



INDONESIA: INSIGHTS & IMPLICATIONS

TI AUSTRALIA BUSINESS BREAKFAST – March 2017

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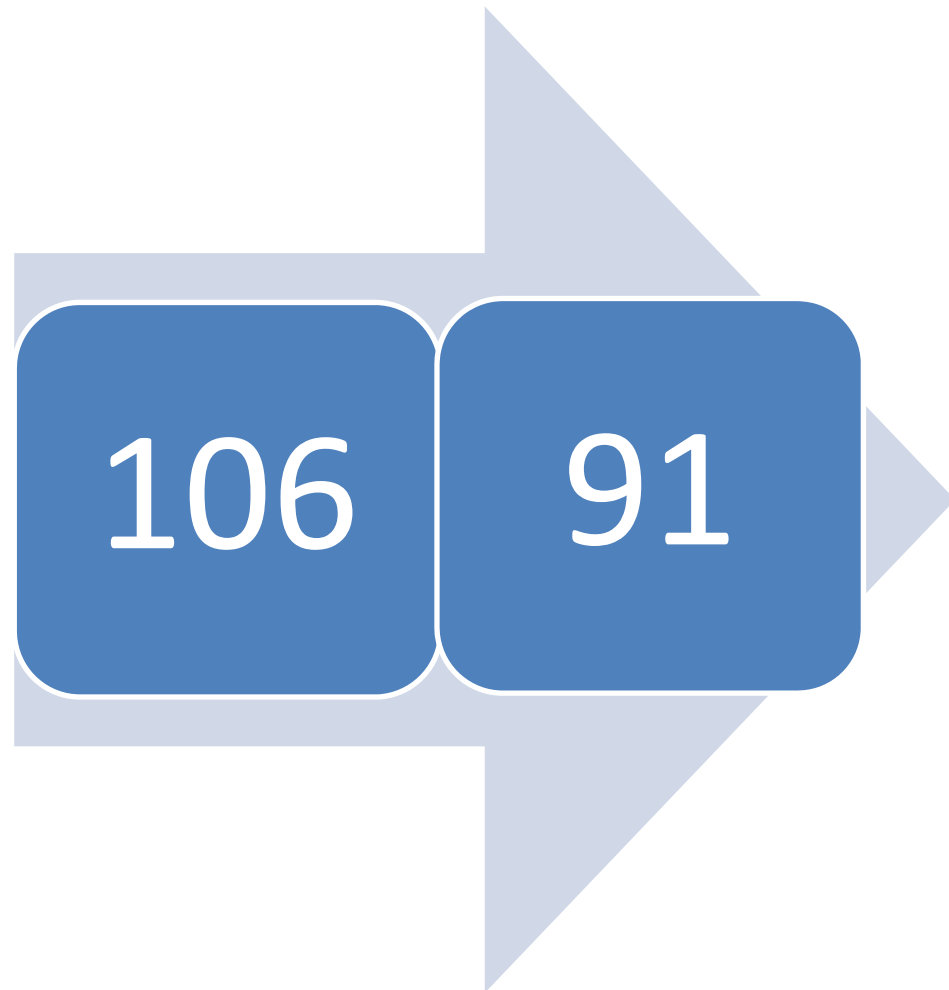
EASE OF DOING BUSINESS 2017

Top Reformer – the biggest leap in one year in the history of the EODB!

Improvements made in starting a business, getting electricity, registering property, getting credit, paying taxes, trading across borders and enforcing contracts.

