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## Why Indonesia must embrace liberal economic reforms

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Maximizing productivity is the gateway for economic growth. An increase in productivity allows businesses to produce greater output for the same level of input, earn higher revenues and ultimately generate higher gross domestic product, resulting in better standards of living. However, productivity in many countries continues to remain stagnant or, worse, move in the opposite direction.

The World Bank has been rigorously measuring the ease of doing business (DB) of many countries for more than 15 years, producing a treasure trove of empirical evidence. The basic intuition behind the DB project is that by breaking down and quantifying the various aspects of business regulation within a country's economy, the country is able to isolate the individual factors that are inhibiting business growth. The

goal for each country is to reach the frontier – the aggregate of the best performance observed in each of the 10 categories – by adjusting their rules and regulations to allow their private sectors to thrive. By providing a healthy regulatory environment, the countries will be able to increase their productivity, and subsequently their standard of living. The World Bank's research has produced an abundance of empirical evidence that examines the different aspects of an economy's regulatory environment. The DB project provides 10 quantitative indicators that capture the important dimensions of the countries' regulatory environments. Every year since 2002 the World Bank has published these DB scores and their breakdowns in a volume titled "Doing Business."

**Table 1: What Doing Business Measures**

10 Indicators of Business Regulation

Indicator set	What is measured
Starting a business	Procedures, time, cost and paid-in minimum capital to start a limited liability company
Dealing with construction permits	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
Getting electricity	Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs
Registering property	Procedures, time and cost to transfer a property and the quality of the land administration system
Getting credit	Movable collateral laws and credit information systems
Protecting minority investors	Minority shareholders' rights in related-party transactions and in corporate governance
Paying taxes	Payments, time and total tax rate for a firm to comply with all tax regulations as well as post-filing processes
Trading across borders	Time and cost to export the product of comparative advantage and import auto parts
Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes
Resolving insolvency	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency

Source: Doing Business 2017  
Compiled by Prof. Steve H Hanke, The Johns Hopkins University

## Methodology review of doing business

Table 1 defines each of the 10 quantitative indicators provided by the World Bank. These are measured by using standardized procedures that ensure comparability and replicability across the 190 countries studied. For each indicator, the scores range from a potential low of 0 to a high of 100.

Each of the 10 indicators consists of a set of sub-indicators that quantify important dimensions of the indicator. Table 2 identifies these sub-indicators and lists the best and worst performances observed in each sub-indicator. The "frontier" represents the combination of each sub-indicator with the best observed performance across all economies in the Doing Business sample. To emphasize, a country would set the frontier value with the best performance in a sub-indicator, *not* an indicator and *not* overall. For example, New Zealand is ranked number one in the Starting a Business indicator with a DB score of 99.96, not 100, because the country received a distance to frontier (DTF) value of 100 (by performing the best and setting the frontier) for the sub-indicators Procedures

and Time. But New Zealand did not receive 100 for Cost and Minimum Capital, as Slovenia and Australia/Columbia performed better in those areas. The “frontier” is an ideal amalgamation of all the best practices in each sub-indicator, and therefore is a perfect 100 DB score in all sub-indicators, and therefore indicators and overall. A perfect score of 100 would mean a country was the best performer in every single sub-indicator, not just in each indicator.

Initially, the distance to frontier for each sub-indicator is calculated as:

$$= \frac{(\text{worst score by a country}) - (\text{score of country of interest})}{(\text{worst score by a country}) - (\text{best score by a country aka the frontier value})} \times 100$$

For example, the DTF value for procedures for starting a business in Indonesia, which requires 11 procedures, would be  $[(20 - 11) / (20 - 1)] * 100 = 47.37$  out of a maximum value of 100.

Notice that if the score of the country of interest is equivalent to the frontier value, then the distance to frontier value (aka, the Doing Business score) would be the maximum 100 for the indicator. The best historical score by a country (also known as frontier value) and worst score for all sub-indicators are shown in Table 2.

The Doing Business score for each indicator (for example, Starting a Business) is calculated by assuming that every sub-indicator is of equal weight/importance:

$$= \text{AVERAGE (DTF values for all sub-indicators of the indicator)}$$

For example, the distance to frontier, in other words, the Doing Business score, for Starting a Business in Ecuador would be the average of the distance to frontier score for Number of Procedures (35.3), Time (49.74), Cost (88.98) and for Paid-In Capital (100), which is roughly 68.5 out of a maximum score of 100.

