

ACTIVE WITH

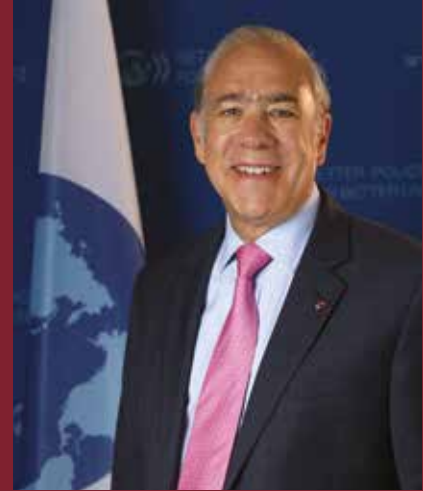
# INDONESIA



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## INDONESIA: a key partner for the OECD

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Indonesia continues to be a strategic partner for the OECD, and it is important that we retain and intensify our engagement as the country's role in the global economy increases. Indonesia was the eighth largest economy in the world in 2016, with a GDP of around USD 3.0 trillion at PPP, and it is expected to be the fourth largest economy by 2050, with a projected GDP of USD 10.5 trillion at PPP. As the largest country in Southeast Asia, one of the world's fastest growing regions, Indonesia plays an increasingly important role in global trade. It is also one of the world's largest democracies, with the impressive task of governing a population that is culturally, religiously and linguistically diverse across a vast territory. Its experience of reaching consensus in the face of this diversity can yield important insights for the international community.

Since it became a Key Partner of our Organisation in 2007, Indonesia has actively contributed to addressing common policy challenges and has enriched policy debates at the OECD. Through this collaboration, we are also learning a lot from the great cultural richness and policy-making complexity of large developing countries. Today, Indonesia takes part in six bodies, 12 legal instruments and a wide array of OECD reviews and databases. It was the first Key Partner to sign a Framework of Co-operation Agreement in 2012, and a Privileges and Immunities Agreement in 2013. Such engagement with Indonesia has helped to drive our work in Southeast Asia. The launch of the Southeast Asia Regional Programme in 2014, together with the creation of a Jakarta representative office in 2015, are testament to this.

Over the past two years, Indonesia has pursued an ambitious reform agenda. It has taken important steps to boost public revenue, invest in infrastructure, enhance sub-national government and reduce poverty and inequality. It has managed to maintain solid macroeconomic fundamentals, increase investment and establish free primary education. Going forward, progress in these areas will remain high on the development agenda. Connectivity continues to be a major development constraint, and policymakers will need to find ways to crowd more private finance into infrastructure investment. Measures to decrease malnutrition among school-age children will be important to reduce poverty and inequality. Human resource development, particularly more and better vocational education and training, will be key to engaging in higher-value added activities, including via FDI. Most economic development strategies will depend on the government's success at boosting public finances, and these in turn will hinge on the success of current efforts to increase tax revenue and integrity within the public administration. The OECD stands ready to support Indonesia in these endeavours and in achieving economic growth that is both inclusive and sustainable.

This "Active with Indonesia" brochure highlights how the OECD and Indonesia have worked together to advance the country's reform agenda, and how Indonesia's participation in OECD activities has enriched our work and helped us find solutions to global challenges. We look forward to deepening this collaboration and continuing to work with Indonesia as it advances better policies for better lives.

ÁNGEL GURRÍA, *OECD Secretary-General*

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# THE OECD AND INDONESIA



# HOW WE WORK TOGETHER

# THE OECD AND INDONESIA

## An ever-growing partnership

The OECD's engagement with Indonesia has deepened significantly since 2007, when the country became one of the organisation's five Key Partners. It was the first Key Partner to sign both a Framework of Co-operation Agreement (2012) and a Privileges and Immunity Agreement (2013) with the Organisation, and Indonesian ministers have regularly attended and substantively contributed to the OECD's Ministerial Council Meetings since 2012. The establishment of the OECD's first Southeast Asian office in Jakarta in March 2015 marked a further intensification of this relationship, with the office supporting the Organisation's engagement with Indonesia and Southeast Asia, as well as a number of regional organisations.

Milestones in OECD-Indonesia collaboration include the country's decision to become a member of the OECD Development Centre in 2009 and to join the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS) in 2017. Both signal Indonesia's willingness to align more closely with OECD countries and to engage with them in a spirit of mutual learning. In this vein, Indonesia also adheres to 12 OECD legal instruments and participates in nine OECD bodies as an Associate or Participant. The country is also integrated into a number of flagship OECD publications as well as statistical databases.

### HIGHLIGHTS



**2007**

Indonesia becomes one of five Key Partners of the OECD through its Enhanced Engagement Programme



**2009**

Indonesia becomes the 34<sup>th</sup> member of the OECD's Development Centre and concludes a "statement of co-operation" with the OECD's Investment Committee



**2010**

OECD launches its first full Economic Survey of Indonesia



**2012**

Indonesia becomes the first Key Partner to sign a Framework of Co-operation Agreement with the OECD



**2013**

Indonesia becomes the first Key Partner to sign a Privileges and Immunities Agreement with the OECD



**2014**

The OECD launches its Southeast Asia Regional Programme, with Indonesia as its Co-Chair



## 2015

Minister of Finance Bambang Brodjonegoro and OECD Secretary General Angel Gurría inaugurate an OECD office in Jakarta



## 2016

President of Indonesia Joko Widodo and the OECD Secretary General launch the second OECD-Indonesia JWP for 2017-2018, and the 2016 OECD Economic Survey of Indonesia



## 2017

Renewal of the Framework of Cooperation Agreement for a period of 5 years by Minister of Finance Sri Mulyani Indrawati and OECD Secretary General Angel Gurría



## 2017

Indonesia signs the OECD MLI on BEPS along with 71 countries at the 2017 OECD Ministerial Council Meeting (MCM) in Paris



## 2018

Minister of National Development Planning Bambang Brodjonegoro attends the OECD MCM in 2018

☞ The President of Indonesia, **H.E. Mr Joko Widodo**, and OECD Secretary-General, **Angel Gurría** during a visit to launch the 2017-18 OECD-Indonesia Joint Work Programme and the *OECD Economic Survey of Indonesia* in Jakarta, 2016.



BETTER POLICIES FOR BETTER LIVES





# The OECD-Indonesia Joint Work Programme: A path for more structured co-operation

**OECD engagement with Indonesia is based on a Framework of Co-operation Agreement that was first signed in 2012 and renewed in 2017 by the OECD Secretary General Angel Gurría and Minister of Finance of Indonesia, Sri Mulyani Indrawati. It is structured around a Joint Work Programme (JWP), which traditionally ran for two years but will run for three years starting from 2019. The JWP is developed in close consultation with key policy stakeholders in Indonesia as well as substantive OECD directorates, and is based on the country's strategic policy priorities.**

The **OECD-Indonesia Joint Work Plan** seeks to assist Indonesia in meeting its development goals based on OECD standards and best practices. The first Joint Programme of Work for 2015-16 delivered notable results, particularly in the areas of managing food insecurity risk and producer subsidies, supporting the OJK while it drafted new regulations to manage the systemic risk of financial conglomerates, and public sector integrity, with the OECD supporting the development of the country's revised National Anti-Corruption Strategy, through its *Integrity Review*.

The most recent JWP, covering the period 2017-18, focused on business climate reform and dynamic growth, social policy and inclusive growth, good governance, and green growth. It also serves to assist Indonesia in implementing its commitments under the 2030 Agenda for Sustainable Development. Notable outputs under this JWP include:

- **EMPLOYMENT AND SOCIAL PROTECTION:** A *Social Protection System Review of Indonesia* is ongoing, with a Workshop on Expanding Social Protection held in Jakarta in September 2017.
- **ENVIRONMENT:** The *Green Growth Policy Review of Indonesia* was initiated, which seeks to assess the extent to which Indonesia is mainstreaming environmental considerations into its economic policy. A GGPR workshop was held in Jakarta in November 2017, which included a special session on the OECD report *Investing in Climate, Investing in Growth*.
- **SME POLICIES:** An *SME and Entrepreneurship Policy Review of Indonesia* was developed in 2018 and launched at the 2018 IMF/World Bank meeting in Bali, Indonesia. Indonesia also contributed actively to the development of the **ASEAN SME Policy Index 2018**, which serves as a benchmarking tool to monitor and map SME policies across ASEAN Member States. A large number of stakeholders from a variety of government ministries and agencies in Indonesia attended workshops to develop and launch these two reviews.
- **TAXATION:** Indonesia signed the **Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit (BEPS)** in June 2017. The government has also been working to upgrade Indonesia's status from "partially compliant" to "largely compliant" under the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.
- **FISHERIES:** Indonesia's fishery and aquaculture policies in Indonesia were reviewed in the 2017 edition of *Building Food Security and Managing Risk in Southeast Asia*. Discussions are ongoing to complete follow-up work in this area.

The **next JWP, to cover the period 2019-21**, will focus on macroeconomic management and infrastructure development, business climate reform, inclusive growth, sustainable development and resilience, and good governance.

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# The OECD Southeast Asia Regional Programme: Connecting the OECD with Southeast Asia

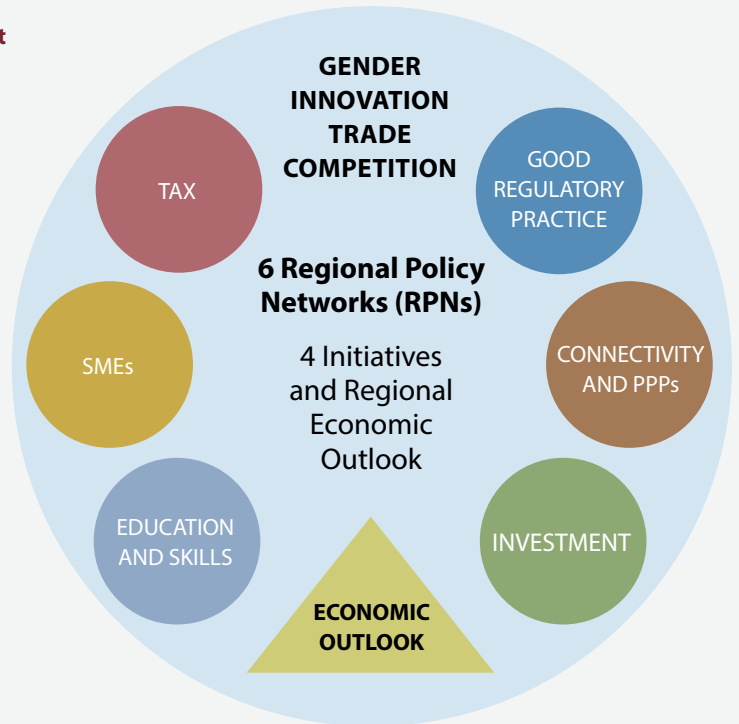
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The OECD has strengthened its engagement with Southeast Asia in recent years as a strategic priority. In May 2014 at the OECD Ministerial Council Meeting, OECD Secretary General Ángel Gurría and Japanese Prime Minister Shinzō Abe launched the Organisation's Southeast Asia Regional Programme, along with Ministers and high-level representatives from the region.

The Programme aims to build on over two decades of work with Southeast Asia to develop a more strategic engagement with the region, based on a whole-of-government approach. It supports different countries with their domestic reform priorities, and assists regional integration efforts. Specifically, it works to support implementation of the ASEAN Economic Community Blueprint 2025.

Based on the principles of knowledge exchange and mutual learning, the Programme is comprised of six Regional Policy Networks (RPNs) that build on the work of substantive OECD directorates as well as partner regional bodies. These RPNs are focused on policy areas identified to be of strategic importance for the region, namely: i) taxation; ii) good regulatory practice; iii) investment policy and promotion; iv) education and skills development; v) small and medium-sized enterprises (SMEs); vi) public-private partnerships (PPPs) to support connectivity for infrastructure development. In addition, the Programme has identified four policy areas to be integrated horizontally through its work with the region, namely: i) trade; ii) innovation, iii) gender and iv) competition. Finally, the OECD Development Centre produces an **Economic Outlook for Southeast Asia, China and India** for the Programme each year, which monitors medium-term macroeconomic trends in the region, as well as the state-of-play of its regional integration efforts.

Each RPN is comprised of policy experts from Southeast Asian and OECD countries, who jointly decide on its work programme



over the coming year. The activities and impact of the RPNs are reported to the Programme's Steering Group on an annual basis. This Steering Group provides overall strategic guidance for the Programme, with the objective of deepening OECD collaboration with the region. It has two co-chairs, one from Southeast Asia and one from an OECD country. In 2018 Thailand and Korea took over chairmanship of the Programme.

In addition to targeted engagement with specific Southeast Asian countries, the Programme provides support to both the ASEAN Secretariat and the annual ASEAN chairmanships. In 2017, the Programme supported the Philippines' chairmanship via the development of official deliverables such as the

Launch of the OECD Southeast Asia Regional Programme at the OECD Forum 2014 in Paris, France.

# OECD FORUM 2014

## OCDE



**Strengthening Women's Entrepreneurship in ASEAN** report, as well as official statements such as the Leaders' Declaration on Innovation. In close collaboration with the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME), the OECD and ERIA also developed the **ASEAN SME Policy Index 2018** report, which can be used as a benchmarking tool to map and measure SME development policies across ASEAN Member States, as well as implementation of the ASEAN Strategic Action Plan for SME Development 2016-2025. Both of these reviews were funded by the Government of Canada.

[www.oecd.org/globalrelations/seaprogramme.htm](http://www.oecd.org/globalrelations/seaprogramme.htm)



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## The OECD Jakarta Office

**The OECD Jakarta Office supports enhanced engagement with Indonesia and Southeast Asia, to foster mutual learning and the exchange of good practices between policy makers in the region and the OECD. It supports the implementation of the OECD-Indonesia Joint Work Programme, helps to implement the Southeast Asia Regional Programme, and works to strengthen collaboration between the OECD and regional organisations such as ASEAN, ADB, APEC, AMRO, ERIA and UNESCAP.**

The decision to establish the OECD Jakarta Office was taken in September 2013, based on an agreement concluded between the OECD Secretary General Jose Ángel Gurría and the then-Minister of Finance of Indonesia Muhamad Chatib Basri at the G20 Leaders' Summit in St. Petersburg, Russia.



