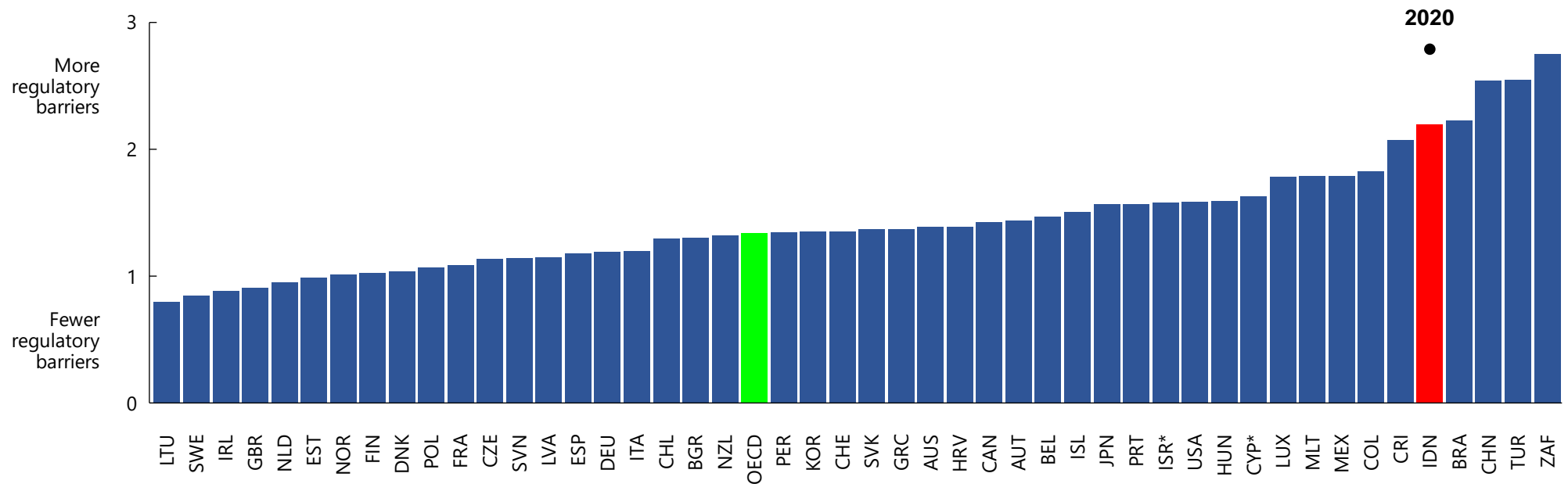


# OECD Product Market Regulation (PMR) indicators: How does Indonesia compare?+

Competitive product markets can boost productivity, employment, and living standards. The OECD Product Market Regulation (PMR) indicators assess the alignment of a country's regulatory framework with internationally accepted best practices. The economy-wide indicator measures the distortions to competition that can be induced by the barriers to entry and expansion faced by firms across the economy, as well as by the involvement of the state in the economy. In this indicator, Indonesia performs rather worse than the OECD average, but improvements have occurred since 2020.

**Figure 1: Overall economy-wide Product Market Regulation indicator<sup>#</sup>**



\*When the regulatory issues included in the PMR indicators are not set at the federal level, the information refers to Special Capital Region of Jakarta (DKI Jakarta).