TF for Economic policy package volumes I-XIII:

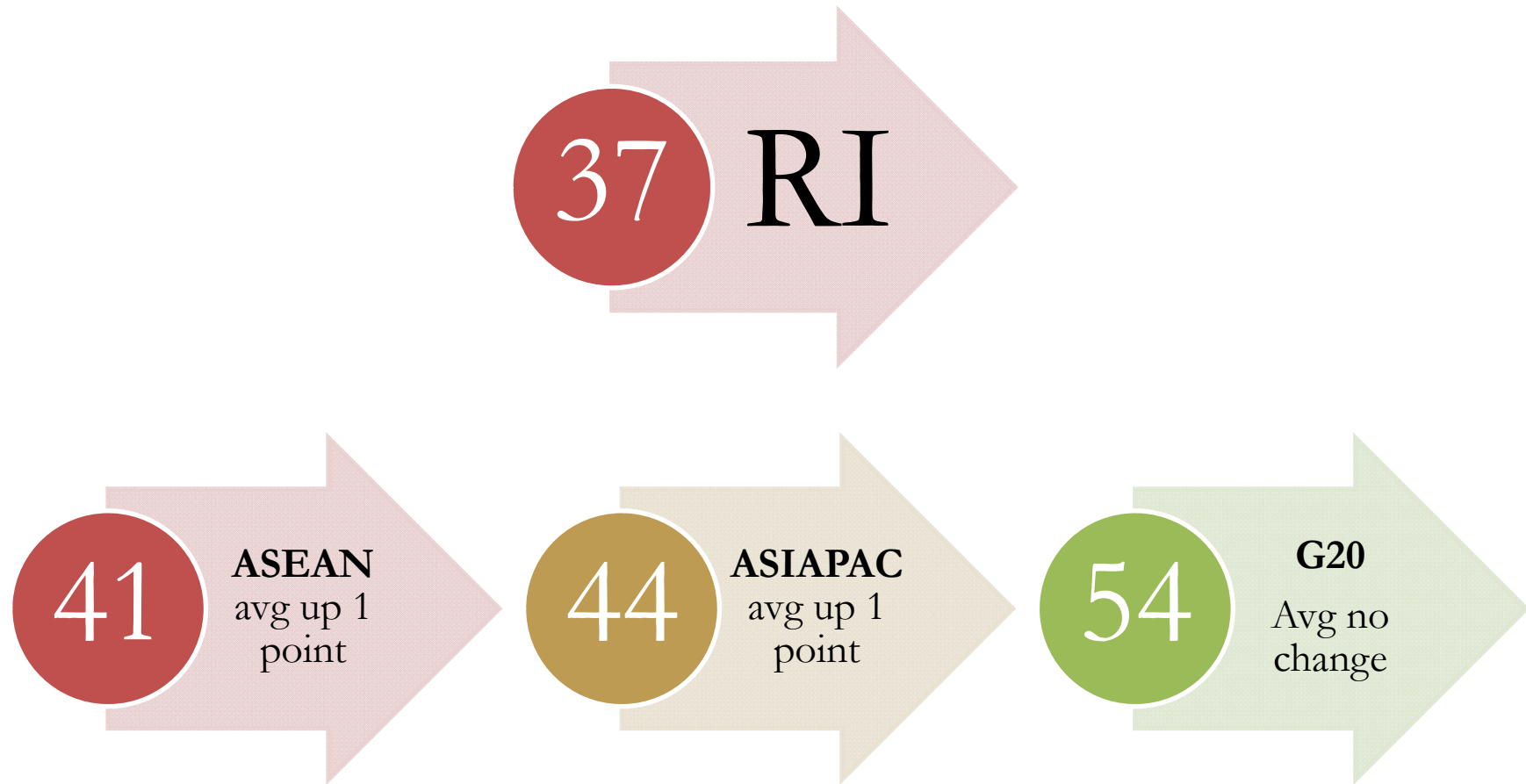
- deregulate and debureaucratize by simplifying procedures,
- Cutting service time licensing and cost reduction
- One – Door Integrated Service (PTSP) and licensing services through electronic systems (online)
- Law enforcement
- Business certainty