*“The OECD Jakarta Office serves as a platform for intensified OECD work with Southeast Asia to foster closer collaboration with counterparts across the region. It facilitates OECD work with Southeast Asian countries, focusing on Indonesia in particular as a Key Partner, and strengthens partnerships with organisations such as ASEAN.”*

**Massimo Geloso Grosso**, Head of the OECD Jakarta Office

The office was inaugurated in March 2015, during the OECD Southeast Asia Regional Forum held in Jakarta, Indonesia. It was opened by the then-Minister of Finance of Indonesia Bambang Brodjonegoro and OECD Secretary General Ángel Gurría.

The inauguration marked a milestone in the OECD's co-operation with Indonesia, which was the first co-chair of the Organisation's Southeast Asia Regional Programme, along with Japan. The Jakarta Office, hosted in the Embassy of New Zealand, is the OECD's first office in Southeast Asia. It supports the implementation of the ongoing OECD-Indonesia JWP via regular meetings with relevant stakeholders, and monitors its progress. It also supports the organisation of high-level official visits by Indonesian policy makers to OECD headquarters in Paris, France, as well as official visits of OECD delegations to Indonesia.



📅 25 March 2015: Indonesian Finance Minister **Bambang Brodjonegoro** (left) and OECD Secretary-General **Ángel Gurría** inaugurate the OECD's new Jakarta Office.

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## The OECD and Indonesia

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*“Indonesia welcomes the OECD’s commitment to be our strategic partner in achieving social and economic development goals. The strategic co-operation and mutually beneficial partnership between the OECD and Indonesia for the last several years has been one of the important international engagements that Indonesia has been participating in.*

*Parallel with Indonesia’s development stage, we do hope that OECD-Indonesia working collaboration in our selected common priority areas is also strengthened to achieve sustainable and inclusive growth.”*

**Sri Mulyani Indrawati**, Minister of Finance of the Republic of Indonesia



*“Indonesia continues to be a key cooperation partner country for the OECD. We are about to complete the second Joint Work Programme with the OECD covering 2017-18, and to embark on the third such programme, this time for a period of three years. The new Joint Work Programme is structured along five areas of priority, of which one is on “Sustainable Development and Resilience”. In the past few months before I was asked to contribute to this brochure, Indonesia has experienced a series of major natural disasters. Sustainability of Indonesia’s development and its resilience seem all the more important, and I hope that future cooperation between the OECD and Indonesia will contribute to enhancing the country’s resilience.*

*As Chair of the External Relations Committee of the OECD, I am committed to further deepen OECD’s engagement with Indonesia. We are grateful to Indonesia’s support to the OECD Jakarta Office which is now in its fourth year of operation, and continues to function as an effective bridge between the OECD and Indonesia. The Jakarta Office is also increasingly active in deepening the relationship between the OECD and ASEAN, a core element of another important activity of the OECD in the region, the Southeast Asia Regional Programme.”*

**Ivita Burmestre**, Ambassador, Permanent Representative of Latvia to the OECD, Chair of the External Relations Committee



*“Engagement with the OECD has enabled Indonesian policy makers to participate in an exchange of views and good practices to help better inform policy design and implementation. It has also enabled Indonesia to tap into OECD expertise which can be used as a reference point in national policy debates. The benefits of this collaboration have been felt by many policy makers in Indonesia, and this is demonstrated by the fact that an increasing number of Indonesian officials are attending OECD meetings and that proposals for cooperation projects are rising. As Indonesia’s weight in the region and the world continues to grow, I believe that our collaboration with the OECD will continue to strengthen and evolve.”*

**Dr Hotmangaradja Pandjaitan**, Ambassador of Indonesia to France



*“The relationship between the OECD and Indonesia has further developed during the past two years through the renewal of the Framework of Co-operation Agreement signed during the 2017 Meeting of the OECD Council at Ministerial level, the implementation of the second Joint Work Programme, and OECD’s further engagement with Indonesia through the Jakarta Office, already in its fourth year of activity.*

*As Leader of the OECD Informal Reflection Group on Indonesia, I look forward to contributing to further strengthening the excellent cooperation between Indonesia and the OECD and its Member Countries, by increasing opportunities for dialogue between my peer OECD Ambassadors and Indonesia.”*

**Carsten Staur**, Ambassador, Permanent Representative of Denmark to the OECD, Leader of the Informal Reflection Group on Indonesia



*“Over the past two years Indonesia has made notable efforts to tackle poverty, reform the business environment, boost public finances and facilitate investment in infrastructure. The OECD has supported these efforts through its 2017-18 OECD-Indonesia Joint Work Programme, which echoed the administration’s priorities. Over the course of this programme, we have worked together to enhance tax policies, which reached a milestone in 2017 when Indonesia joined the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting. We have supported green growth, via the Green Growth Policy Review of Indonesia, and we have worked to create a better business environment, particularly for small and medium-sized enterprises. Through the OECD’s Economic Survey of Indonesia, we have looked at how to raise government revenues in a growth and equity-friendly manner, and how tourism can contribute to sustainable regional development.*

*This work has brought Indonesia closer to the OECD, supporting our 2011 Vision Statement to become a more effective and inclusive global policy network. We look forward to intensifying these efforts under the 2019-21 OECD-Indonesia Joint Work Programme, as we work with the Government of Indonesia to advance its reform agenda and promote better lives for its people.”*

**Andreas Schaal**, Director of OECD Global Relations and OECD G20 Sous-Sherpa



An aerial, long-exposure photograph of a city highway interchange at night. The image shows multiple lanes of traffic with light trails from cars and trucks. The interchange is surrounded by greenery and modern buildings in the background, some of which are illuminated. The sky is dark blue with some clouds.

# SUSTAINABLE, BALANCED AND INCLUSIVE GROWTH



## Maintaining economic growth and resilience



**Indonesia has experienced rapid growth since the end of the Asian Financial Crisis in 1998. Up until 2014, GDP growth averaged over 5% per annum, contributing to a significant reduction in poverty. However, recently slowing growth rates indicate that many underlying policy challenges still need to be tackled to ensure sustainable and inclusive growth. The OECD has been working alongside Indonesia to help formulate policies to meet the country's targeted economic goals.**

The **OECD Economic Surveys**, published biennially for each OECD Member and Key Partner economy, analyse major economic challenges and propose country-specific reform options drawing on international good practices. The sixth **Economic Survey of Indonesia** was released in Jakarta in October 2018. It focuses on how to promote inclusive and sustainable growth, highlighting

the importance of shifting the job mix to high-quality and high productivity positions in the formal sector to capture the benefits of the demographic dividend. It also considers how to raise revenues to fund infrastructure and social spending that will promote growth and well-being. The potential of tourism to diversify the economy and drive sustainable regional development is also highlighted.

The **OECD Economic Outlook**, released twice a year, analyses recent developments in the global economy and provides economic projections for 47 economies, including Indonesia. The May 2018 edition underlines the ongoing expansion and the pick-up in infrastructure investment that will boost future growth. The **Economic Outlook** emphasises that continuing to reduce structural and administrative bottlenecks remains crucial to strengthen growth.



Meeting with Indonesia's Ministry of Tourism to collect inputs for the 2018 *Economic Survey of Indonesia*.

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## Maintaining economic growth and resilience

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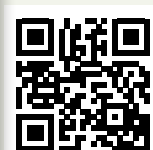
**Going for Growth** provides a comparative overview across economies of structural policy developments and reform priorities to boost growth and ensure that the gains are shared by all. The 2018 edition, released in February, highlights the gains Indonesia could reap from further education reform, improving the regulatory environment for infrastructure, reforms to employment regulations to address labour informality and easing barriers to entrepreneurship and investment.

Since 2012, the OECD has also jointly organised the Asian Regional Roundtable with the ASEAN+3 Macroeconomic Research Office (AMRO), the Asian Development Bank (ADB), the Asian Development Bank Institute (ADBI) and the Economic Research Institute for ASEAN and East Asia (ERIA). This annual event brings together policy professionals to discuss near-term macroeconomic policies and medium-term structural policies in Emerging Asian economies.

The **Economic Outlook for Southeast Asia, China and India**, produced jointly with several regional organisations, discusses regional economic trends, provides regional and country growth forecasts and discusses structural policy challenges. The 2016 edition draws on contributions from the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Asian Development Bank Institute and focuses on “Enhancing Regional Ties,” an issue of high relevance to Indonesia. The report also contains a country chapter analysing key structural policy challenges to Indonesia’s development, prepared in co-operation with the Ministry of Finance. The 2017 edition will provide key insights and recommendations on addressing the region’s energy challenge and sustainability for inclusive growth.

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## Supporting SME development



**SMEs play an important role for economic growth and social inclusion in Indonesia. Based on data from the Ministry of Co-operatives and SMEs, Indonesian SMEs account for nearly 97% of domestic employment and for 56% of total business investment.**

In 2018 the OECD launched the ***SME and Entrepreneurship Policy Review of Indonesia***. The study is part of a peer-reviewed series, developed by the OECD Working Party on SMEs and Entrepreneurship. These studies aim to improve the design, implementation and effectiveness of national SME and entrepreneurship policies. The policy review of Indonesia finds that there are a large number of public programmes for SME development in Indonesia, but that these could be streamlined, with more being done to support innovative companies. The development and implementation of an SME strategy would be instrumental to improve the overall coherence of national policy measures, objectives and measurable targets.

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# Supporting green growth initiatives



**As the most populous country and the largest economy in Southeast Asia, Indonesia faces the complex challenge of improving living conditions for its growing population while addressing environmental pressures that, if left unchecked, could deter growth and development. Implementing green growth policies can help governments reconcile environmental protection with economic development.**

The OECD's Green Growth Strategy is built upon four reports – *Towards Green Growth*, *Towards Green Growth: Monitoring Progress*, *Tools for Delivering on Green Growth*, and *Putting Green Growth at the Heart of Development*. These reports provide targeted advice to Member and Partner economies as they design and implement economic, environmental, investment and innovation policies. When tailoring green growth strategies to developing countries, the OECD assesses the links between green growth and poverty reduction, and identifies the changes needed in sectors such as agriculture and infrastructure to support sustainable development. The 2013 report, *Putting Green Growth at the Heart of Development* suggests that green growth is the only way to sustain development over the long-term.

Indonesia is included in the report *Towards Green Growth in Southeast Asia*, which discusses major economic, social and

environmental trends in ASEAN countries, and provides recommendations on mainstreaming green growth into national development planning. It also advises on sustainable management of natural resources and tackling urbanisation challenges.

In 2019, the OECD will launch the *Green Growth Policy Review of Indonesia*, which will highlight good practices and provide recommendations on how Indonesia can transition to a green and low-carbon economy. Indonesia's green growth policies were also analysed in the *OECD 2015 Economic Survey: Indonesia*, with a focus on Indonesia's fossil fuel subsidy reforms. Recommendations on fossil fuel subsidy reforms as well as broader use of environmentally related taxes will also be part of the upcoming *OECD 2018 Economic Survey: Indonesia*.

The OECD's ongoing Urban Green Growth in Dynamic Asia project takes Bandung, Indonesia, as one of the five case study cities to examine short- and long-term policy options towards a sustainable green growth development. The Bandung report was published in October 2016.

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[www.oecd.org/greengrowth/asia.htm](http://www.oecd.org/greengrowth/asia.htm)  
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📍 An OECD fact-finding mission to Bandung, Indonesia, in 2018 to collect data for the 2019 *Green Growth Policy Review of Indonesia*.



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## Promoting regional development and urbanisation

**Southeast Asian cities, including those in Indonesia, are undergoing rapid and continuous urbanisation accompanied by fast economic growth. At the same time, they face a number of challenges, including increasing energy consumption and greenhouse gas emissions, consequences of global warming and localised environmental disasters. They also have wide disparities in income and lack of access to education and job opportunities among urban populations.**

The OECD recognises the contribution of cities to economic progress, well-being and environmental sustainability. The productivity and prosperity of cities and their metropolitan region trickle down to less developed areas contributing to their advancement and productive growth. Furthermore, it must be realised that cities, being hubs of productivity and innovation, are not only successful due to their size but also due to the structure of the urban system and the policies that enable such growth. In October 2016, the OECD also released a study on **Green Growth in Bandung** and held a dedicated workshop at the Ministry of Environment and Forestry in Jakarta in September 2017. Importantly, the study noted some of the difficulties that rapid growth can bring to a city, recognising the importance of sustainable development and urbanisation.

The OECD's **Territorial Reviews** at the national and metropolitan levels (urban and rural) aim to provide a diagnosis of economic, social and environmental performance of an area, assess and recommend policies to enhance competitiveness, social inclusion and environmental sustainability. At the same time, the **OECD Urban Policy Reviews** examine urban policies at the national level and help to address key multilevel governance challenges to urban development. Similarly, the National Rural Policy Reviews explore rural conditions and territorial policies offering opportunities for rural areas to thrive. The changing inter-governmental dynamics have become increasingly complex, and **Multi-level Governance Reviews** help diagnose challenges in this field and promote recommendations to

enhance effective collaboration between levels of government, critical to efficient policy making, effective investment and service delivery.

The **Recommendation on Effective Public Investment Across Levels of Government** and its implementation toolkit help Promoting regional development and urbanisation assess the strengths and weaknesses of a country's public investment capacity across levels of government and set priorities for improvement.