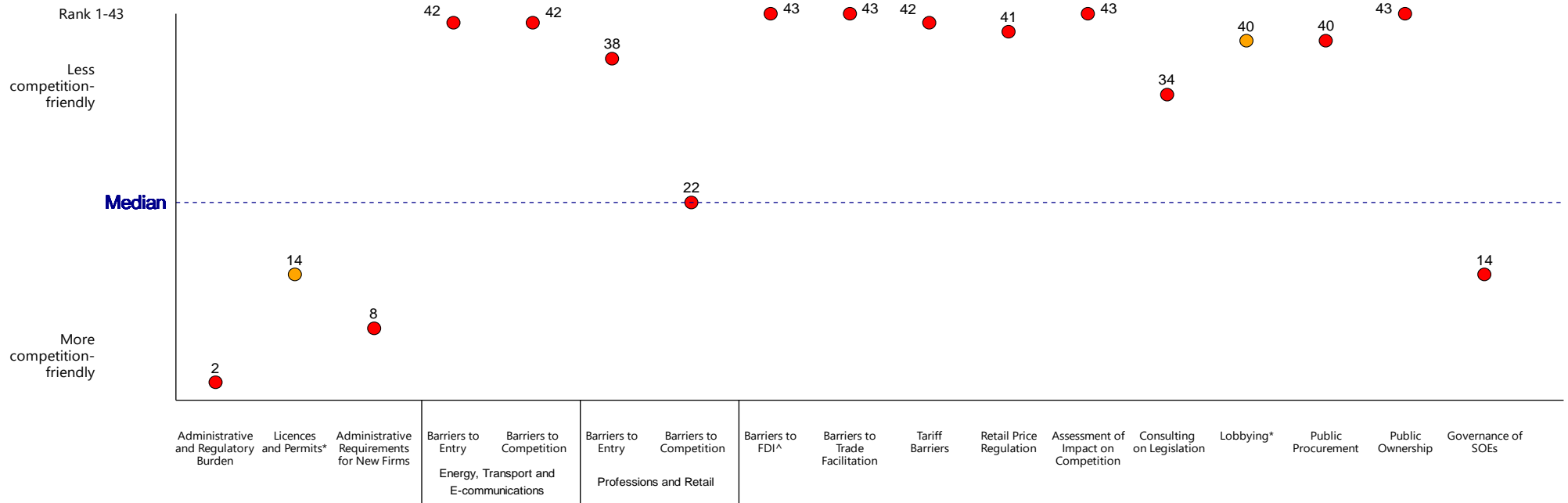
<sup>#</sup>The information used to build all the PMR indicators for this country refers to the laws and regulations into force on 1 January 2024. The data for some of the other countries refers to 1 January 2023.

\*Please see notes on Israel and Cyprus on page 7.

## ECONOMY-WIDE HIGHLIGHTS

Despite recent reforms, there is still significant potential to make Indonesia's regulatory framework more conducive to competition. Key areas for improvement include: removing barriers to entry and competition in the energy, transport, and e-communications sectors, easing retail price controls, and reducing tariff and non-tariff trade barriers, and barriers to foreign direct investment. Additionally, state ownership in the economy remains high, although the governance of state-owned enterprises is closely aligned with key OECD best practices aimed at ensuring a level playing field with private firms.

**Figure 2: Economy-wide Product Market Regulation indicators: Indonesia's ranking<sup>+</sup>**



<sup>+</sup>The ranking is across all OECD members and Brazil, Croatia, Bulgaria, Indonesia, and Peru.

\* Licences and Permits, Lobbying, and Public Ownership are not indicators, but components of other indicators. Please refer to the table of correspondence on page 7.

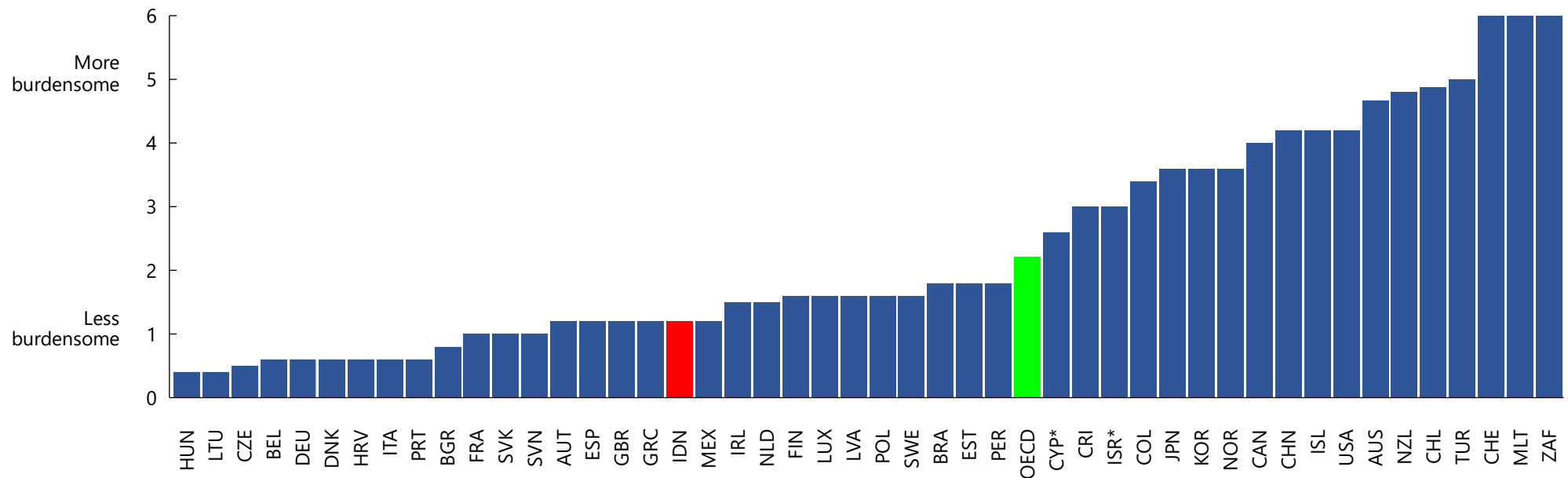
<sup>^</sup>The values for the low-level indicator on Barriers to FDI are derived from the OECD FDI Restrictiveness indexes, whose values are still preliminary and may be subject to small changes.