CORRUPTION PERCEPTION INDEX

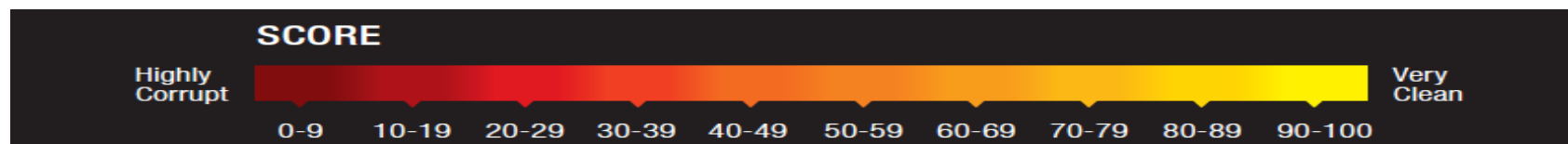


INDONESIA IN THE REGION

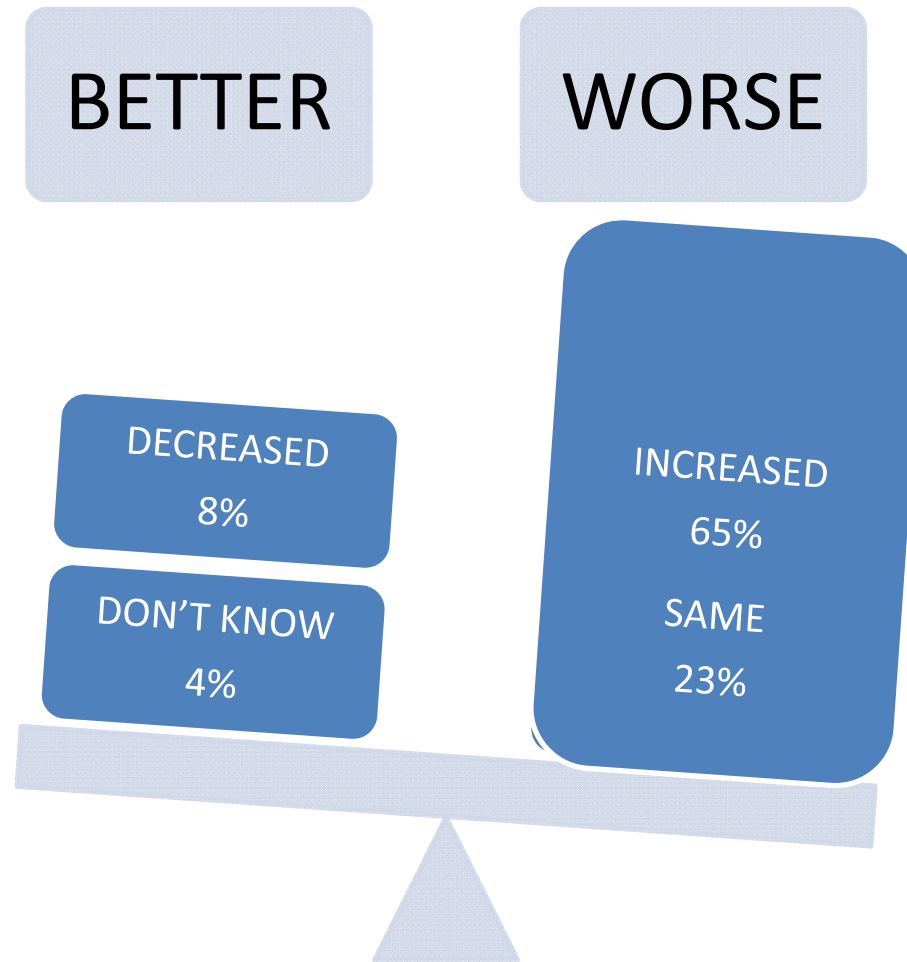


INDONESIA IN THE REGION 2015-2016

REGIONAL RANKING	GLOBAL RANKING	COUNTRY	SCORE
2 - 2	8 - 7	Singapore	85 - 84
9 - 10	54 - 55	Malaysia	50 - 49
11 - 18	76 - 101	Thailand	38 - 35
15 - 15	88 - 90	Indonesia	36 - 37
16 - 18	95 - 101	Philippines	35 - 35
17 - 21	112 - 113	Vietnam	31 - 33
24 - 25	147 - 136	Myanmar	22 - 28



INDONESIANS BELIEVE CORRUPTION HAS WORSENERD



THUMBS UP TO THE GOVT !