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# Increasing agricultural productivity and food security

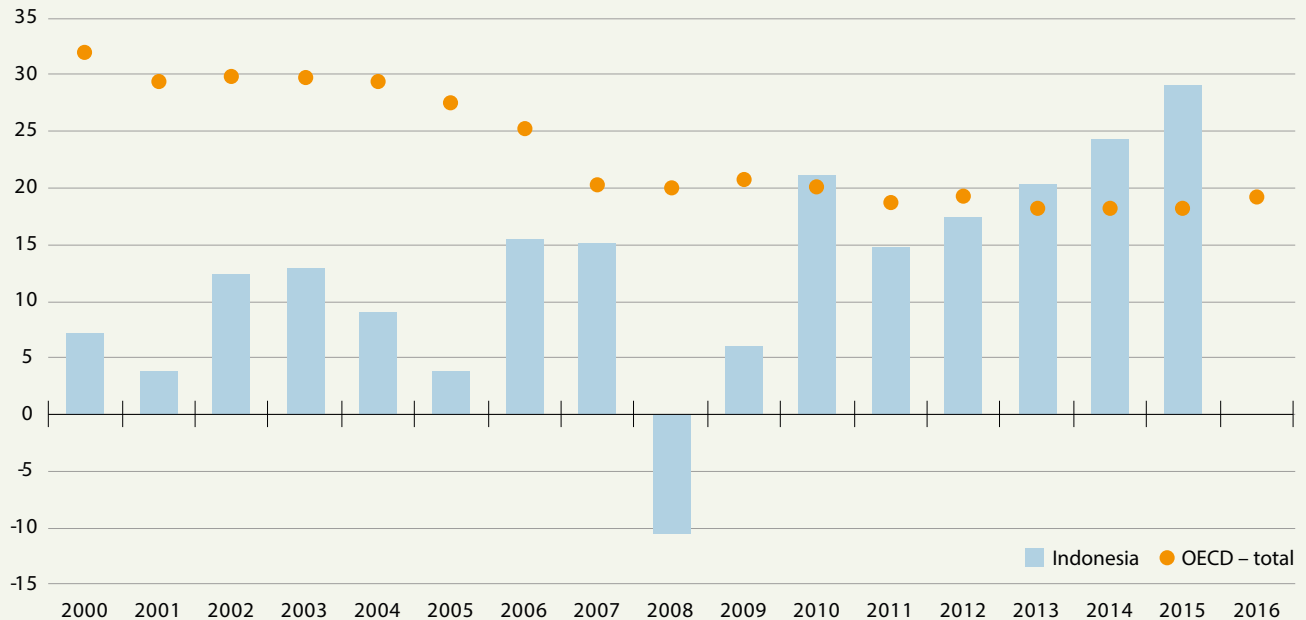
**Indonesia is the world's fourth most populous country and fifth largest producer in agriculture. Promoting sustainable private investment in agriculture in Indonesia is crucial to enhancing agricultural growth, maximising the benefits of a strong agricultural sector and increasing food security.**

In October 2012, the OECD released its *Review of Agricultural Policies in Indonesia*. The Review assessed agricultural performance over the last two decades, evaluated Indonesian agricultural policy reforms and provided recommendations to address future challenges. It paved the way for Indonesia to be regularly included between 2013 and 2016 in the annual flagship report, *Agricultural Policy Monitoring and Evaluation*.

The report is a unique source of up-to-date estimates of support to agriculture and an analysis of agricultural policy developments in OECD Member countries and in eight emerging economies (Brazil, China, Indonesia, Kazakhstan, Russia, South Africa, Ukraine and Viet Nam).

In June 2015, the OECD released its report *Managing Food Insecurity Risk: Analytical Framework an Application to Indonesia*, which provides an analytical base of evidence to enhance discussions on food security and identify best policy responses that can better mitigate risks of food insecurity. The project is part of a broader work on food security, including other important aspects such as trade issues and the enabling environment.

**Producer support estimate (PSE), % of gross farm receipts, 2000 – 2016**



Source: OECD (2018), *Agricultural Support*. doi.org/10.1787/6ea85c58-en



The OECD, together with ASEAN, organised the OECD-ASEAN Regional Conference on Policies for Food Security in Bogor in November 2014. The conference was an opportunity to exchange policy experiences between OECD Member countries, Southeast Asian economies and international organisations in the region, with a special focus on food security. This conference formed the basis of broader regional engagement with ASEAN, launched in August 2015 under the project **Building Food Security and Managing Risks: A Focus on Southeast Asia**, of which Indonesia is a participant. This project explores in-depth issues relating to food security with ASEAN and explores policy options for improving long-term food security in the region. It also provides a platform for the sharing of policy experiences from across the OECD and ASEAN and includes a focus on fisheries management, drawing on lessons from Indonesia.

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# Promoting development co-operation and the 2030 Agenda

The OECD is promoting development co-operation and other relevant policies to contribute to the implementation of the 2030 Agenda for Sustainable Development, including sustained, inclusive and sustainable economic growth, poverty eradication, improvement of living standards in developing countries and to a future in which no country will depend on aid. One of the core elements of the OECD's strategy is to strengthen policy dialogue and knowledge sharing to enhance continuous learning with major emerging economies, including OECD Key Partner Indonesia.

The **Development Centre** occupies a unique place within the OECD, where countries can share their experience of economic and social development policies. It co-operates closely with other parts of the OECD, particularly those working on development issues. Membership to the Development Centre is open to both OECD and non-OECD members, and as of August 2018, the OECD Development Centre comprises 52 member countries: 25 emerging and developing economies and 27 OECD member countries. Indonesia has been a member of the Development Centre's Governing Board since 2009 and is involved in setting the programme of work and budget and in financing the Centre.

The **Development Cooperation Directorate (DCD)** is actively working with Indonesia through technical co-operation and policy dialogue on development co-operation and finance for development. The DCD Director met in May 2018 with the Minister of National Planning Development (BAPPENAS) of Indonesia to discuss collaboration on capacity building and knowledge sharing. In August 2018, DCD contributed to the technical seminar held in Bali on Achieving the 2030 Agenda through South-South and Triangular Cooperation: Enhancing Data Collection, Analysis and Monitoring & Evaluation. DCD is also organising with the Indonesian government an event on Blended Finance at the second Tri Hita Karana Sustainable Development Forum in October 2018 in Bali.



A major contribution to the sector are the **OECD DAC Blended Finance Principles** for Unlocking Commercial Finance for the Sustainable Development Goals, which Indonesia is encouraged to incorporate. DCD and Indonesia are intensifying collaboration on managing development co-operation and tracking development co-operation flows. The new statistical measurement framework, TOSSD, plays a crucial role in this. Indonesia has shown an interest in triangular co-operation and has participated in the international meeting on “Making Best Use of the Value Added of Triangular Co-operation”, organised by the OECD and Portugal in April 2018 in Lisbon.





The **Global Partnership for Effective Development Co-operation** provides a platform for stakeholders to share experiences and improve collaboration at a country level. Indonesia co-chaired the Global Partnership from 2012 to 2014 and actively participates in **GPEDC** meetings.

The OECD is also increasingly partnering with foundations and NGOs to enrich policy dialogues and activities that may further the realisation of international development goals. The **Global Network of Foundations Working for Development (netFWD)** is a group of foundations committed to optimising the impact of philanthropy for development by sharing experiences, influencing policy and developing guidelines and innovative partnerships. The Network allows foundations to engage with stakeholders ranging from policymakers to

practitioners while collectively looking into the challenges linked to project implementation, effectiveness, impact and sustainable results. In Asia, netFWD counts on the support of the Asian Venture Philanthropy Network (AVPN), which brings together the most innovative foundations in the region. It includes venture philanthropy associations from Indonesia such as Japfa Foundation Indonesia or UnLtd Indonesia. Through their collaboration, netFWD and AVPN can share experiences of philanthropic actors between regions and thus contribute to building knowledge and expertise in the field of philanthropy.

[www.oecd.org/dev/](http://www.oecd.org/dev/)  
[www.oecd.org/dac](http://www.oecd.org/dac)  
[www.oecd.org/site/netfwd](http://www.oecd.org/site/netfwd)  
[effectivecooperation.org](http://effectivecooperation.org)



## Better data for better policies



**The inclusion of Indonesian data in the OECD's statistical databases has encouraged the country to move closer to international standards and provide comprehensive statistical indicators for comparison.**

Indonesian data was included in the OECD's *How's Life 2015* publication, and the Organisation is currently working closely with Statistics Indonesia to include its data in the Income Distribution database, a vital tool for policy work on poverty and income inequality. Indonesian data has also been included in the *OECD Factbook* since 2009, such as national accounts and a range of short-term economic statistics. These statistics provide a comparative overview of recent international economic development and are used in the OECD compilation of Indonesia's Composite Leading Indicators. OECD's *Green Growth Indicators* cover OECD and G20 countries, and are intended to help countries assess and compare their progress on greening the economy.

The annual report *Revenue Statistics in Asian Countries*, first published in May 2014, covers seven Asian countries – Indonesia, Malaysia, the Philippines, Singapore, Japan, Kazakhstan and Korea – and contains comparative data and policy recommendations on the overall tax burden as measured by tax-to-GDP ratios, the tax mix and the share of tax revenues attributed to the different levels of government. The fourth

edition was published in 2017, and includes a special feature on developments in ICT.

The OECD, in co-operation with the Asian Development Bank, launched the new publication, *South-East Asian Government at a Glance* in 2018, building on the experience of the success of a similar publication for the Latin American and Caribbean region in 2014. Reflecting OECD survey instruments and recommendations, the publication gathers new comparative data on key aspects of public governance in the region to inform public sector reforms. It includes data on public finances and economics, employment and budgeting practices, as well as on other areas such as open government, digital government and human resources management. It covers all ten ASEAN countries, as well as a number of OECD countries for comparative purposes

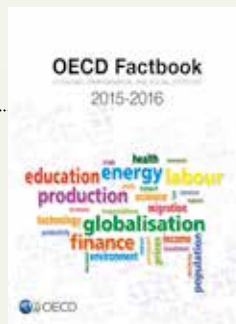
[www.oecd.org/sdd](http://www.oecd.org/sdd)

[www.oecd.org/statistics](http://www.oecd.org/statistics)

[www.oecd.org/dev/asia-pacific](http://www.oecd.org/dev/asia-pacific)

[www.oecd.org/govataglance.htm](http://www.oecd.org/govataglance.htm)

[www.oecd.org/greengrowth/green-growth-indicators](http://www.oecd.org/greengrowth/green-growth-indicators)



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# SMOOTH FUNCTIONING OF MARKETS

# Enhancing investment's contribution to sustainable development



**International investment is contributing to the rapid integration of Asian economies under the impetus of the ASEAN Economic Community and has been a driver of Indonesia's recent economic dynamism. Inflows of foreign direct investment (FDI) into Indonesia have reached record levels over the past four years.**

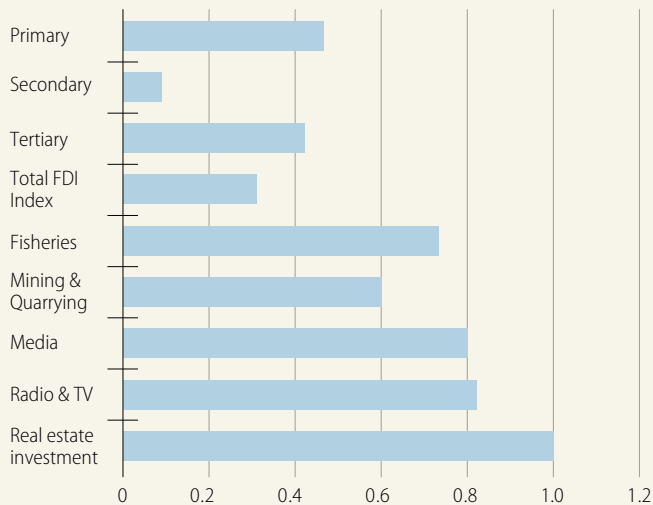
The OECD promotes investment policy reform and international investment co-operation to enhance growth and sustainable development. It has been actively undertaking **Investment Policy Reviews (IPRs)** throughout Southeast Asia in collaboration with the ASEAN Secretariat. Indonesia undertook an Investment Policy Review in 2010, led by the Co-ordinating Ministry for Economic Affairs and involving a multi-agency task force. It showed that the bold reforms of the Indonesian investment policy framework have revived investor confidence and helped to drive record FDI inflows. The Review also highlighted remaining reform challenges.

A second Review, which began in the second half of 2018, will look at how to sustain and diversify FDI inflows and maximise their development impact. It will focus on promoting and facilitating investment for sustainable development, encouraging responsible business conduct, fostering linkages, and removing impediments to outward investment from Indonesia. The study will also include an assessment of the investment climate in one of the provinces.

Investment Policy Reviews use the Policy Framework for Investment (PFI), a comprehensive tool for investment climate reform covering twelve policy areas. The PFI was updated in 2014-15 with the help of a global task force which held its first meeting in Bali in March 2014.

[www.oecd.org/investment](http://www.oecd.org/investment)  
[www.oecd.org/investment/seasia.htm](http://www.oecd.org/investment/seasia.htm)

**FDI restrictiveness by sector in Indonesia**



Source: OECD (2017), *FDI Restrictiveness Index*. doi.org/10.1787/c176b7fa-en



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## Promoting trade and upgrading in global value chains

**Trade liberalisation has played a key role in Indonesia's economic transformation. International production, trade, and investment are increasingly organised within global value chains (GVCs) in which different stages of the production process are located across different countries. Today, three quarters of international trade is about firms buying inputs and investment goods or services that contribute to the production process, underscoring the importance of reducing trade barriers.**

The OECD carries out substantial analytical and policy-related work in the trade area with its Key Partners, including Indonesia. In recent years, the Organisation has undertaken studies on global value chains in Southeast Asia, trade facilitation, trade in services, trade and structural adjustment, agricultural trade and employment, and linkages between trade policy and foreign direct investment in the agro-food sector.

To help governments improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade, the OECD has developed a set of **Trade Facilitation Indicators (TFIs)** that identify areas for action and enable the potential impact of reforms to be assessed for over 160 countries, including Indonesia. The TFIs are used to highlight Indonesia's main strengths and weaknesses in the area of trade facilitation as a basis for policymakers to prioritise trade facilitation actions and mobilise targeted technical assistance and capacity-building.