Note: The names of the low-level indicators have been simplified for presentational purposes. Please refer to the table of correspondence on page 7.

## ECONOMY-WIDE HIGHLIGHTS: OBTAINING LICENCES AND PERMITS

Obtaining licences and permits can be cumbersome for businesses. This burden can be reduced when countries keep an inventory of all applicable licences and permits and regularly review it to remove those that are no longer necessary, adopt the 'silence is consent' principle, and match the length and complexity of the licensing process with the risks inherent in the licensed activities. Indonesia has adopted most, yet not all, of these best practices.

**Figure 3: Licences and Permits<sup>+</sup>**

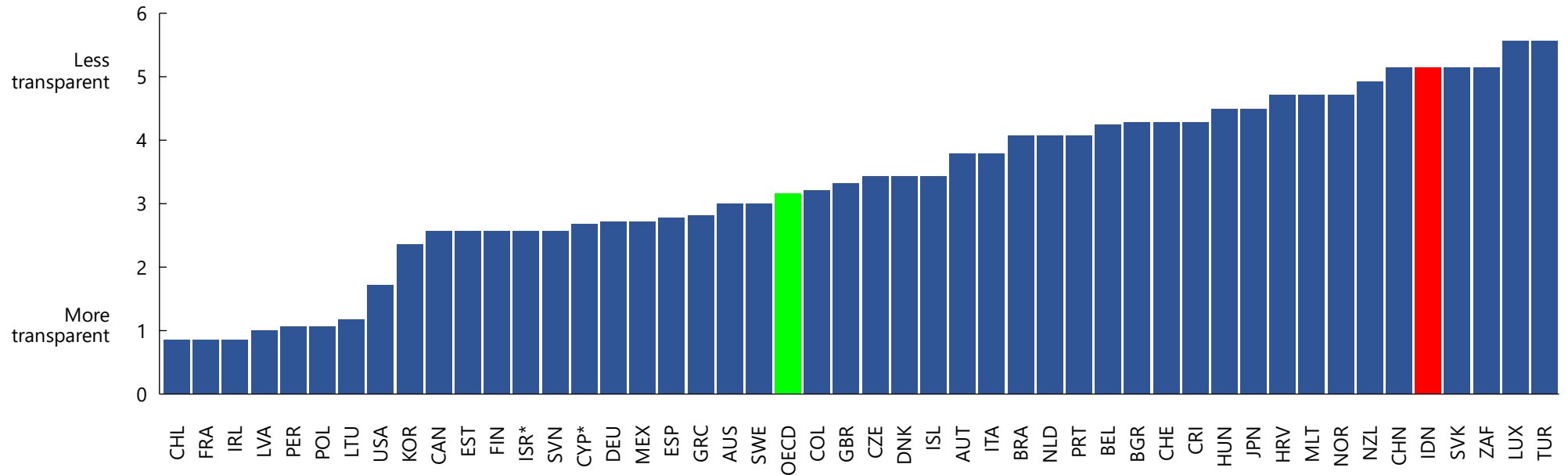


<sup>+</sup> The information scored here is included in the PMR low-level indicator Administrative and Regulatory Burden.

## ECONOMY-WIDE HIGHLIGHTS: REGULATION OF LOBBYING ACTIVITIES

Many countries still do not have adequate rules that ensure transparency and accountability in the interactions between public officials and interest groups. Indonesia does not impose any disclosure requirements on public officials involved in the regulatory process, or on lobbyists. In addition, while conflict of interest rules exist, there is no mandatory cooling-off period for elected officials and civil servants leaving office. This lack of regulation may favour the lobbying endeavours of larger incumbent firms, potentially leading to an unlevel playing field for younger and smaller firms.