64%

33%



PRESIDENT'S PRIORITIES



2015

- **CONSOLIDATION**
- Fundamental change
- From consumption to production
- Poverty alleviation thru targeted subsidies
- Even economic growth outside Java



2016

- **ACCELERATION**
- Infrastructure development
- Human development
- Economic deregulation



2017

- **EQUITY**
- Narrowing the gap (income, regional)
- Infrastructure development
- Regional connectivity
- Funding for rural development

POVERTY & INEQUITY

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Relative Poverty (% of population)	16.6	15.4	14.2	13.3	12.5	11.7	11.5	11.0	11.1	10.9 ¹
Absolute Poverty (in millions)	37	35	33	31	30	29	29	28	29	28 ¹
Gini Coefficient/ Gini Ratio	0.35	0.35	0.37	0.38	0.41	0.41	0.41	0.41	0.41	0.40

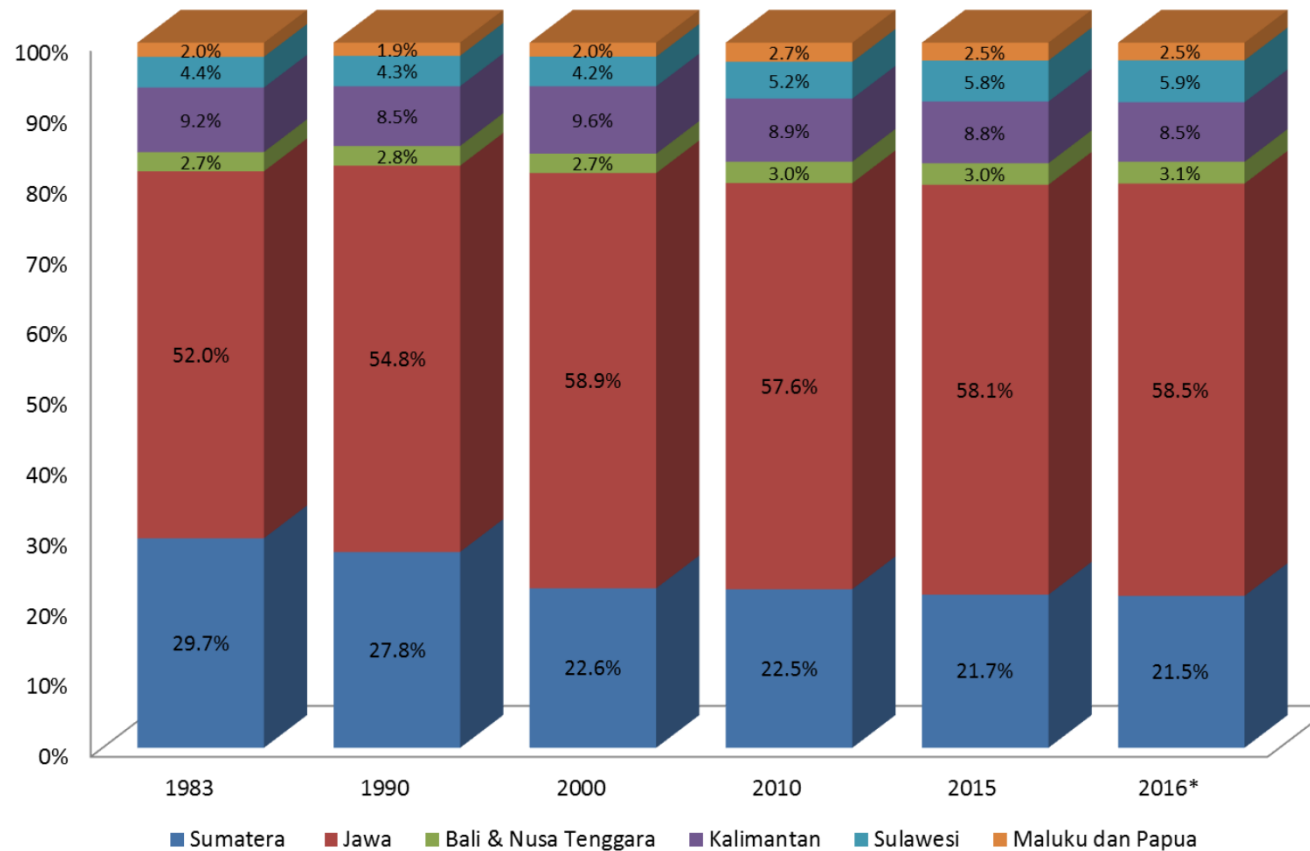
¹ March 2016

Sources: Statistics Indonesia (BPS) and World Bank as quoted by BKPM