Global production networks rely on the logistics chain, which requires efficient network infrastructures and complementary services. There would be no GVCs without well-functioning transport, logistics, finance, communication, and other business and professional services to move goods and coordinate production along the value chain. The **OECD's Services Trade Restrictiveness Index (STRI)** is a practical tool to help policymakers diagnose where reforms might be most needed

and allows governments to take a comprehensive cross-country view and to explore concrete options to improve services sector performance, whether at unilateral, plurilateral or multilateral levels. The STRI provides comparable information on regulations currently in place within 18 sectors across 40 countries, including Indonesia.

OECD work underscores that GVCs impact an economy's competitiveness, and that investment in skills and knowledge-based assets is increasingly important in helping countries move up the value chain (or upgrade). Getting key framework conditions right is essential and can be a low-cost step for policymakers to strengthen growth and innovation. The OECD has recently worked with Indonesia's Ministry of State for Research and Technology (RISTEK) to undertake a study of its national intellectual property system and its links to innovation and economic development. Key policy recommendations include



## Promoting trade and upgrading in global value chains

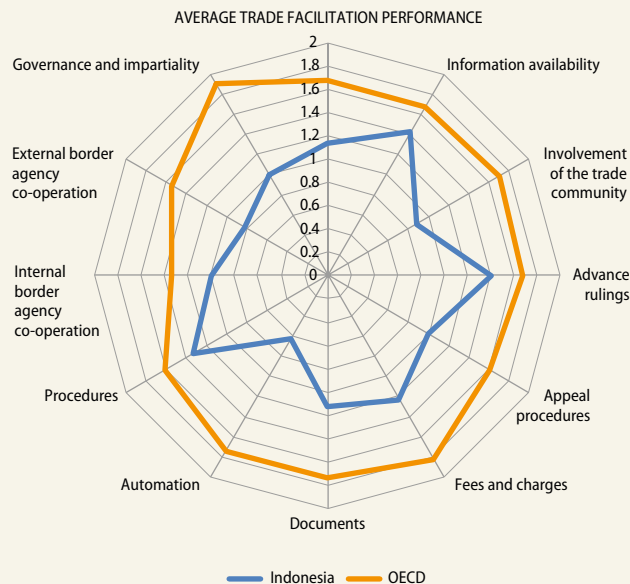
connecting intellectual property (IP) policies to innovation policies, improving the legal and administrative conditions for the IP system, and adapting the IP system to its users.

In 2013, the OECD established a platform for policy dialogue on **Global Value Chains, Production Transformation and Development**. The platform enables knowledge sharing between OECD Members and non-Members whose growth is particularly linked to participation in GVCs and who are interested in sharing experiences on how to design and implement better policies to accelerate development through integration into and upgrading within GVCs.

In addition, an ongoing OECD project measures the participation in global and regional value chains by countries in Southeast Asia, including Indonesia. The study compares success stories and obstacles to GVC integration across different developing regions and proposes policy recommendations for developing countries.

[www.oecd.org/trade](http://www.oecd.org/trade)  
[www.oecd.org/dev/global-value-chains.htm](http://www.oecd.org/dev/global-value-chains.htm)

### OECD Trade Facilitation Indicators 2017



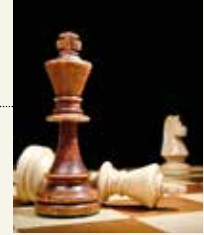
Source: OECD (2018), *Trade Facilitation Indicators*. [sim.oecd.org/default.aspx?ds=TFI](http://sim.oecd.org/default.aspx?ds=TFI).



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## Promoting sound competition



**The OECD aims to promote sound competition principles and build mutual understanding and cross-border convergence on competition policy and enforcement. In 1999, Indonesia was the first ASEAN country to enact a competition law as a strategy for improving the economy's performance and has a strong track record of competition policy and anti-trust enforcement.**

Regulatory barriers to competition, such as market entry, or regulation that prevents companies from competing freely in a market, can seriously hamper economic growth and development. The OECD's **Competition Assessment Toolkit** provides a highly functional methodology to identify barriers to competition in laws and regulations. The OECD will continue to support Indonesia, undertaking a prioritised competition assessment of the logistics sector in close cooperation with the national authorities, within the context of the ASEAN Competition Action Plan.

The OECD also works to improve public procurement process in its member countries and non-member economies. The **Guidelines for Fighting Bid Rigging in Public Procurement** assist governments in raising awareness of the risks and costs of collusion in this sector, and its detailed checklist helps government officials design tender documents and detect collusive behaviour in bidding.

Through national and regional workshops, the OECD helps Indonesia and other ASEAN members build domestic competition capacity. Indonesia's Commission for the Supervision of Business Competition (Komisi Pengawas)

Pensaingan Usaha, or KPPU) is an active participant in the Competition Programme of the OECD Korea Policy Centre. This Centre serves as a hub to train and assist officials from across the Asia Pacific in developing and implementing effective competition law and policy. In a joint co-hosting effort with the KPPU, the Centre held a workshop on abuse of dominance case building for the KPPU and ASEAN member countries in 2016. A further seminar was held in October 2018 with the Supreme Court of Indonesia on the role of circumstantial evidence in cartel cases.

Indonesia is a Participant in the OECD's Competition Committee and a regular contributor to debates in the OECD Global Forum on Competition, an annual event which provides an opportunity for competition authorities from around the world to meet and exchange policy experiences.

[www.oecd.org/daf/competition](http://www.oecd.org/daf/competition)

# Developing a robust financial system



**The OECD promotes efficient, open, stable and sound market-oriented financial systems, based on high levels of transparency, confidence and integrity. It has been actively engaging with Indonesia's financial sector authorities since 2010.**

The OECD monitors current market developments and suggests reform measures related to banking, securities and institutional investors, in particular with regard to insurance companies and private pension schemes. In addition, it facilitates policy dialogue and exchange of experiences on capital market reform, financial education and financial consumer protection. Key findings of the OECD are published biannually in the **Financial Market Trends** and, since 2015, in the **Business and Finance Outlook**.

Indonesia is a Participant in the OECD Committee on Financial Markets and Insurance and Private Pensions Committee, as well as subsidiary bodies of these Committees. In partnership with the OECD, the APEC China 2014 Committee and the APEC Business Advisory Council, the Indonesian Ministry of Finance co-hosted the APEC Seminar on Disaster Risk Financing in the Asia-Pacific Region in Yogyakarta, Indonesia, in June 2014. A report compiling the outcome of the seminar was published in December 2014. The Indonesian authorities also hosted an APEC/OECD Seminar on Infrastructure Financing in August 2013. Further co-operation on a broader range of financial sector issues, especially SME financing, is underway with the Financial Services Authority and other institutions.

[www.oecd.org/daf/fin](http://www.oecd.org/daf/fin)



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## Strengthening connectivity, capital investment and public-private partnerships

**The Master Plan for Indonesian Economic Development 2011-2025 highlights the need to increase infrastructure investment in order to strengthen connectivity and accelerate economic and social development. Yet the country faces financing constraints: despite being a priority of the current government, the state budget may only be able to cover 40% of an estimated USD 360 billion needed for planned projects. Public-private partnerships (PPPs) are an important tool for Indonesian decision makers to accelerate infrastructure procurement. By harnessing private sector expertise and appropriate risks allocation between public and private parties, governments can also ensure value for money.**

Indonesia's fast-developing society and economic growth are in need of stronger infrastructure investment. This is the case for both social and economic infrastructure. While its annual public budget will fund many of these projects, private investment through PPPs will become increasingly important if Indonesia is to meet its infrastructure demand in the years to come.

As part of the 2012 *Regulatory Reform Review of Indonesia*, the OECD assessed the country's framework for developing, procuring and managing PPPs. The conclusions of the report have subsequently provided a basis for the new structure for PPP governance in Indonesia, which is in the process of being implemented.

The ASEAN Secretariat, with support of the OECD, developed the **ASEAN Principles for PPP Frameworks**, which were welcomed by ASEAN Leaders during the ASEAN Leader's Summit in Nay Pyi Taw, Myanmar in 2014. Building on the Principles, the OECD conducted a capacity building workshop and an assessment of the PPP framework in Indonesia in 2015.

Good governance in infrastructure development promotes value for money and allows financing to flow, while poor governance generates waste and discourages investment. The **OECD Infrastructure Governance Reviews** are designed to help countries improve their management of infrastructure policy from strategic planning all the way to project level delivery. An Infrastructure Governance Review of Indonesia is currently under discussion, which would identify the main bottlenecks for the development of infrastructure projects in Indonesia, providing a comparison with what other countries have done to alleviate similar bottlenecks, and propose appropriate responses that could be applicable to Indonesia.

[www.oecd.org/governance](http://www.oecd.org/governance)

[www.oecd.org/gov/governance-of-infrastructure.htm](http://www.oecd.org/gov/governance-of-infrastructure.htm)



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# Developing high-quality financial education



**The OECD has a rich partnership with a number of Indonesian authorities on financial education policies. Financial literacy is widely recognised as a basic skill in a world of increasing personal responsibility for financial well-being, and a financial landscape offering a wide range of complex financial products delivered through multiple channels. High-quality financial education is therefore essential in order to build this skill across all sectors of society, and ensure inclusive growth and prosperity.**

For several years, Indonesia has been actively promoting financial education as a powerful tool for economic growth and financial stability, initially as part of a broad strategy on financial inclusion. In 2013, a national strategy for financial literacy was launched by the President of Indonesia. The development of the strategy started with an assessment of financial literacy across the population based on the OECD methodology, as detailed in Indonesia's contribution to the G20/OECD publication **Advancing National Strategies for Financial Education**. Indonesia also subsequently shared good financial education practices for the OECD International Network on Financial Education (INFE) **Policy Handbook on National Strategies for Financial Education**, developed in 2015 in response to a call from G20 Leaders. Indonesia participated in the comparative **G20/OECD INFE report on adult financial literacy in G20 countries** published in 2017 which uses the **OECD/INFE Toolkit** for measuring financial literacy and financial inclusion. Indonesia displayed an overall financial literacy score,

combining elements of financial knowledge, attitudes and behaviours, of 13.4 out of 21, slightly higher than the average of 12.7 across G20 participating countries. In addition, in 2018 Indonesia is participating for the first time in the Financial Literacy component of the OECD's Programme for International Student Assessment (PISA) to measure levels of financial literacy among 15-year-old students.

The OECD develops policy tools and practical guidance on financial education through the OECD/INFE and through its participation in the work of the G20. Established in 2008, the OECD/INFE brings together public experts from public institutions in over 110 economies to undertake analytical work and develop good practices. The Financial Services Authority (*Otoritas Jasa Keuangan*, or OJK) is a member of the OECD/INFE Advisory Board. Bank Indonesia is also a full member of the OECD/INFE.

In June 2016, the OECD and OJK signed a memorandum of understanding to co-operate on a range of financial issues, including financial consumer protection, financial education and financial inclusion, and issues related to corporate governance. The OECD and OJK co-hosted a highly successful High-level Regional Seminar on Empowering MSMEs through Financial Literacy and Inclusion that same month, attended by over 300 participants.

[www.oecd.org/finance/financial-education](http://www.oecd.org/finance/financial-education)



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# PUBLIC AND CORPORATE GOVERNANCE

# Implementing regulatory reform



**Good regulatory practice (GRP) is a priority agenda to support Indonesia's economic development and ASEAN regional integration.**

The implementation of GRP is critical for facilitating private-sector development by reducing regulatory burdens on industries, creating a stable and clear regulatory environment for investment and facilitating the participation of micro, small and medium-sized businesses in the formal economy. It is a key element of the public governance agenda, supporting evidence-based decision making as well as transparent and predictable processes.

The OECD has a longstanding and established engagement with Indonesia on regulatory reform, both bilaterally and regionally, through APEC and ASEAN. In 2012, Indonesia was the first ASEAN member to undergo an OECD Regulatory Reform Review, and the government of Indonesia is a bureau member of the ASEAN-OECD GRP Network. Indonesia regularly participates in the OECD Regulatory Policy Committee and Network of Economic Regulators.

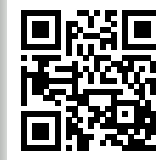
The **OECD Reviews of Regulatory Reform: Indonesia** includes recommendations to strengthen the government's capacity to assure high quality regulation, and their implementation has been supported by the OECD and UK Government. The country's National Strategy on Regulatory Reform builds on the recommendations provided in this review.

A comprehensive stocktaking of GRP in all ASEAN countries will be launched in October 2018. The report highlights Indonesia's efforts in advancing GRP in various areas and opportunities for further enhancements, including cutting red tape, stakeholder engagement, *ex post* evaluation, and e-government. It provides a basis for an active engagement with the OECD in supporting further improvements in GRP.

[www.oecd.org/gov/regulatory-policy](http://www.oecd.org/gov/regulatory-policy)  
[www.oecd.org/gov/regulatory-policy/southeast-asia.htm](http://www.oecd.org/gov/regulatory-policy/southeast-asia.htm)  
[www.oecd.org/gov/regulatory-policy/grpn.htm](http://www.oecd.org/gov/regulatory-policy/grpn.htm)



Agus Martowardojo, Minister of Finance of Indonesia and Angel Gurría, OECD Secretary-General at the signing of the Convention on Mutual Administrative Assistance in Tax Matters, G20 Cannes, November 2011, Cannes, France.  
*Photo: French Republic Presidency.*



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# Disseminating open government



**Public sector reforms – inspired by the principles of openness, accountability, transparency and citizens’ participation in policy making – strengthen trust in the Indonesian government and foster sustainable and inclusive socioeconomic development.**

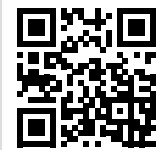
Open government policies are an effective instrument for public service delivery, and for building the relationship between policymakers, citizens and businesses.

Over the past ten years, through its commitment to applying the principles of good governance and as a founding member of the Open Government Partnership, Indonesia has shown a strong interest in disseminating open government principles and practices across Southeast Asia and worldwide. Furthermore, Indonesia’s contributions to the development of the United Nations’ Sustainable Development Goals reflect its unique perspective on how to connect national open government reforms to complementary multi-lateral reform agendas.

