected to address Indonesia's logistics challenges, strengthen food security, and support the achievement of the grand vision of a Golden Indonesia 2045.

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