Note: in 2016 the Indonesian government defined the poverty line at **a monthly per capita income of IDR 354,386 (approx. USD \$26.6)**

Java-centric development

Perkembangan Kontribusi Masing-masing Pulau terhadap PDB Nasional



STRATEGY FORWARD

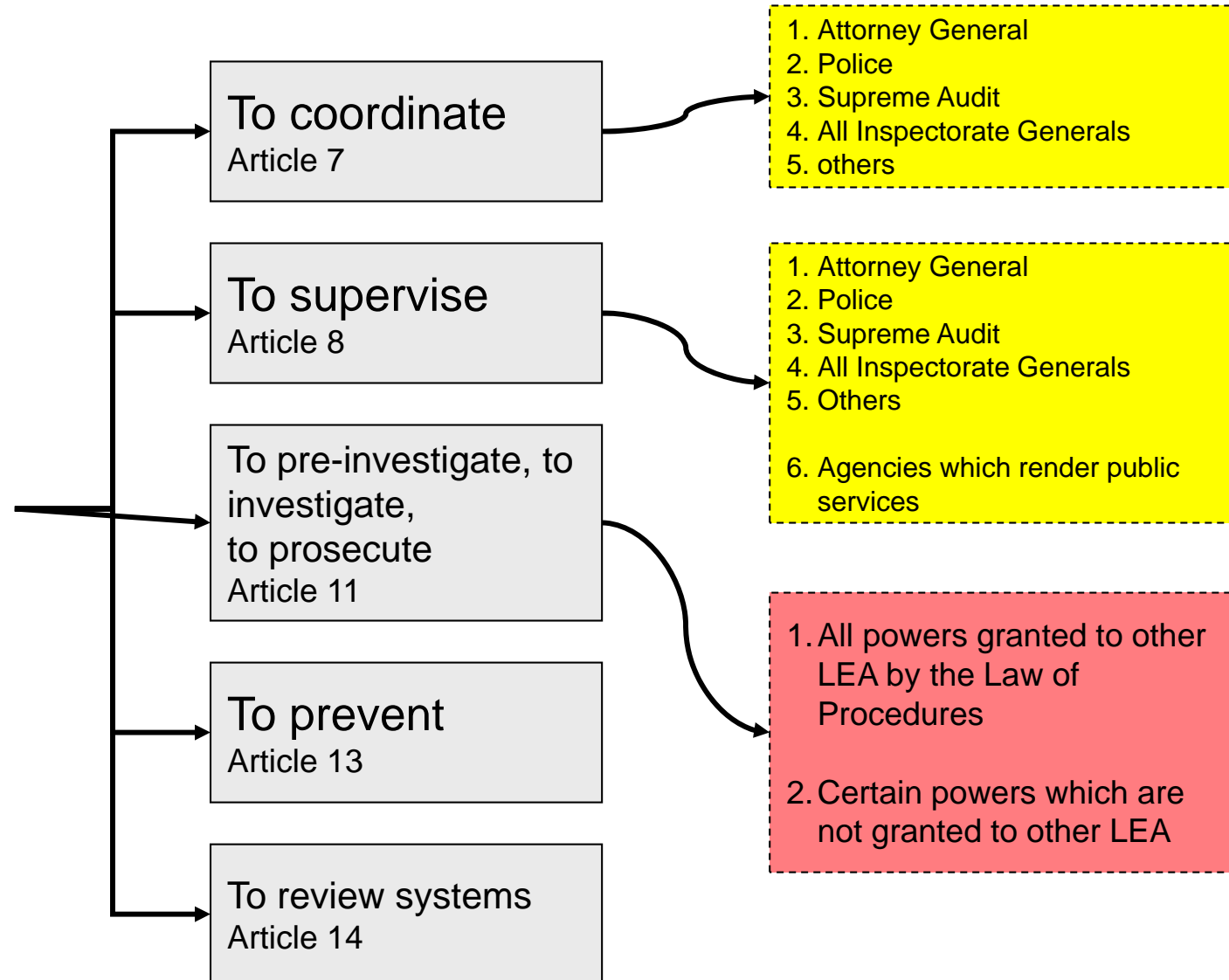
- 31 action steps focused on mitigating corruption in priority sectors
 1. State revenues (limit use of cash, tax reform, integrated financial data..)
 2. Infrastructure (better land management & spatial planning)
 - 3. Private sector** (ISO 37001 certification, whistleblowers protection)
 4. Trade policy (better export/import mgmt particularly for key commodities)
 5. SOEs (creating a holding company)
 6. Public procurement (better transparency & accountability, one stop service for investments at local & national level)
 7. Extractive/natural resource industry (EITI, revenue transparency)
- Enabling environment: political system, law enforcement, bureaucracy reform