The OECD is currently supporting the implementation of open government principles in Indonesia via two initiatives: the OECD’s **Open Government Review of Indonesia**, which assesses, through the OECD’s peer review mechanism, Indonesia’s open government policies and practices and provides actionable recommendations on how to improve its ongoing public sector reform, and the Network on Open and Innovative Government in Southeast Asia. This network, co-chaired by Indonesia,



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promotes policy dialogue, knowledge transfer and exchange of good practices between OECD and Southeast Asian countries in the field of digital government, open government, public sector innovation, and civic engagement in policy making.

[www.oecd.org/gov](http://www.oecd.org/gov)

*“Only by adopting the principles of Open Government can governments at all levels build legitimacy and reinforce public confidence.”*

**Joko Widodo**, President of the Republic of Indonesia. Public Agency Information Openness Award ceremony, 15 December 2015

# Fighting transnational corruption



**Corruption distorts markets, weakens governments, raises the costs of doing business, deepens inequalities, and erodes sustainable development efforts. Above all, corruption hurts the poorest of the poor. Fighting bribery is therefore integral to creating a stronger, cleaner and fairer world economy.**

Indonesia is Southeast Asia's largest economy in terms of nominal GDP. To be able to meet its major economic goals of increasing production, ensuring inclusive economic growth, responding to the needs of its rapidly growing consumer class, and fast rate of urbanisation, it needs substantial investments in infrastructure and service networks. But corruption is pervasive in large-scale infrastructure projects worldwide, and can have significant negative impacts on returns on infrastructure investments. In addition, Indonesian companies increasingly go abroad seeking new markets for their products, including palm oil, coal, agriculture and fish products, and energy, and new investment opportunities. It is therefore essential that Indonesia build and maintain a reputation for clean and fair cross-border business practices to fully gain access to new markets. The **Convention on Combating Bribery of Foreign Public Officials in International Business Transactions** (Anti-Bribery Convention) is the leading global instrument for combating the supply of bribes in international business. By acceding to the Anti-Bribery Convention, Indonesia would send a strong message to the global community that it does not tolerate corruption in international business.

The Anti-Bribery Convention is a legally binding international agreement; countries that accede to it are required to establish a criminal offence of bribing a foreign public official in their national laws that applies to individuals and companies, and to implement effective policies to prevent, detect, investigate and sanction such bribery. The OECD's Working Group on Bribery, which is composed of the 44 Parties to the Anti-Bribery Convention (all OECD members plus 8 non-members), monitors implementation of the Convention through a robust and systematic peer-review process.

An important objective of the OECD's co-operation with Indonesia is accession to the OECD Anti-Bribery Convention. To meet this objective, the OECD strongly supports Indonesia's efforts to establish an effective legislative and institutional framework for combating the bribery of foreign public officials. Moreover, as a member of the G20, Indonesia affirms, through the 2017-18 G20 Anti-Corruption Plan, that it will "participate actively with the OECD Working Group on Bribery to explore possible adherence to the OECD Anti-Bribery Convention." Indonesia has participated regularly in the meetings of the Working Group on Bribery since 2009. Officials of the Indonesian Corruption Eradication Commission (KPK) have also participated in OECD meetings for law enforcement officials. Furthermore, the OECD has worked closely with Indonesia on establishing a legal framework for addressing foreign bribery. In addition, since 2001, Indonesia has been an active member of the Anti-Corruption Initiative for Asia-Pacific.

[www.oecd.org/corruption](http://www.oecd.org/corruption)

[www.oecd.org/corruption/asiapacific](http://www.oecd.org/corruption/asiapacific)

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## Towards a culture of integrity in Indonesia

**Recent cases in Southeast Asia and elsewhere have shown that responding on a case-by-case basis is not an effective approach to rooting out corruption. Rather, government and non-government actors must work together to build a culture of integrity across the public sector and society. The OECD proposes a Recommendation on Public Integrity that embodies this whole-of-government and whole-of-society approach to integrity, helping policy makers mainstream and implement anti-corruption reforms across the government.**

The OECD is supporting Indonesia in ensuring a comprehensive and coherent integrity system across the government, addressing risk areas such as conflict of interest, lobbying and policy capture. In close partnership with the Ministry of National Development Planning (Bappenas) and the Corruption Eradication Commission (KPK), the OECD is conducting an integrity review to strengthen anti-corruption reforms and measures in line with the National Anti-Corruption Strategy.

The integrity review is an excellent means to connect Indonesia with integrity experts from OECD countries, and the review also serves as a country scoping exercise in the framework of the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific, of which Indonesia is an active member.

Public procurement has been identified as a specific risk area in Indonesia. Indonesia is invited to participate in the meetings of the OECD Working Party of the Leading Practitioners on Public Procurement (LPP), which provides a forum for discussing policy options and ensuring continuous improvement in public procurement. Topics for collaboration between Indonesia and the OECD include e-procurement, transparency and accountability of public procurement systems, and the management of complex public procurement processes related to large infrastructure.

In the risk area of customs integrity, Indonesia has contributed to the G20 Compilation of Good Practices on Integrity in Customs, compiled by the OECD in partnership, by sharing relevant transparency and accountability measures in customs. Along with open data and budget transparency, integrity in customs is a focus area for G20 Anti-Corruption Working Group.

[www.oecd.org/gov/ethics/publicsectorintegrityreviews.htm](http://www.oecd.org/gov/ethics/publicsectorintegrityreviews.htm)



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# Improving tax transparency and compliance



**The OECD plays a leading role in the development of international tax standards and guidelines as reflected in the strong international support for its key instruments on transparency and countering tax evasion and avoidance.**

The Indonesian Ministry of Finance and the OECD renewed a Memorandum of Understanding (MOU) in January 2017, which facilitated the implementation of technical events such as the 'Seminar on Tax Treaties, Special Issues' in Indonesia in October 2017. Indonesia has played a key role in countering tax evasion and avoidance as a member of G20, the only government from Southeast Asia. In addition, Indonesia plays an important role as a participant in the OECD's Committee on Fiscal Affairs.

The OECD/G20 Base Erosion and Profit Shifting (BEPS) project to fix deficiencies in the international tax system was delivered in October 2015, endorsed by the OECD Council and by G20 Finance Ministers and Leaders. Now the BEPS Project focuses on implementation, and Indonesia, one of the members of 116 countries, participates on an equal footing in new BEPS Inclusive

Framework. In June 2017, Indonesia was among the countries that signed the **Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI)**, which will implement tax treaty measures to update the existing network of bilateral tax treaties and reduce opportunities for tax avoidance by multinational enterprises. The new Convention, now with 78 signatories, will also strengthen provisions to resolve treaty disputes, including through mandatory binding arbitration, thereby reducing double taxation and increasing tax certainty.

The Global Forum on Transparency and Exchange of Information for Tax Purposes brings together 153 jurisdictions, including all OECD Members and G20 countries. Indonesia has been a member since 2009. Indonesia signed the multilateral **Convention on Mutual Administrative Assistance in Tax Matters** in 2011 and it entered into force in May 2015. In May 2014, Indonesia adhered to the OECD's **Declaration on Automatic Exchange of Information**. Indonesia has committed to its implementation, which will see the first exchanges take place in 2018.

[www.oecd.org/tax](http://www.oecd.org/tax)  
[www.oecd.org/tax/beps.htm](http://www.oecd.org/tax/beps.htm)  
[www.oecd.org/tax/transparency](http://www.oecd.org/tax/transparency)



Asia-Pacific Technical Committee Meeting on BEPS - Yogyakarta - 2015







## Raising the bar on corporate governance

**One of Indonesia's priorities has been to improve the country's investment climate in order to spur more foreign and domestic investment. The government has recently intensified reform efforts to promote strong corporate governance. A Presidential Decree (No. 13/2018) on beneficial ownership was issued in March 2018, which requires business entities to submit the identities of their beneficial owners to the authorities. It also mandates firms to update their beneficial ownership data on an annual basis. This regulation, complementing the AEOI agreement, should better enable public authorities to fight corruption and money laundering, as well as tax avoidance and evasion.**

The degree to which companies observe internationally recognised principles of corporate governance is a determinant of investment decisions, influencing investor confidence, the cost of capital, and the ability of companies to access funding from a larger pool of investors. The OECD has engaged closely with Indonesia to support its reform efforts and benefit from its experience. This co-operation takes place through the OECD Corporate Governance Committee, the Asian Roundtable on Corporate Governance, the OECD-Southeast Asia Corporate Governance Initiative and the Indonesia-OECD Policy Dialogue on Corporate Governance.

The **G20/OECD Principles of Corporate Governance** serve as a main reference for this work. In 2014, the OECD embarked on a review of the Principles and Indonesia participated as an Associate, ensuring that the updated standards truly reflected an international perspective. Indonesia had been invited to take part in data and information collection efforts by the Committee, such as the OECD Corporate Governance Factbook and the progress report on the OECD Gender Recommendation dealing with women on boards and in senior management.

The first phase of the Indonesia-OECD Policy Dialogue concentrated on enhancing disclosure of beneficial ownership

and control as part of overall efforts to improve corporate governance standards and practices in Indonesia. In 2013, the report **Disclosure of Beneficial Ownership and Control in Indonesia: Policy Options for Indonesia** was agreed to on a consensus basis. It assessed the costs, benefits and practicality of different policy approaches and suggested options to better identify ultimate beneficial owners in Indonesia. The report has been instrumental in supporting the development of policies to improve access to reliable information about ownership, including the identity of the controlling owners, and control structures of listed companies in Indonesia.

The second phase of the Dialogue focused on transparent and fair rules governing market discipline, specifically back-door listings. Seminars to exchange good practices and policies on backdoor listings were held over a period of two years. The report **Improving Corporate Governance in Indonesia: Policy Options and Regulatory Strategies for Tackling Backdoor Listings** was published in 2016, offering guidance to policymakers and regulators for ensuring the efficient and transparent functioning of the market for corporate control and overall market growth and development.

The third phase focuses on the corporate governance of financial conglomerates. It comes as new regulations to manage the systemic risk of financial conglomerates are coming into force. A technical experts' meeting was held at the offices of the Financial Services Authority of Indonesia (OJK) in Jakarta in December 2015. In July 2017, the OECD held an Experts Forum on Corporate Governance in Indonesia in Jakarta, jointly organised with the OJK.

**[www.oecd.org/corporate](http://www.oecd.org/corporate)**



# EMPLOYMENT AND SOCIAL DEVELOPMENT



## Achieving universal health coverage

**The Government of Indonesia has committed to achieve universal health coverage by 2019. The OECD provides advice on how to measure progress towards this important goal, including through tracking how money is spent and assessing the quality of health goods and services.**

A critical dimension of health coverage is access to pharmaceutical products. Indonesia has participated in the first two meetings of the Asia-Pacific expert network on Access to Medicines under Universal Health Coverage held in 2014 and 2015, as well as the first-ever global training on how to better use health accounts data to inform policy makers, held in Paris in April 2014.

In collaboration with the World Health Organisation Regional Office for South-East Asia and the World Bank, co-operation between the OECD and Indonesia has focused on enhancing health information. Health statistics on Indonesia were also presented in the 2016 edition of Health at a Glance-Asia-Pacific publication. This report offers a comprehensive framework to monitor and evaluate health system performance for 27 Asia-Pacific economies. The report shows that Indonesia's health expenditure as a percentage of GDP remained very low in 2014 at 3.6% (as compared to an average of 4.7% across Asia), although this has grown by 0.1 percentage point since 2010. Two fifths of total health spending was from general government sources in 2014.

Indonesia is also an active participant in the OECD-Asian Joint Network of Senior Budget and Health Officials, which held its first meeting in Tokyo in May 2017.

[www.oecd.org/health](http://www.oecd.org/health)



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## Promoting gender equality

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**Indonesia has tackled gender inequality by introducing several reforms, such as quotas for women in political party structures at national and regional levels. Further changes are needed though, as participation of women in political and public life remains low.**

The OECD aims to improve policies and promote gender equality in both OECD Member countries and non-Member economies. In 2010, it launched the OECD Gender Initiative to strengthen gender equality in education, employment and entrepreneurship, and a discussion of these issues with a focus on the Asia/Pacific region was included in **Society at a Glance: Asia/Pacific 2014**. The OECD's Southeast Asia Regional

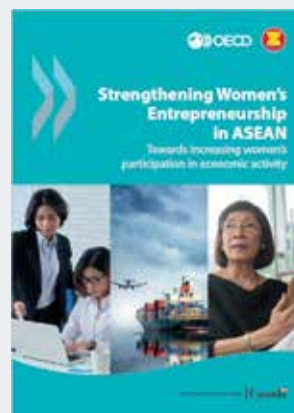
Programme is developing a targeted initiative which will focus on gender issues specific to the region, including Indonesia, and further support efforts to increase women's economic opportunities in co-operation with the Association of Southeast Asian Nations (ASEAN).

The OECD **Social Institutions and Gender Index (SIGI)**, launched in 2009, is a database on discriminatory social institutions holding women back from fully participating in society. The database is accompanied by in-depth country profiles for over 160 countries spanning all regions, including Indonesia. According to the latest SIGI 2014, Indonesia presents medium levels of discrimination against women, ranking 53 out of 108.



The SIGI captures discriminatory social institutions across five areas: decision-making within the family, son preference, secure access to land and assets, civil liberties, and violence against women. Variables analyse the presence of laws, practices and attitudes in order to holistically capture discrimination against women. Updated regularly, with its third edition released in November 2014, the SIGI is the only database to provide robust trend data on discriminatory social institutions.

A 2014 report on **Women, Government and Policy-Making in OECD countries: Fostering Diversity for Inclusive Growth** presented comparative data and policy benchmarks on women's access to decision-making roles. This work provides the foundation for the upcoming **OECD Guidelines on Gender Equality in Public Life** and contributes to the *OECD Gender Initiative* and the *OECD Development Strategy*. A report on **Closing the Gender Gap: Act Now** was published in December 2012 as part of the *OECD Gender Initiative*, together with the new *OECD Gender Data* portal that covers OECD members and Brazil, China, India, Indonesia, Russia and South Africa. The report examined the latest trends on gender equality in Education, Employment and Entrepreneurship (the "three Es") and discussed ways to best close the remaining gender gaps in these areas. In 2017, the OECD published the report **Strengthening Women's Entrepreneurship in ASEAN**, which



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identifies policies and programmes to support women's entrepreneurship across ASEAN. It also examines the broader education and labour market setting for female economic empowerment in ASEAN.