The overall Doing Business score for a country is calculated by assuming that every indicator is of equal weight/importance:

$$= \text{AVERAGE (DB scores for all indicators)}$$

## Ease of doing business and relevant trends

Using the DB scores, we can determine whether there is a relationship between a freer regulatory environment (a high DB score) and prosperity, as measured by GDP per capita. The DB score for every country is plotted with their respective GDP per capita from the World Economic Outlook (WEO) database to estimate the affluence the frontier would generate in terms of GDP per capita. This is done by fitting an exponential trend line to the plots and inputting the “frontier” score of 100 (or any other score of interest) into the equation of the trend line to estimate the generated income/capita. For the year 2016, the GDP per capita is modeled as approximately equal to  $44.691 * e^{(0.0773 * (\text{DB Score}))}$ .

The semi-log plot of GDP per capita versus Doing Business scores shows that

Topic and indicator	Who set the frontier	Frontier	Worst performance
<b>Starting a business</b>			
Procedures (number)	New Zealand	1	18 <sup>a</sup>
Time (days)	New Zealand	0.5	100 <sup>a</sup>
Cost (% of income per capita)	Slovenia	0.0	200.0 <sup>a</sup>
Minimum capital (% of income per capita)	Australia; Colombia <sup>a</sup>	0.0	400.0 <sup>a</sup>
<b>Dealing with construction permits</b>			
Procedures (number)	No economy was at the frontier as of June 1, 2016.	5	30 <sup>a</sup>
Time (days)	Singapore	26	373 <sup>a</sup>
Cost (% of warehouse value)	No economy was at the frontier as of June 1, 2016.	0.0	20.0 <sup>a</sup>
Building quality control index (0–15)	Luxembourg; New Zealand	15	0 <sup>a</sup>
<b>Getting electricity</b>			
Procedures (number)	Germany; Republic of Korea <sup>a</sup>	3	9 <sup>a</sup>
Time (days)	Republic of Korea; St. Kitts and Nevis	18	248 <sup>a</sup>
Cost (% of income per capita)	Japan	0.0	8,100.0 <sup>a</sup>
Reliability of supply and transparency of tariffs index (0–8)	Belgium; Ireland; Malaysia <sup>a</sup>	8	0 <sup>a</sup>
<b>Registering property</b>			
Procedures (number)	Georgia; Norway; Portugal; Sweden	1	13 <sup>a</sup>
Time (days)	Georgia; New Zealand; Portugal	1	210 <sup>a</sup>
Cost (% of property value)	Saudi Arabia	0.0	15.0 <sup>a</sup>
Quality of land administration index (0–30)	No economy has attained the frontier yet.	30	0 <sup>a</sup>
<b>Getting credit</b>			
Strength of legal rights index (0–12)	Colombia; Montenegro; New Zealand	12	0 <sup>a</sup>
Depth of credit information index (0–8)	Ecuador; United Kingdom <sup>a</sup>	8	0 <sup>a</sup>
<b>Protecting minority investors</b>			
Extent of disclosure index (0–10)	China; Malaysia <sup>a</sup>	10	0 <sup>a</sup>
Extent of director liability index (0–10)	Cambodia	10	0 <sup>a</sup>
Ease of shareholder suits index (0–10)	No economy has attained the frontier yet.	10	0 <sup>a</sup>
Extent of shareholder rights index (0–10)	Chile; India <sup>a</sup>	10	0 <sup>a</sup>
Extent of ownership and control index (0–10)	No economy has attained the frontier yet.	10	0 <sup>a</sup>
Extent of corporate transparency index (0–10)	No economy has attained the frontier yet.	10	0 <sup>a</sup>
<b>Paying taxes</b>			
Payments (number per year)	Hong Kong SAR; China; Saudi Arabia	3	63 <sup>a</sup>
Time (hours per year)	Singapore	49 <sup>a</sup>	696 <sup>a</sup>
Total tax rate (% of profit)	Singapore <sup>a</sup>	26.1 <sup>a</sup>	84.0 <sup>a</sup>
Postfilling index (0–100)	No economy has attained the frontier yet.	100	0
Time to comply with VAT refund (hours)	Croatia; Netherlands <sup>a</sup>	0	50 <sup>a</sup>
Time to obtain VAT refund (weeks)	Austria	3.2	55 <sup>a</sup>
Time to comply with corporate income tax audit (hours)	Lithuania; Portugal <sup>a</sup>	1.5	56 <sup>a</sup>
Time to complete a corporate income tax audit (weeks)	Sweden; United States <sup>a</sup>	0	32 <sup>a</sup>
<b>Trading across borders</b>			
<i>Time to export</i>			
Documentary compliance (hours)	Canada; Poland; Spain <sup>a</sup>	1 <sup>a</sup>	170 <sup>a</sup>
Border compliance (hours)	Austria; Belgium; Denmark <sup>a</sup>	1 <sup>a</sup>	160 <sup>a</sup>
<i>Cost to export</i>			
Documentary compliance (US\$)	Hungary; Luxembourg; Norway <sup>a</sup>	0	400 <sup>a</sup>
Border compliance (US\$)	France; Netherlands; Portugal <sup>a</sup>	0	1,060 <sup>a</sup>
<i>Time to import</i>			
Documentary compliance (hours)	Republic of Korea; Latvia; New Zealand <sup>a</sup>	1 <sup>a</sup>	240 <sup>a</sup>
Border compliance (hours)	Estonia; France; Germany <sup>a</sup>	1 <sup>a</sup>	280 <sup>a</sup>
<i>Cost to import</i>			
Documentary compliance (US\$)	Iceland; Latvia; United Kingdom <sup>a</sup>	0	700 <sup>a</sup>
Border compliance (US\$)	Belgium; Denmark; Estonia <sup>a</sup>	0	1,200 <sup>a</sup>
<b>Enforcing contracts</b>			
Time (days)	Singapore	120	1,340 <sup>a</sup>
Cost (% of claim)	Bhutan	0.1	89.0 <sup>a</sup>
Quality of judicial processes index (0–18)	No economy has attained the frontier yet.	18	0 <sup>a</sup>
<b>Resolving insolvency</b>			
Recovery rate (cents on the dollar)	Norway	92.9	0 <sup>a</sup>
Strength of insolvency framework index (0–16)	No economy has attained the frontier yet.	16	0 <sup>a</sup>