More strategic; incremental & piloting; top down; external supervision by CSOs/academia

KPK'S MANDATE

Mandates

Article 6
Law No.30/2002



CASES HANDLED BY KPK

	2009	2010	2011	2012	2013	2014	2015	2016	TOT 2004- 2016
Pre- investigation	67	54	78	77	81	80	87	96	848
Investigation	37	40	39	48	70	56	57	99	567
Prosecution	32	32	40	36	41	50	62	76	465
Final & binding judgment	39	34	34	28	40	40	37	70	390
Execution	37	36	34	32	44	48	38	81	414

CORRUPTION INVESTIGATIONS BY TYPE

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	TOTAL
Goods/services procurement	2	12	8	14	18	16	16	10	8	9	15	14	14	156
Licensing	0	0	5	1	3	1	0	0	0	3	5	1	1	20
Bribery	0	7	2	4	13	12	19	25	34	50	20	38	79	303
Illegal fees	0	0	7	2	3	0	0	0	0	1	6	1	1	21
Budget fraud	0	0	5	3	10	8	5	4	3	0	4	2	1	45
Money laundering	0	0	0	0	0	0	0	0	2	7	5	1	3	17
Hindering KPK process	0	0	0	0	0	0	0	0	2	0	3	0	0	5
TOTAL	2	19	27	24	47	37	40	39	48	70	58	57	99	567