[www.oecd.org/dev/development-gender](http://www.oecd.org/dev/development-gender)  
[www.genderindex.org](http://www.genderindex.org)  
[www.oecd.org/social](http://www.oecd.org/social)  
[www.oecd.org/dev](http://www.oecd.org/dev)  
[www.oecd.org/gender/closingthegap.htm](http://www.oecd.org/gender/closingthegap.htm)



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## Fostering skills through education and training

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**Indonesia has increased participation across all levels of education but the challenge now is to develop an education system that supports each Indonesian citizen to reach their potential. Equipping citizens with the right set of skills and knowledge will allow Indonesia to achieve sustainable economic growth and move up the global value chain.**

Indonesia has participated in OECD's triennial **Programme for International Student Assessment (PISA)** since its inception in 2000. Indonesia's science performance rose by 21 score points between 2012 and 2015. This makes Indonesia the fifth-fastest improving education system among the 72 that took part in this comparison. However, a number of challenges remain. More than 55% of students score below Level 2 in science – considered the baseline level of proficiency needed for full participation in society. Indonesian students from disadvantaged background are almost two years behind their advantaged peers. Moreover, only 11% of Indonesian students are resilient compared to the

OECD average (29%), meaning that fewer Indonesian students from disadvantaged background beat the odds to be a top performer. Together, these indicate that measures to raise performance will need to concentrate on improving education quality for the poorest communities and regions.

In March 2015, the OECD published **Education in Indonesia: Rising to the Challenge**, an in-depth review of national education policy in Indonesia. The analysis provided perspective on the human capital demand of Indonesia's social and economic development and offered recommendations for strengthening the education system.

Indonesia is also included in **Education at a Glance**, an annual publication that provides detailed data of the education systems in OECD and G20 economies. Analysis of this data allows Indonesia to benchmark its education system against some of the highest performing education systems in the world.





**The OECD's Southeast Asia Regional Policy Network on Education and Skills (SEARNP)** builds on the platform of the OECD Employment and Skills Strategies in Southeast Asia (ESSSA) initiative which was formed in 2008 to facilitate dialogue between skills and labour ministries from ASEAN Member States. Indonesia has been an active participant in the Network's annual expert meetings which bring together senior government officials from ASEAN, as well as partners from the region, to deepen regional exchange and learning among countries. The most recent Network meeting took place in October 2017 in Hanoi, Viet Nam.

Indonesia is increasingly placing focus on skills development to improve the skills of its citizens to support its economic agenda. Having worked with over 40 member and emerging economies on the design of **effective vocational education and training (VET) systems**, the OECD can mobilise international knowledge and experience to support reforms in a range of priority areas,

from the development of apprenticeship schemes, to new ways to assess skills directly and facilitate their recognition across formal and informal sectors.

The OECD's **Programme for the International Assessment of Adult Competencies (PIAAC)** measures the foundational skills of literacy, numeracy and problem-solving in adult population. Indonesia (Jakarta) participated in the second round of the survey and results were released in June 2016. While Indonesia did not perform as well as the other – mostly high-income – countries that participated in the survey, the share of top performers was similar to what was observed in Chile and Turkey, and slightly smaller than the shares in Italy and Spain.

[www.oecd.org/education](http://www.oecd.org/education)

[www.oecd.org/employment/](http://www.oecd.org/employment/)

[www.oecd.org/cfe/leed/local-employment.htm](http://www.oecd.org/cfe/leed/local-employment.htm)



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## Tackling inequality



**Greater inequality raises economic, political and ethical challenges as it risks leaving a growing number of people behind in an ever-changing economy.**

The OECD is conducting a quality review of different databases on inequality and poverty in Indonesia to analyse trends and the feasibility of incorporating indicators of income inequality and poverty into the OECD income database. In addition, preliminary analysis of the RAND Indonesian Family Life Survey (IFLS), which does not cover all regions of Indonesia but aims

to be representative of the territory, has been undertaken. The analysis of the IFLS together with the Income module from SUSENAS 2005 is used to compute indicators of income inequality and relative poverty. Findings from the data analysis will be incorporated into a report on overall inequalities and inclusive growth in emerging economies. The report discusses levels and trends in living conditions, employment and job quality, education and health in Indonesia and other selected emerging economies.

Although Indonesia's growth has averaged above 5% in the last decade, improving social conditions and tackling inequality remains a challenge. Social protection has proven to be an effective mechanism for increasing equity and supporting resilience to shocks and protection against individual and covariate risk, making it a key element in poverty prevention and reduction and for inclusive growth. To improve the quality and coverage of its social protection system Indonesia is participating in the EU-Finland-OECD Development Centre's Social Protection Programme. This project is carried out in 10 partner countries. The program supports countries in building sustainable and inclusive social protection systems. A Social Protection Systems Review of Indonesia is currently being planned, in close co-operation with Indonesia's Ministry of National Development Planning (BAPPENAS). The Review examines social assistance, social insurance and active labour market programmes and provides recommendations on how to further improve their effectiveness.

[www.oecd.org/social/inequality-and-poverty.htm](http://www.oecd.org/social/inequality-and-poverty.htm)

[www.oecd.org/dev/inclusivesocietiesanddevelopment/social-protection.htm](http://www.oecd.org/dev/inclusivesocietiesanddevelopment/social-protection.htm)







# INDUSTRY AND INNOVATION

# Building a knowledge economy



**Innovation is a key factor in achieving sustainable social and economic development. Indonesia is working with the OECD to improve the contribution of science, technology and innovation policies to wellbeing and inclusive economic growth.**

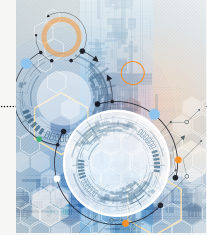
The OECD is a hub for discussion of global patterns of science, technology and innovation (STI) and their implications for STI policies. Indonesia participated in the 2015 OECD Ministerial on *Creating our Common Future through Science, Technology and Innovation* held in Daejeon, Korea, and adopted the Ministerial Declaration, in which 52 countries committed to support STI to foster sustainable economic growth, job creation and enhanced wellbeing. In 2016, Indonesia contributed country-specific policy information to the biennial OECD flagship publication **OECD Science, Technology and Industry Outlook**, which looked at the megatrends shaping STI systems worldwide.

Boosting innovative capacity – especially in knowledge-based assets – plays a pivotal role in economic development. Indonesia was one of six ASEAN countries examined in the 2013 **OECD Review of Innovation in Southeast Asia**. The study found that barriers to entrepreneurship risk holding back rapid knowledge-based economic development, but that maintaining the momentum of a rapidly expanding higher education system may help Indonesia to better harness its innovation potential. The review was complemented by a 2014 study of **National Intellectual Property Systems, Innovation and Economic Development**, which proposed ways in which Indonesia can improve its IPR system to support innovation. Indonesia has also participated in the OECD project on innovation for inclusive development, which helps countries reconcile their innovation and inclusive development agendas

As part of a multi-year initiative with ASEAN countries, the OECD is currently working with Indonesia on policies to improve productivity in SMEs. This work will provide evidence and recommendations for Indonesia and its ASEAN neighbours to harness innovation and technology to improve business competitiveness. An important element of the analysis draws on micro-data to explore productivity at the firm level, and the OECD is collaborating with Indonesian statistical authorities to bring new insights regarding the performance of the manufacturing sector in particular.

[www.oecd.org/sti/inno](http://www.oecd.org/sti/inno)  
[www.oecd.org/sti/sci-tech](http://www.oecd.org/sti/sci-tech)  
[www.oecd.org/sti/ind/multiprod.htm](http://www.oecd.org/sti/ind/multiprod.htm)  
[oe.cd/inclusive](http://oe.cd/inclusive)





## Harnessing digital technologies

**As the diffusion of digital technologies increases, governments, businesses and individuals are increasingly migrating their activities to the Internet. Indonesia has engaged with the OECD on how to make the most of its digital opportunities.**

The OECD has been a leader in identifying the potential of digital technologies for economic growth and wellbeing. At its most recent Ministerial Meeting on *The Digital Economy: Innovation, Growth and Social Prosperity*, Indonesia joined with nearly 40 countries in adopting the **Cancún Declaration**. This Declaration recognises that the digital economy is a powerful catalyst but that harnessing its potential requires countries to adopt holistic and whole-of-society approaches to stimulate investment in higher speed broadband connectivity, reduce barriers to use of digital technologies, foster research, innovation and new business opportunities, strengthen trust, promote job quality and address skill needs.

The future of digital economies is an area where the OECD and Indonesia can share knowledge, experience and good practices. The 2013 **OECD Review of Innovation in Southeast Asia** found that significant improvements in infrastructure will be required to realise Indonesia's growth ambitions. ICT infrastructure in particular is poor relative to much of the region, which impacts how people live and work, and how small and medium enterprises are fostered. In order to focus on this concrete bottleneck, the OECD started developing in 2018 the **SEA Going Digital: Connecting SMEs**, which aims to examine the opportunities related to the access and use of digital services by SMEs in Southeast Asia, as well as to identify good practices and provide sound policy analysis to foster an enabling environment for the digital transformation to flourish. This initiative is a contribution to the Canada-OECD Project for ASEAN SMEs (COPAS), and builds on the efforts around the multidisciplinary and cross-cutting OECD project *Going Digital: Making the Transformation Work for Growth and Well-being*.

[www.oecd.org/internet](http://www.oecd.org/internet)  
[www.oecd.org/going-digital](http://www.oecd.org/going-digital)



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## Enhancing chemical safety



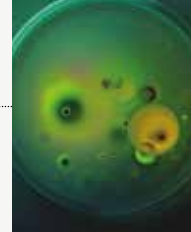
**The OECD supports countries' efforts to protect human health and the environment by improving chemical safety, making chemical control policies more transparent and efficient, saving resources for government and industry and preventing unnecessary distortions in the trade of chemicals and chemical products.**

The chemicals industry is one of the world's largest industrial sectors. Many countries have regulatory frameworks for managing chemicals, based on testing and assessing their health and environmental impacts. As many of the same chemicals are produced in more than one country (or traded across countries), governments can avoid duplicative testing and share the burden of chemical assessments through the OECD.

A core element that allows government to work together on chemical assessments is the **OECD Mutual Acceptance of Data (MAD) in the Assessment of Chemicals**. MAD is a multilateral agreement which allows the results of non-clinical safety testing done on chemicals and chemical products, such as industrial chemicals and pesticides, to be shared across adhering countries. The MAD system requires that testing be carried out according to **OECD Test Guidelines** and **OECD Principles of Good Laboratory Practice (GLP)**. By avoiding duplicative testing and facilitating the collaboration in chemical assessment, the MAD system saves governments and chemical producers around €150 million annually, as well as facilitating trade in chemical products and creating business opportunities for testing labs. MAD is open to non-OECD countries and, to date, Argentina, Brazil, India, Malaysia, Singapore and South Africa have joined MAD. It is expected that Thailand, who is currently a Provisional Adherent, will also do so in the future. A seminar on the OECD's GLP and MAD took place in Jakarta in April 2018. This was an important step forward in strengthening co-operation with Indonesia on MAD-related issues.

[www.oecd.org/ehs/mad](http://www.oecd.org/ehs/mad)

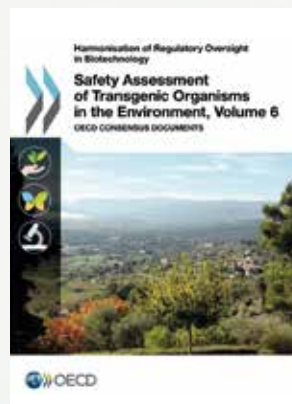
## Biotechnology



**The OECD also helps countries ensure the safety of products of modern biotechnology, such as genetically engineered crops, trees, animals or micro-organisms. The OECD works to harmonise approaches to safety assessment while facilitating the sharing of information used in the assessment of these products, thus helping countries to increase the efficiency of their risk/safety assessment process and save time and resources.**

Indonesia participates in the OECD's work on biotechnology and biosafety. A national Biosafety Commission examines requests for releases of genetically engineered products to the environment as well as food and feed safety issues. A set of risk assessment guidelines, completed in 2016, constitutes the regulatory framework. Several modified maize, soybean, sugarcane and potato have been approved for food or feed use, but not yet commercialised. Drought-tolerant sugarcane varieties developed by public research have been approved for environmental safety, and might be cultivated in the future.

[www.oecd.org/env/ehs/biotrack](http://www.oecd.org/env/ehs/biotrack)



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## Boosting tourism

**Tourism provides an important economic and social contribution to the country. International and domestic tourism in Indonesia has demonstrated significant and steady growth in recent years.**

For emerging tourism economies such as Indonesia, tourism plays an important role in promoting economic growth. In 2013, tourism contributed around 4% to GDP and approximately 8.5% of total employment. International arrivals have been growing steadily for over a decade and are an important source of foreign exchange earnings. In 2016, arrivals increased by nearly 11% to 11.5 million, generating international tourism receipts of USD 13.6 billion, up 12.5% from the previous year. In 2016, the number of domestic tourist trips was estimated at 255 million – up 1.5% from 2015.

The OECD Tourism Committee is a unique tool for multilateral co-operation, which aims to strengthen the role of public policy and support the sustainable economic growth of tourism through multidisciplinary action. The OECD flagship publication **OECD Tourism Trends and Policies 2018** analyses tourism policies and statistical data from 49 countries, including OECD member countries and partner economies.

The 2018 **OECD Economic Survey of Indonesia** included a chapter on tourism's potential as a driver for sustainable regional development.