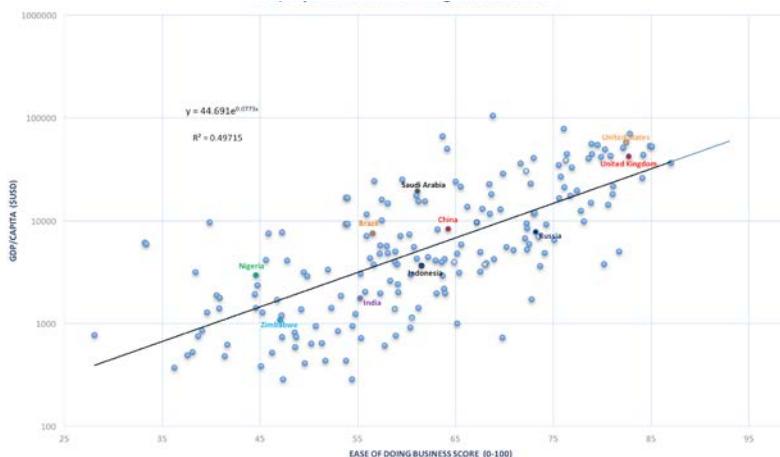
◀ **Table 2:**  
**What is the Frontier in Regulatory Practice?**

Source: Doing Business 2017

there is a strong, positive relationship between DB scores and prosperity. A logarithmic scale is used on GDP per capita to respond to skewness toward large values caused by the exponential trend in data.

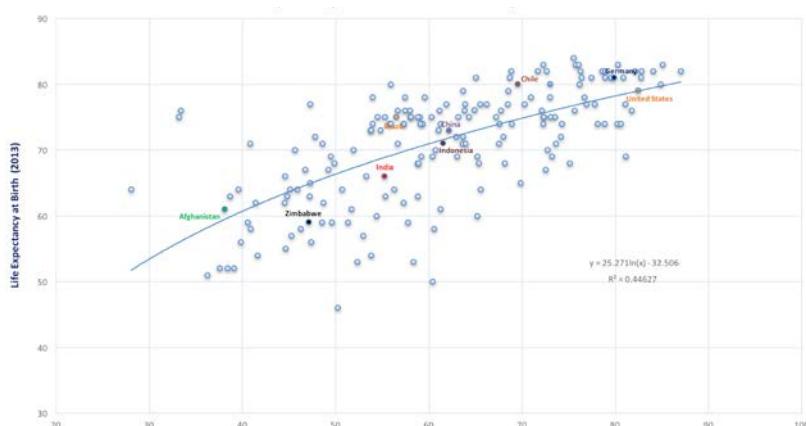
In addition to the strong, positive relationship between regulatory freedom (ease of doing business) and prosperity (GDP per capita), deregulation yields increasing returns. Each incremental increase in the DB score yields larger and larger gains in GDP per capita. Using the DB scores, we can also explore whether there is a relationship