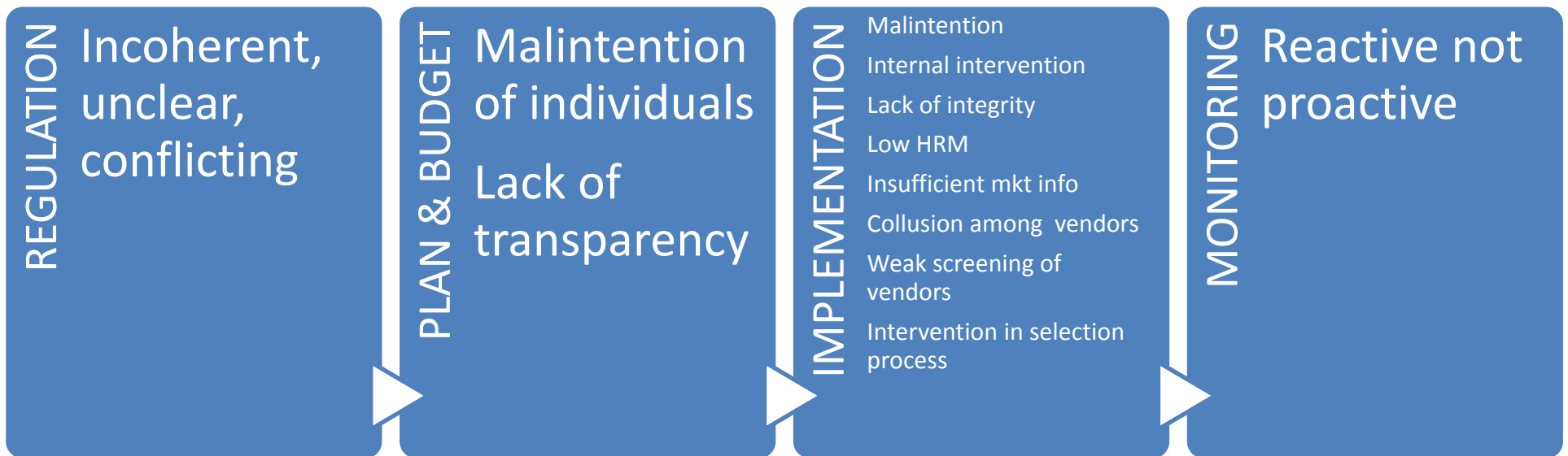
Source: KPK

... ACC TO POSITION

POSITION	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	TOT
Legislator & Councilor	0	0	0	2	7	8	27	5	16	8	9	19	23	124
Head of govt institution/ministry	0	1	1	0	1	1	2	0	1	4	9	3	2	25
Ambassador	0	0	0	2	1	0	1	0	0	0	0	0	0	4
Commissioner	0	3	2	1	1	0	0	0	0	0	0	0	0	7
Governor	1	0	2	1	1	2	1	0	0	2	3	3	1	17
Mayor/Regeng & Deputy regent	0	0	3	6	6	5	4	3	3	3	12	4	9	58
Echelon I / II / III	2	9	15	10	22	14	12	15	8	7	2	7	10	133
Judge	0	0	0	0	0	0	1	2	2	3	2	3	1	14
Private sector	1	4	5	3	12	11	8	10	16	24	16	18	28	156
Others	0	6	1	2	4	4	9	3	3	8	8	5	25	78
TOTAL	4	23	29	27	55	45	65	38	49	59	61	62	99	616

WEAKNESSES IN PROCUREMENT PROCESS

156/567 related to procurement



WEAKNESSES IN PROCUREMENT PROCESS




IMPLEMENTATION

- Malintention
- Internal intervention
- Lack of integrity
- Low HRM
- Insufficient mkt info
- Collusion among vendors
- Weak screening of vendors
- Intervention in selection process

Regulation 13/2016 on Procedures for Handling of Corporate Crime Cases (“Regulation 13/2016”)

- Very few corporate prosecutions because the Anti-Corruption Law (Law [No. 31 of 1999](#) on the Eradication of Corruption and its amendment, Law [No. 20 of 2001](#)) does not clearly regulate procedures for the handling of corruption cases involving corporations
- Reluctance due to difficulties in proving that given corporations are engaged in corrupt practices, as well as the problems involved in ascertaining whether a given member of a corporate-management structure has acted solely on his/her own behalf or on behalf of his/her employer → ties the act committed by the management to the corporation. If a person in the management ceases to hold the same position or passes away after committing the crime, the corporation is not released from its liability.

- 
- provides guidance to the KPK on investigating and prosecuting corporations for the corrupt activity of persons they employ or have a relationship with → corporations not above the law, protection from business misconduct
 - Guides enforcement agencies in investigating and prosecuting corporate crimes.
 - Some of the issues covered:
 - the right of victims (e.g. victims of an environmental crime) to seek compensation or other remedies from the company;
 - seizure and sale of assets that were used to perform a criminal act and/or that were obtained as a result of a criminal act to recover state losses

➤ **An effort to bring Indonesian rules closer in line with corporate liability regimes such as the UK Bribery Act.**

CONCLUSION

- Positive trajectory – time to realise our potential!
- Know the Laws and Regulations, particularly when they are often inconsistent and enforcement is unpredictable
- Ensure you have the appropriate internal policies and procedures in place to prevent the criminal acts committed on their behalf (eg bribery)
- Invest time & patience for careful due diligence of partners and establish trust



THANK YOU !