[www.oecd.org/cfe/tourism](http://www.oecd.org/cfe/tourism)



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# ENVIRONMENT AND ENERGY

# Towards a cleaner and healthier environment



**Indonesia faces serious environmental challenges related to air and water pollution, waste management, climate change, biodiversity loss and depletion of natural resources, which resulted from its rapid economic development, urbanisation and rising global demand for commodities. The OECD has been working on these issues for many years and can support Indonesia to design environmental policies that are both economically efficient and environmentally effective.**

The OECD's Environment Programme supports policy makers to address environmental challenges by providing analyses of the economic and financing aspects of climate change, water management, resource efficiency and biodiversity conservation. Indonesia has participated in some of the Environment Policy Committee meetings since 2008.

In 2017, the OECD launched a **Green Growth Policy Review**, which will run until 2019. The review assesses the main trends in Indonesia's environmental quality and resource productivity, and the environmental quality of life of its citizens, based on key environmental indicators on air, water, energy, biodiversity, land use, waste, resource use and efficiency, climate and health. It also reviews how green growth aspects have been integrated into development planning processes, fiscal policy and infrastructure investment, and land use. The review is undertaken in close collaboration with the Ministry of Environment and Forestry, the Ministry for National Development Planning (BAPPENAS), the Ministry of Finance and the Coordinating Ministry of Economic Affairs.

OECD's **Green Growth Indicators** cover OECD and G20 countries, and are intended to help countries assess and compare their progress on greening the economy. OECD's unique database on policy instruments for the environment (**PINE**) gathers quantitative and qualitative information on six types of

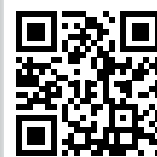
policy instruments in 80 countries. The OECD is interested in broadening the coverage of PINE, and has invited Indonesia to contribute information.

The 2016 publication **The Economic Consequences of Outdoor Air Pollution**, which includes Indonesia in its analysis of global outdoor air pollution trends and their results, provides a framework for assessing the effect that outdoor air pollution has on economic potential and output. This framework aims to assist policy-makers quantify environmental consequences in economic terms.

[www.oecd.org/environment/modelling](http://www.oecd.org/environment/modelling)

[www.oecd.org/env/country-reviews](http://www.oecd.org/env/country-reviews)

[www.oecd.org/greengrowth/green-growth-indicators/pinedatabase.oecd.org](http://www.oecd.org/greengrowth/green-growth-indicators/pinedatabase.oecd.org)



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# Combating climate change

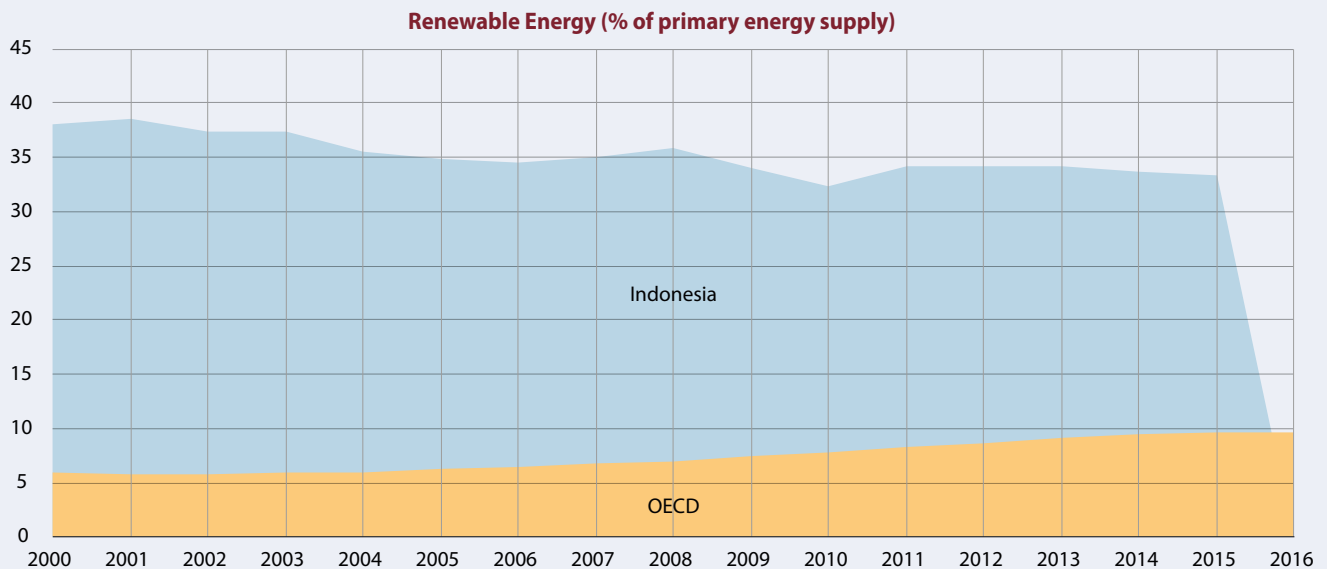
**Indonesia faces the major challenge of reducing growth in greenhouse gas emissions and minimising the impacts of climate change while securing stable economic growth. As an archipelagic country, it is highly vulnerable to the impacts of climate change.**

Indonesia has been very active in the Global Forums on Environment focused on climate change organised by the OECD/IEA Climate Change Expert Group (CCXG). Recent CCXG work has addressed topics of importance to Indonesia, including the design of the 2015 Paris Agreement, the effectiveness of international climate finance and improving the transparency of climate finance as well as of mitigation efforts.

In addition, the OECD has published or is working on several other analyses relevant to Indonesia. For example, OECD's report *Investing in Climate, Investing in Growth*, launched

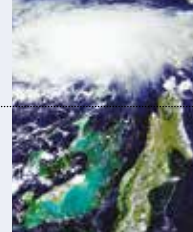
under the German G20 Presidency in 2017, assesses how G20 governments can generate inclusive economic growth in the short term, while making progress towards climate goals to secure sustainable long-term growth. In December 2017, the OECD and the Ministry of Finance of Indonesia organised a seminar on Pursuing a Low-Carbon Growth Agenda in Indonesia to launch the report. This provided an opportunity for Indonesian experts to express their views and discuss the opportunities and challenges Indonesia is facing in its transition to the low-carbon economy. OECD is now leading a follow-up project mandated by the G20 on *Financing Climate Futures: Rethinking Infrastructure*, which aims to help countries make financial flows consistent with a pathway towards low emissions and climate-resilient development.

The OECD report *Climate Change Mitigation: Policies and Progress* presents trends and progress on policies to reduce greenhouse



Source: OECD (2018), *Renewable energy*. doi.org/10.1787/aac7c3f1-en





gas (GHG) emissions in Indonesia and other countries. It analyses Indonesia's mitigation targets and policies, including for the energy sector and land use, land-use change and forestry (LULUCF). Ongoing OECD work on climate, land-use, ecosystems and food is looking at policy alignment in this nexus, and is using examples from Indonesia. In addition, the **Green Growth Policy Review** of Indonesia will have a chapter dedicated to policies in the land-use sector, and their implications for climate change, biodiversity loss and other environmental and development challenges.

Besides LULUCF, energy contributes the largest share of GHG emissions in Indonesia. Energy taxation, reform of inefficient fossil fuel subsidies and other energy policies can therefore significantly influence emissions trends in Indonesia. In 2017, Indonesia, together with Italy, agreed to undertake a peer review of inefficient fossil fuel subsidies under the G20. The

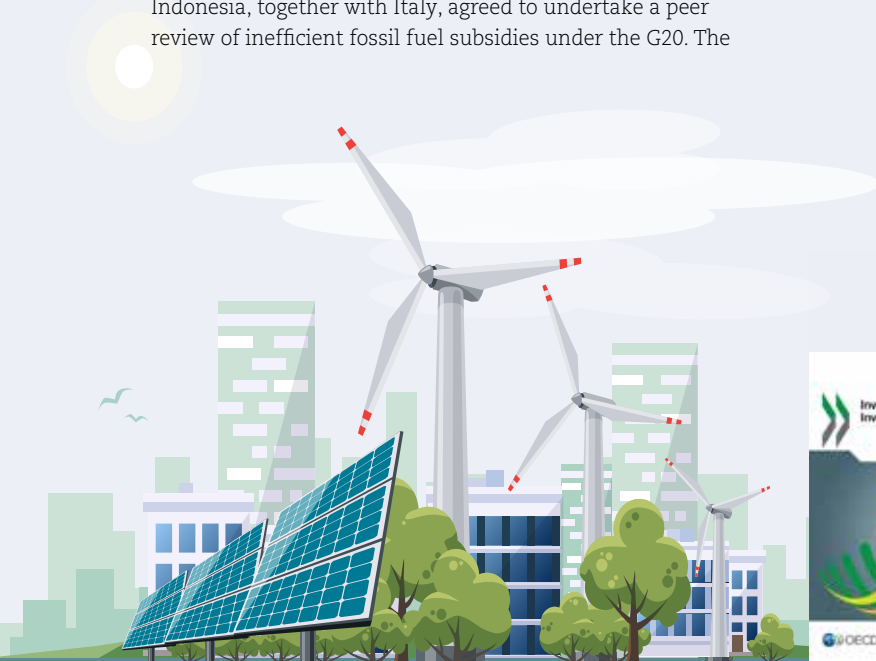
review is underway in Indonesia, and is chaired by the OECD. Examples of other relevant work include OECD's working paper on **Modelling the Distributional Impacts of Energy Subsidy Reform: an illustration with Indonesia**, which investigates the impact of environmental policies on poverty and inequality, and **Taxing Energy Use**, which describes in detail the structure and the level of energy use taxes in Indonesia and other countries.

[www.compareyourcountry.org/cop21](http://www.compareyourcountry.org/cop21)

[www.oecd.org/env/cc/ccxg.htm](http://www.oecd.org/env/cc/ccxg.htm)

[www.oecd.org/environment/cc/climate-futures](http://www.oecd.org/environment/cc/climate-futures)

[oe.cd/G20climate](http://oe.cd/G20climate)



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# Biodiversity conservation and sustainable use



**Biodiversity is fundamental for sustaining life and provides critical ecosystem services, such as water filtration, air purification, nutrient cycling and climate regulation. These services are essential to support human well-being and economic growth.**

OECD analysis focuses on the valuation of biodiversity and the use of economic instruments and other policy approaches to promote the conservation and sustainable use of biodiversity and ecosystem services.

An OECD (2018) publication **Mainstreaming Biodiversity for Sustainable Development**, draws on experiences and insights from 16 predominantly megadiverse countries, to examine how biodiversity is being mainstreamed in four key areas: 1) at the national level, including national development plans and other strategies, institutional co-ordination and national budgets; 2) the agriculture, forestry and fisheries sectors; 3) in development co-operation; and 4) the monitoring and evaluation of biodiversity mainstreaming and how this could be improved.

A 2017 publication on **Marine Protected Areas: Economics, Management and Effective Policy Mixes** examines the values

of marine ecosystems and how marine protected areas can be more effectively designed and managed. This work, which draws upon insights from Indonesia, analyses the policy mixes that need to be in place to ensure the conservation and sustainable use of the marine environment.

A 2013 publication **Scaling-up Finance Mechanisms for Biodiversity** examines the potential of six instruments (including environmental fiscal reform, payments for ecosystems services, and markets for green products) to mobilise finance and how they can best be designed and implemented so as to more effectively achieve their objectives. The report includes examples from Indonesia on sustainable forestry and the reform of pesticide subsidies. Indonesia's reform of pesticide subsidies was also highlighted in the 2017 publication on **The Political Economy of Biodiversity Policy Reform**, which looks at the drivers of reform, the types of obstacles encountered, key features of the policy reform and lessons learned.

[www.oecd.org/env/biodiversity](http://www.oecd.org/env/biodiversity)



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## Strengthening global partnerships on clean energy and energy efficiency

**The International Energy Agency (IEA), an autonomous body within the OECD, continues to rapidly deepen engagement with Indonesia, an IEA Association country, especially under its Clean Energy Transitions Programme.**

Indonesia is the largest energy consumer in Southeast Asia, and a major energy exporter. With energy demand in Indonesia projected to increase by more than 80% by 2040, the country's role and influence in the global energy map is growing. In light of Indonesia's strategic importance in Southeast Asia and its commitment to participate actively in the global clean energy transition, the IEA welcomed Indonesia as an Association Country at the IEA Ministerial Meeting in November 2015. At the IEA Ministerial Meeting in November 2017, the IEA renewed its Joint Work Programme

with Indonesia for 2018-19. This work programme covers all energy sectors and energy policy areas including renewables, energy efficiency, energy technologies, data and statistics as well as oil, gas and coal.

The IEA's partnership with Indonesia on energy transition, clean energy and energy efficiency is being strongly driven by the IEA's Clean Energy Transitions Programme (CETP). The CETP, launched by energy ministers at the IEA Ministerial Meeting in 2017, leverages the IEA's unique energy expertise across all fuels and technologies to accelerate global clean-energy transitions, particularly in major emerging economies. It includes collaborative analytical work, technical cooperation, training and capacity building and strategic dialogues. Indonesia is one of six focus countries for CETP partnership.



Indonesia renewed its Joint Work Programme alongside other partner and association countries on the sidelines of the IEA Ministerial Meeting in Paris in November 2017.

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## Strengthening global partnerships on clean energy and energy efficiency

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The IEA's collaboration with Indonesia is supported by regular high-level engagement between the IEA's Executive Director and Indonesian ministers – for instance during the Executive Director's official visit to Jakarta in July 2018. Recent highlights of Indonesia-IEA co-operation include:

- **Energy efficiency**

The IEA has a long history of collaboration with Indonesia's Ministry of Energy and Mineral Resources (MEMR) on energy efficiency, providing hands-on capacity building and policy advice regarding efficiency policy for key energy end-use sectors. Indonesia is one of six focus countries for the IEA's Energy Efficiency in Emerging Economies (E4) programme, which aims to support emerging economies in their efforts to scale up and capture the benefits of energy efficiency. The MEMR has approved a specific workplan for Indonesia to 2020. Under this workplan, the IEA and MEMR hosted the 2<sup>nd</sup> Energy Efficiency Training Week for Southeast Asia in Jakarta in July 2018; one of the largest capacity building events undertaken by the IEA outside of Paris. In parallel to capacity building activities, the E4 programme provides technical assistance to MEMR, with a focus on industrial energy efficiency, and it has supported the development of building energy codes as well as appliance and lighting standards.