Figure 1: GDP/Capita vs. Ease of Doing Business Score



Source: Doing Business 2017, and World Economic Outlook Database  
Compiled by Prof. Steve H Hanke, The Johns Hopkins University

Figure 2: Life Expectancy at Birth vs. Ease of Doing Business Score



Source: Doing Business 2017, and World Health Organization  
Compiled by Prof. Steve H Hanke, The Johns Hopkins University

between a freer regulatory environment (a high DB score) and life expectancy in each country. Similar to the previous analysis, the DB score of each country is plotted with their respective life expectancy score from the World Health Organization. We then fit an exponential

trend line to the plots to examine the life expectancy score that the “frontier” (or any DB value of interest) would generate. The resulting plot shows a strong and positive relationship between DB scores and life expectancy, albeit one characterized by diminishing returns (given additional increments in DB scores yield smaller and smaller gains in life expectancy).

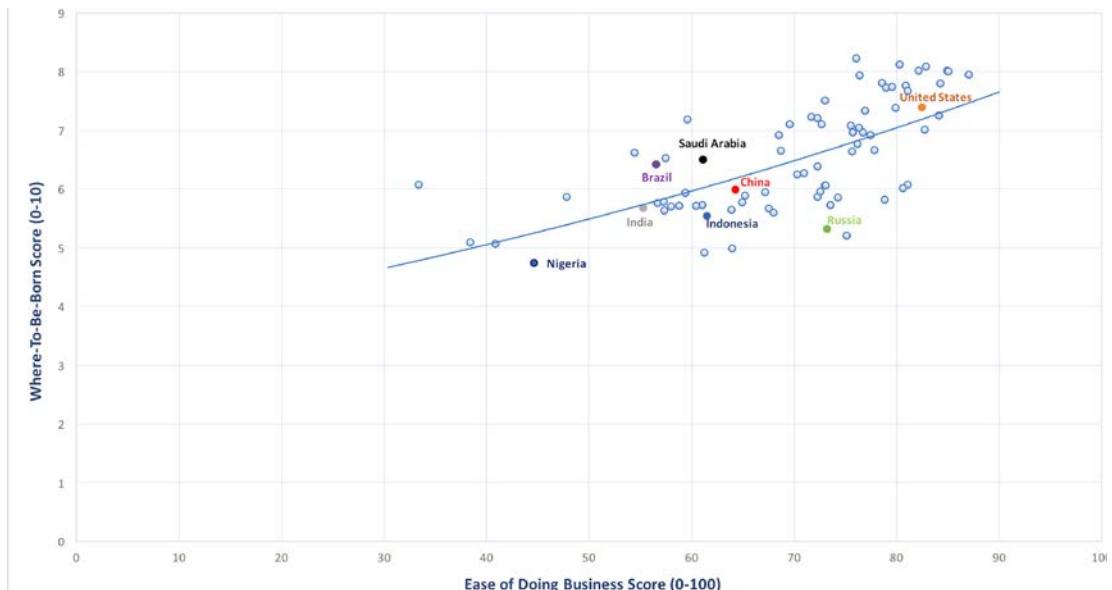
We continue our analysis by examining the relationship between DB scores and living standards observed in each country. The “where-to-be born” index, prepared by the Economist Intelligence Unit, measures which countries offer the best living

standards to their citizens. It is based on subjective life-satisfaction surveys as well as objective variables such as life expectancy, political freedoms, job security, governance and gender equality across 80 countries. Graphing regulatory freedom against where-

to-be-born scores yields a positive exponential relationship, revealing a close correlation between regulatory freedom and quality of life.

increases in doing business scores also lead to immense improvements in individual well-being and prosperity.

Figure 3: Where-to-be-Born vs. