

# OECD ECONOMIC SURVEYS

## INDONESIA

ISSN 0376-6438, e-ISSN 1609-7513

October 2016

[Consulta en línea desde MEYSS](#)

<b>Basic statistics of Indonesia, 2015</b> .....	8
<b>Abbreviations</b> .....	9
<b>Executive summary</b> .....	11
The policy framework has been improving rapidly .....	12
Boosting the efficiency of public spending would free up resources for more productive uses .....	12
The performance of sub-national governments could be improved .....	12
<b>Assessment and recommendations</b> .....	15
Recent macroeconomic outcomes and short-term prospects .....	16
Equality and inclusiveness .....	25
Advancing industrialisation by getting the fundamentals right .....	26
Promoting regional development .....	38
Improving public spending .....	40
Ensuring food resilience .....	43
Deforestation and other environmental challenges .....	44
Bibliography .....	47
<b>Annex A.1. Progress in structural reform</b> .....	51
<b>Annex A.2. The ore export ban and mining sector divestment rules</b> .....	54

### Thematic chapters

<b>Chapter 1. Decentralisation to promote regional development</b> .....	59
Progress in regional development has been mixed .....	62
Regional infrastructure .....	68
Existing government programmes for regional development .....	70
Regional administrative fragmentation continues apace .....	73
Some fiscal aspects of decentralisation could be improved .....	77
Strengthening revenue raising in the regions .....	81
Measures to improve the provision of infrastructure in the regions .....	84
Imprecise division of responsibilities across levels of government .....	85
A complicated regulatory environment for business .....	85
Recommendations to refine decentralisation and boost regional development .....	87
Bibliography .....	88

<b>Chapter 2. Improving the allocation and efficiency of public spending</b> .....	93
Introduction .....	94
Government's role in development: huge improvements, but important gaps remain .....	95
Raising revenues will take time .....	98
Government public finance .....	100
Enhancing the decentralisation approach .....	106
Improving public procurement .....	110
Streamlining subsidies .....	111
Filling infrastructure gaps in a tight budgetary context .....	114
Strengthening the education system .....	117
Expanding health care .....	122
Managing risks underlying the pension system .....	126
Optimising the social safety net .....	126
<i>Recommendations to improve the efficiency and allocation of public spending</i> .....	128
Bibliography .....	130
<b>Boxes</b>	
1.1. Formula for the distribution of the General Allocation Fund (DAU) .....	79
1.2. The principles of optimal regional taxation .....	83
2.1. Switzerland's fiscal framework .....	102
2.2. The local government performance index .....	105
<b>Tables</b>	
1. Selected indicators for Indonesia .....	17
2. OECD economic projections for Indonesia .....	20
3. Possible extreme shocks to the Indonesian economy .....	21
4. Economic reform packages, September 2015 to August 2016 .....	29
5. Ease of Doing Business rank and subcomponents for selected countries, 2016 .....	30
1.1. The levels of government in Indonesia, as of end-2015 .....	60
2.1. Breakdown of central government transfers to subnational governments by type .....	107
<b>Figures</b>	
1. Components of GDP growth .....	18
2. Current account balance .....	18
3. Prices of selected commodities .....	18
4. The market exchange rate and the real effective exchange rate .....	19
5. The components of CPI inflation and the inflation target .....	19
6. Official and long-term interest rates, nominal and real .....	20
7. Central government revenue, expenditure and balance .....	22
8. Government debt, servicing costs and implicit interest rates .....	23
9. Change in government spending .....	23
10. Difference between projected and realised government revenues .....	24
11. Indonesia's services trade restrictiveness, 2015 .....	28
12. Indonesia's global competitiveness rankings, aggregate and subcomponents, 2016 .....	28

13. Ease of Doing Business subcomponents and the cost of registering a property .....	30
14. Index of comparative quality of infrastructure, selected countries, 2016 .....	31
15. Indonesia's energy mix .....	32
16. FDI net inflows in selected countries, 2000-15 .....	33
17. FDI restrictiveness for selected countries, 2015 .....	34
18. The most problematic factors in doing business in Indonesia, 2016 .....	35
19. Indonesia's progress in public governance, 1996-2015 .....	36
20. Labour market rigidities in selected countries .....	37
21. Per capita GDP across Indonesia's provinces, 2015 .....	38
22. Public employment across Indonesia's provinces, 2014 .....	40
23. Prevalence of stunting in children under five years and GDP per capita, 2013 .....	42
24. Indonesian and international rice price .....	44
25. Environmental indicators .....	45
26. Indonesia's share and growth in world fisheries .....	46
1.1. Per capita GDP of regions in selected countries, 2013 .....	63
1.2. Poverty severity and convergence in poverty across Indonesian provinces ...	64
1.3. Provincial health care indicators, 2014 .....	65
1.4. Treatment success rate of pulmonary tuberculosis, 2014 .....	65
1.5. Variation in household access to safe water, 2013 .....	66
1.6. Rural-urban student performance differentials, selected countries .....	67
1.7. Variation in expenditure on education across and within provinces, 2012 ...	68
1.8. Variation in household access to electricity across and within provinces, 2013 .....	69
1.9. Road disrepair and road density by province .....	69
1.10. Minimum wages and nominal wage growth across provinces, 2015 .....	72
1.11. Number of sub-national administrative units in Indonesia since 1955 .....	74
1.12. Number of public servants by province, 2014 .....	75
1.13. Village population size, 2010 .....	76
1.14. Revenue and expenditure shares by level of government, 2015 .....	77
1.15. Sub-national government revenues by source, 2015 .....	78
1.16. Sub-national own-revenue as a share of total government revenue, 2014 ...	82
1.17. Sub-national government own-source revenues (PAD), 2009 to 2015 .....	82
1.18. Variation in the cost of a construction permit across major Indonesian cities, 2012 .....	86
2.1. General government spending and real GDP, 2014 or nearest year .....	94
2.2. Government effectiveness in selected countries, 2015 .....	95
2.3. Electricity indicators in selected countries .....	96
2.4. Selected indicators on health and education for Indonesia over a long period .....	97
2.5. Education outcomes by international comparison .....	98
2.6. Child mortality rate and GDP per capita, 2013 .....	98
2.7. Tax effort versus GDP per capita, 2011 .....	99
2.8. Public debt in per cent of GDP in selected countries, 2014 .....	100
2.9. Rule of law in selected countries, 2015 .....	104
2.10. Statistical capacity in selected countries .....	105
2.11. Central government spending and transfers to the regions .....	106



2.12. Provincial spending breakdown and public employment density .....	108
2.13. Share of government subsidies in total expenditures .....	111
2.14. Breakdown of government subsidies .....	112
2.15. Infrastructure spending .....	114
2.16. Public-private partnership capital stock in selected countries, 2013 .....	115
2.17. Education spending over time .....	117
2.18. Education expenditures in selected countries, 2013 or nearest year .....	118
2.19. Spending by level of education in selected countries, 2013 or nearest year ...	119
2.20. Pupil-teacher ratios in selected countries .....	121
2.21. Maternal mortality ratio in selected countries, 2015 .....	123
2.22. Health spending in selected countries, 2014 .....	123
2.23. Health service indicators in selected countries, 2012 or nearest year .....	125
2.24. Poverty rate in selected countries, 2014 or nearest year .....	127
2.25. Public expenditures on social assistance in selected countries, 2012 or nearest year .....	127