**Figure 4: Lobbying<sup>#</sup>**

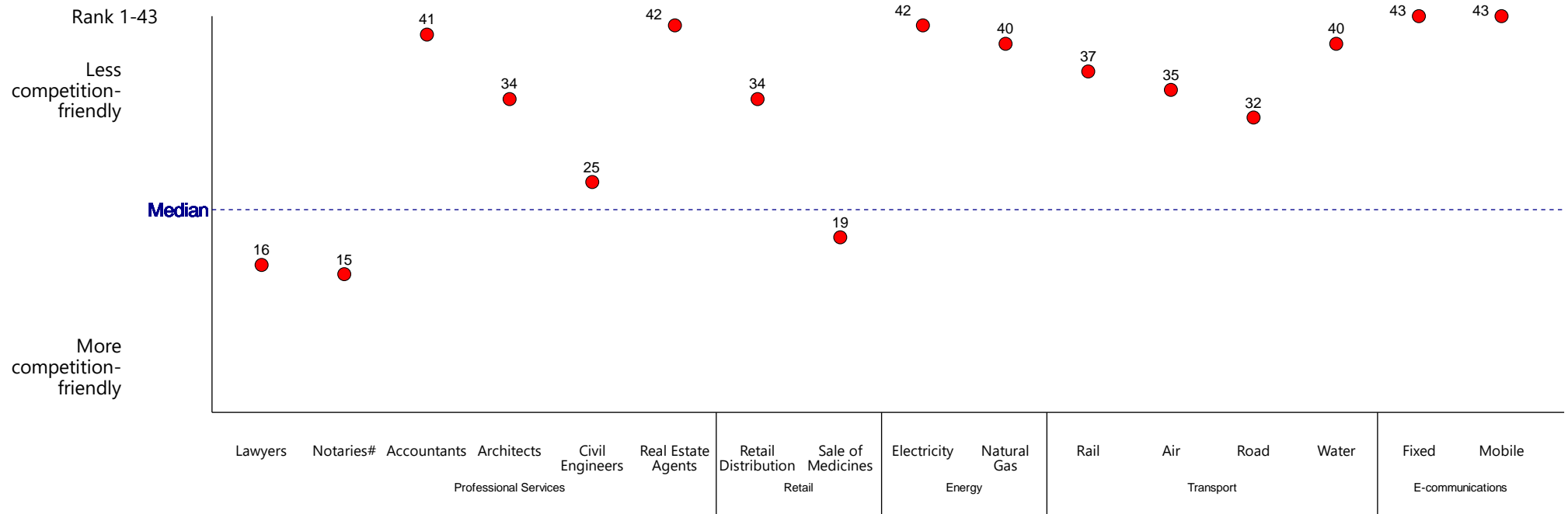


<sup>#</sup> The information scored here is included in the PMR low-level indicator Consulting on Legislation.

## SECTOR-SPECIFIC HIGHLIGHTS: SERVICE SECTORS

In Indonesia there is still ample room for competition-enhancing reforms in the energy, transport, and e-communications sectors, as well as in retail distribution. Accountants, architects, civil engineers, and real estate agents are regulated more strictly than in the average OECD economy.

