

Overview

Indonesia experiences moderate to high levels of corruption in all areas of public administration. It scores near the global averages on most key indicators of governance. The history of FCPA enforcement affecting Indonesian ventures shows clear patterns of corruption enforcement in the oil and gas sector, where eight of twenty investigations were centered, as well as pervasive bribery to secure business with SOE clients in multiple sectors.

Corruption Indicators Matrix *All indicators are scores/100 or are percentile ranks, 100=best. 1-33 34-66 67-100

Direct Measures of Corruption	Indonesia	G7 Countries
Corruption Perceptions Index Score <small>Transparency International Corruption Perception Index</small>	37	73
Government Integrity Score <small>Heritage Foundation Economic Freedom Index</small>	43	70
Control of Corruption Score <small>World Bank Worldwide Governance Indicators</small>	43	88
Irregular Payments & Bribes Score <small>World Economic Forum Global Competitiveness Index, Adjusted Score</small>	55	79
Favoritism in Government Score <small>World Economic Forum Global Competitiveness Index, Adjusted Score</small>	57	60
Major Correlates of Corruption	Indonesia	G7 Countries
GDP Per Capita Score <small>Percentile rank, nominal, IMF data</small>	38	89
Government Effectiveness Score <small>World Bank Worldwide Governance Indicators</small>	53	90
Survey Responses on Corruption	Indonesia	Top 10 Countries
<small>World Bank Enterprise Surveys</small>		
Share of firms reporting at least one bribe request	30%	1.4%
Share of public contracts reportedly subject to bribe requests	27%	1.1%
Share of businesses reporting corruption is a major constraint	14%	7.5%

FCPA Enforcement Profile

FCPA Enforcement Actions	20 - high concentration	Problem Sectors	Oil/Gas SOE Procurement/Contracting
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Illustrative Cases (as reported)

Baker Hughes—Allegedly arranged for local accountant KPMG-Siddharta Siddharta & Harsono to bribe tax officials to reduce taxes.

Avery Corporation—Office products company acquired Indonesian subsidiaries but failed to halt these companies' practices of petty bribes to customs and other officials.

Monsanto—Allegedly paid USD 700k to more than 100 officials, including one with the specific goal of influencing him (unsuccessfully) to overturn unfavorable regulations.

Allianz—Allegedly made payments to employees of SOEs to secure business.

Diebold— Allegedly made payments to employees of SOEs to secure business.

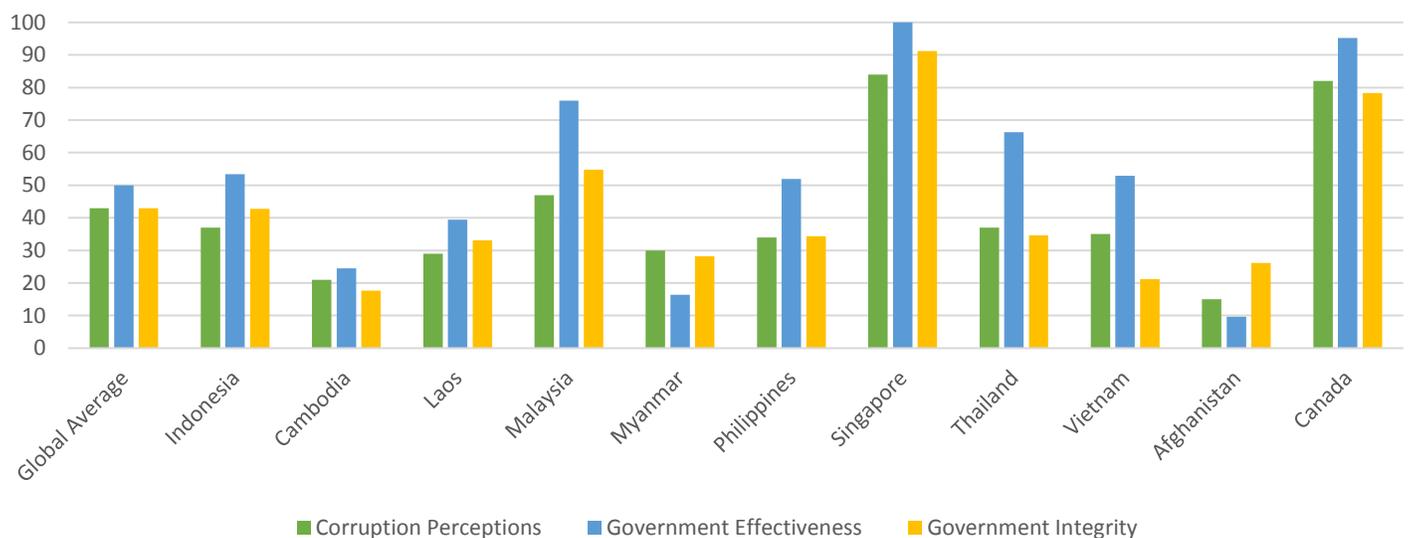
Information Environment Profile

Poor Moderate Accessible

The characteristics of a country's information environment impact the risks within that jurisdiction as well as the degree of confidence or uncertainty in any risk assessment. These factors can affect the scope of an investigation, the means employed, and the degree of analysis required to properly understand research findings.

Information Source	Characteristics or Limitations
Corporate Registries	Online records are only available for the largest publicly listed companies. Paper records are relatively accessible and handled by the central government.
Litigation Searches	No records are available online. Searches for paper records are conducted by each jurisdiction. Case details are publicly available.
Depth of News Media	Some professional outlets with in-depth reporting operate in Indonesia, but many outlets display bias and shallow reporting or re-reporting. The quality and depth of coverage varies greatly across Indonesia's vast geography, and remote provinces are information-scarce. Anti-blasphemy and libel laws inhibit adequate media coverage of some issues.
Freedom of Press	Reporters without Frontiers rank 124/180 (180=worst) Freedom House score 49/100 (100=least free)
Linguistic Challenges	Virtually all records and media are in Bahasa, which is machine translated with reasonable accuracy.
Financial Disclosure Regulations	Tax Justice Network Financial Secrecy Score 61/100 (100=most secret).

Country Comparison



Analysis: Indonesia Third Party Corruption Risk

Corruption risks in Indonesia are high by OECD standards but typical for Southeast Asia. According to Transparency International 32% of Indonesians have experienced corruption in seeking public services and 65% believe that the problem is getting worse—the second highest rate in Asia. Indonesian business is dominated by large conglomerates run by families that often have high level political connections or include public officials. A high percentage of Indonesia's largest firms are SOEs. State-economy connections are still colored by the legacy of the Suharto regime, with many prominent businesses in operation today having established themselves during his rule. Close ties between large companies and government officials are common. The boards of companies in medical, oil and gas, and other industries often include PEPs or former military figures. Corruption risks in issues related to land use are high and matters are made worse by poor legal institutions regarding property rights and ownership.

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