- **Renewable energy and power**

The IEA has developed an ongoing package of joint work with MEMR on renewable energy and power sector issues under the CETP, which will be rolled out until 2020. This package of work has three main components:

- Promoting clean energy investment. Demand-driven advice and guidance to energy policymakers on issues including best practice investment frameworks and policy, power sector financial sustainability, as well as mechanisms to control investor risk and enhance project bankability.
- Renewables scale-up. Analysis of ways that Indonesia can reduce the cost of renewables, in line with international benchmarks, and the development of strategies for effectively integrating small shares of renewables at least-cost into power systems.
- Power market reform and integrated planning. Technical assistance to MEMR on ways to enhance the functioning of Indonesia's single-buyer power system and identify immediate priorities for power market reform, including the provision of good practices for integrated electricity planning processes.

### ● Data and statistics

High-quality data is the basis of effective energy policy. As such, the IEA's Energy Data Centre has a long history of collaboration with Indonesia in this area. This has accelerated under the CETP, and targets the enhancement of data on both the supply and the demand side. On the supply side, this involves enhancing the quality of production and looking at the use and trade of key fuels, while on the demand side it involves better mapping of energy consumption across the range of energy end uses. The ultimate aim is to increase the ability of Indonesian agencies to establish a working energy balance. Cross-ministerial collaboration is critical, and, via regular workshops, the IEA has continued to play an important role in bringing together various stakeholders together to tackle joint data challenges.

### ● Electric vehicles

Collaboration on electric vehicles is a new area of engagement between Indonesia and the IEA under the CETP, with Indonesia seeking to enhance electric vehicle scale-up and penetration. The IEA is in the process of establishing a partnership with MEMR to make Bali an 'electric-vehicle-friendly island,' providing guidance on infrastructure needs, power system implications and local manufacturing opportunities, with the intention for this to ultimately be eligible for large-scale funding from the Global Environment Facility.

### ● Other activities

The IEA maintains a number of other areas of partnership with Indonesia, of which perhaps the most dominant is in the area of energy security. The IEA provides guidance to Indonesian policymakers on the development of policies related to oil stockpiling and emergency response, and, in addition to participation in the IEA's Emergency Response Exercises, Indonesian officials have recently undertaken study visits to IEA member countries to observe their approaches to oil security. Indonesia conducted an Emergency Response Assessment in 2014, and presented a mid-term review of this in Paris in September 2017. Recently Indonesia has also participated in the IEA's exercise in capitals, and it has established (and tested) an emergency hotline for communications relating to energy security.

[www.iea.org](http://www.iea.org)

[www.iea.org/cetp](http://www.iea.org/cetp)

[www.iea.org/topics/energyefficiency/e4/](http://www.iea.org/topics/energyefficiency/e4/)



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# Annexes

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**The OECD is an intergovernmental organisation created to promote policies that will improve the economic and social well-being of people all over the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems. Governments of Member and Partner countries work with the Organisation to understand the key drivers of economic, social and environmental change. The OECD measures productivity and global flows of trade and investment, it analyses and compares data to predict future trends, and it sets international standards on a wide range of issues.**

## GLOBAL RELATIONS

Through its relationship building over the last 50 years, the OECD has transformed itself into a global organisation, with 36 Members from America, Europe, Asia, and Oceania, including developed and developing countries. Since 2007, the OECD has identified Brazil, China, India, Indonesia and South Africa as “Key Partners” and has been co-operating substantially with these countries. Colombia and Costa Rica are in the accession process towards OECD membership.

The OECD’s global relations also cover regions of strategic importance including South-East Asia, South-East Europe, Eurasia, the Middle East and North Africa, as well as Latin America and the Caribbean. The OECD also hosts the secretariats of several international programmes such as the Financial Action Task Force on Money Laundering.

## FAST FACTS

**History:** established in 1961

**Headquarters:** Paris, France

**Membership:** 36 countries

**Key Partners:** 5 countries (Brazil, China, India, Indonesia, South Africa)

**Accession:** 2 countries (Colombia, Costa Rica)

**Country Programmes:** 4 countries (Kazakhstan, Morocco, Peru, Thailand)

**Regional Programmes:** 5

**Secretary-General:** Angel Gurría

**Publications:** 250 new titles/year

**Committees:** Almost 300 Committees, Working Groups and Task Forces



Château de la Muette,  
OECD Headquarters.

## GOVERNANCE STRUCTURE

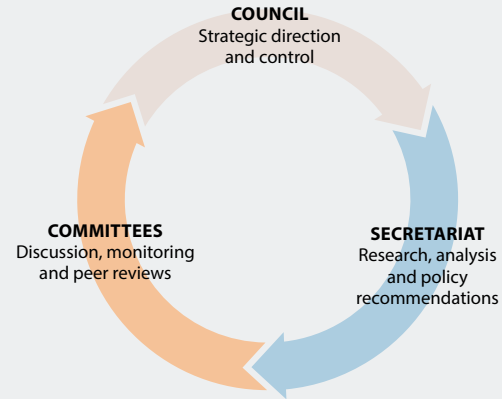
The OECD is structured around the Council, Committees and the Secretariat:

- Decision-making power is vested in the OECD Council. Overseeing the Organisation's functioning and giving strategic direction, it is made up of one representative per member country plus a representative of the European Commission and they take decisions by consensus.
- At the Committee level, representatives of member countries and countries with Observer status from the permanent delegations to the OECD or their capitals participate in meetings, to request, review and contribute to work undertaken by the Secretariat. Terms for partner participation in committees are discussed on page 63.
- The Secretariat collects data, conducts research and analyses and produces policy proposals. The Secretary-General heads the Secretariat and is assisted by one or more Deputy Secretaries-General. The Secretary-General also chairs the Council, providing the link between national delegations and the Secretariat.

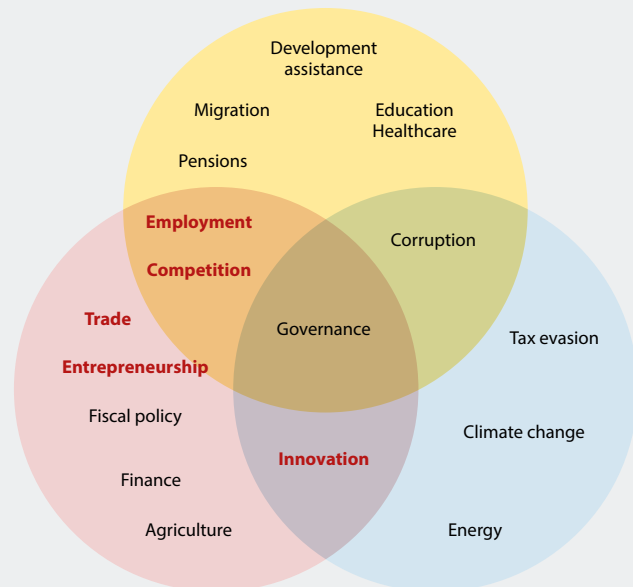
## WORKING METHODS

Through the OECD, governments work together with a multidisciplinary approach to develop evidence-based policy guidance, increasingly involving different stakeholders including parliaments, business communities and civil society. On the basis of comparable statistics collected across member and partner governments, the OECD Secretariat analyses countries' policy experiences and identifies good practices, to inform policy making in participating countries and beyond. "Peer reviews", based on dialogue and consensus-building, allow for an effective monitoring of reform progress in a broad range of policy areas. Identified good practices and policy recommendations contribute to designing new international standards in the form of "instruments" as described on page 62

### Governance structure of the OECD



### The OECD works in a broad range of policy areas



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# Annexes

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## OECD LEGAL INSTRUMENTS

The OECD has developed a wide range of legal instruments based on the substantive work carried out in the Organisation's Committees, many of which have become global standards. They are based on in-depth analysis and reporting undertaken within the Secretariat and cover a wide range of topics. The OECD Acts (i.e. legal instruments adopted by the OECD Council) are as follows:

- **Decisions** are legally binding on all Adherents. While they are not international treaties, they do entail the same kind of legal obligations as those subscribed to under international treaties. Adherents have to implement Decisions and take the measures necessary for such implementation.
- **Recommendations** are not legally binding but practice accords them great moral force as representing the political will of Adherents, and there is an expectation that Adherents will do their utmost to implement them.

Other legal instruments are also developed within the framework of the Organisation:

- **Declarations** are solemn texts setting out relatively precise policy commitments which are subscribed to by Adherents.
- **Arrangements and Understandings** are not legally binding instruments negotiated and adopted in the framework of the Organisation by some Members and/or non-Members.
- **International Agreements** may be concluded in the framework of the Organisation and are legally binding on the Parties, which may include Members and non-Members.

Bringing Indonesia and other partner countries closer to OECD instruments is an important priority for the Organisation. A concerted effort is being made to further integrate the perspectives of Indonesia and other partner countries in the OECD's standard-setting activities. In particular, the participation of Indonesia and other Key Partner countries in developing new instruments and revising existing ones is crucial to ensure their global relevance.

## INDONESIA CURRENTLY ADHERES TO THE FOLLOWING 12 OECD LEGAL INSTRUMENTS:

### Aid effectiveness:

- Paris Declaration on Aid Effectiveness

### Agriculture:

- Declaration on Better Policies to Achieve a Productive, Sustainable and Resilient Global Food System

### Corporate governance:

- Recommendation of the Council on Principles of Corporate Governance

### Digital economy:

- Declaration on the Digital Economy: Innovation, Growth and Social Prosperity (Cancun Declaration)
- Declaration on Science, Technology, and Innovation Policies for the Global and Digital Age (Daejeon Declaration)
- Declaration for the Future of the Internet Economy (Seoul Declaration)

### Small and medium-sized enterprises:

- Bologna Charter on SME Policies
- Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs

### Taxation:

- Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS
- Convention on Mutual Administrative Assistance in Tax Matters, as amended by the 2010 Protocol
- Declaration on Automatic Exchange of Information in Tax Matters
- Declaration on Base Erosion and Profit Shifting (BEPS)

### Small and medium-sized enterprises:

- Bologna Charter on SME Policies
- Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs



## OECD BODIES

Non-Members can participate in OECD Committees as:

- **Members/Associates** participate in a Committee, a project or the development or revision of a legal instrument usually for an open ended period with the same rights and obligations as OECD Members, with the exception of discussions related to the accession of new Members to the Organisation, adherence of a non-Member to a legal instrument to which the Associate itself has not adhered or any other activities specified in the invitation.
- **Participants** participate in OECD Bodies except in discussions marked as confidential, usually for an open-ended period.

## INDONESIA CURRENTLY PARTICIPATES IN SIX OECD BODIES

**With Associate or member (full right) status:**

- Project on Base Erosion and Profit Shifting (BEPS)
- International Energy Agency (Association Countries)
- Board of Participating Countries on the Programme for International Assessment of Adult Competencies (PIAAC)
- Investment Committee: Freedom of Investment Roundtable
- Global Forum on Transparency and Exchange of Information for Tax Purposes
- Governing Board of the Development Centre

**With Participant (attending non-confidential sessions only) status:**

- Committee on Fiscal Affairs (all bodies)
- Competition Committee
- Programme for International Student Assessment (PISA) Governing Board

## IT ALSO PARTICIPATES IN A NUMBER OF OECD NETWORKS, INCLUDING:

- OECD-Asia Roundtable on Corporate Governance
- OECD-Asia Regional Seminars on Enhancing Transparency and Monitoring of Insurance Markets

- ADB/OECD Anti-Corruption Initiative for Asia and the Pacific
- Network of Senior Budget Officials for Asia
- OECD-ADBI Roundtable on Labour Migration in Asia
- OECD Employment and Skills Strategies in Southeast Asia (ESSA)
- OECD Development Centre-AMRO Joint Asian Regional Roundtable
- APEC-OECD Co-operative Initiative on Regulatory Reform
- ASEAN-OECD Investment Programme
- OECD-Asian Senior Budget Officials network
- OECD/ADBI Roundtable on Capital Market Reform in Asia
- OECD-Korea Policy Centre, Competition Programme

## INDONESIA IS WELL-INTEGRATED INTO OECD DATABASES AND DIALOGUE CHANNELS:

Policy dialogue between Indonesia and the OECD also takes care to incorporate the perspective of the private sector. The Confederation of Indonesia Prosperity Trade Unions (KSBSI) works with the Trade Union Advisory Committee to the OECD (TUAC) to ensure that the interests of Indonesian workers are represented in policy discussions. The Indonesian Chamber of Commerce and Industry (Kamar Dagang Dan Industri Kadin Indonesia) also brings its perspective as a member of the Business and Industry Advisory Committee to the OECD (BIAC).

Indonesia is also well-integrated into OECD statistical databases, covering a broad range of topics such as trade, FDI, education and industry. The Organisation has also created a country statistical profile for Indonesia, which provides a snapshot of data selected from more than 40 (OECD and non-OECD) statistical databases. This profile builds on data collected via secondary sources for the *OECD Factbook*.

# Annexes



The OECD welcomes further Indonesian participation in our bodies, instruments and reviews. Terima kasih atas waktu dan perhatian anda!

For news and information about OECD work with Indonesia: [www.oecd.org/indonesia](http://www.oecd.org/indonesia)



For more information about the OECD's work with Southeast Asia: [www.oecd.org/southeast-asia](http://www.oecd.org/southeast-asia)

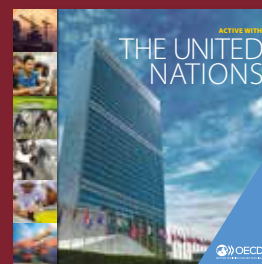
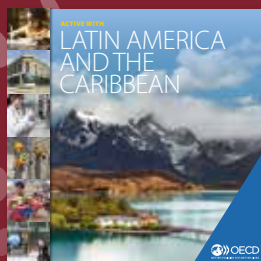


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# The OECD: A Global Policy Network



**The Organisation for Economic Co-operation and Development (OECD)** is an international organisation helping governments tackle the economic, social and governance challenges of a globalised economy. It provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD Member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America.



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