**Figure 5: Product Market Regulation indicators for service sectors: Indonesia's ranking<sup>+</sup>**



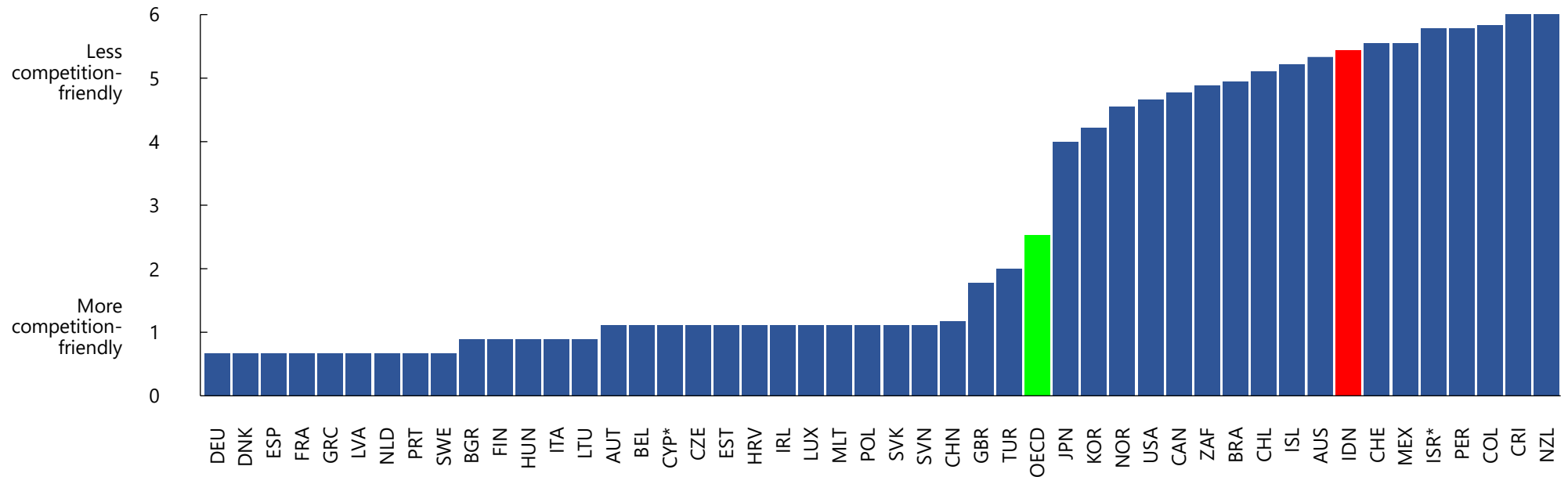
<sup>+</sup>The ranking is across all OECD members and Brazil, Croatia, Bulgaria, Indonesia, and Peru.

<sup>#</sup>Please see note on page 7.

## SECTOR-SPECIFIC HIGHLIGHTS: DIGITAL MARKETS

New markets that rely on the intensive use of data have emerged, such as online marketplaces, search engines, cloud computing, and social media. Indonesia has made some efforts to assess the competition challenges raised by the development of these markets, but few concrete steps have been undertaken to address them, with the exception of a law on personal data protection.

**Figure 6: Product Market Regulation indicator on Digital Markets<sup>#</sup>**



<sup>#</sup> The information used to build this indicator refers to laws and regulations into force or under discussion in parliament on 1 January 2024.

For further information please contact: [PMRindicators@oecd.org](mailto:PMRindicators@oecd.org)

**Notes:**

Source: OECD PMR database for 2023/2024 and 2018/2019.

1. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

2a. Footnote by Türkiye: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the "Cyprus issue".

2b. Footnote by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Türkiye. The information in this database relates to the area under the effective control of the Government of the Republic of Cyprus.

#Note on notaries: In civil law countries, notaries exercise administrative and judicial tasks by virtue of power delegated by the state; hence, they play a special role in the legal services market in the concerned countries and in this aspect they are different from the other professions included in the OECD's PMR indicator.

**The names of the low-level indicators in Figure 2 have been simplified for presentational purposes. This table of correspondence shows the name used in the official PMR dataset.**

TABLE OF CORRESPONDENCE	
Name of low-level indicators in Figure 2	Name of low-level indicators in the official PMR dataset
Administrative and Regulatory Burden	Communication and Simplification of Administrative and Regulatory Burden
Administrative Requirements for New Firms	Administrative Requirements for Limited Liability Companies and Personally-owned Enterprises
Barriers to Entry in Energy, Transport and E-communications	Barriers to Entry in Network Sectors
Barriers to Competition in Energy, Transport and E-communications	Involvement in Business Operations in Network Sectors
Barriers to Entry in Professions and Retail	Barriers to Entry in Service Sectors
Barriers to Competition in Professions and Retail	Involvement in Business Operations in Service Sectors
Barriers to FDI	Barriers to Foreign Direct Investment
Barriers to Trade Facilitation	Barriers to Trade Facilitation
Tariff Barriers	Tariff Barriers
Retail Price Regulation	Retail Price Controls and Regulation
Assessment of Impact on Competition	Assessment of Impact on Competition
Consulting on Legislation	Interaction with Stakeholders
Public Procurement	Public Procurement
Governance of SOEs	Governance of SOEs
Components of low-level indicators in Figure 2	Low-level indicators from which they are taken
Licences and Permits	Communication and Simplification of Administrative and Regulatory Burden
Lobbying	Interaction with Stakeholders
Public Ownership	Quality and Scope of Public Ownership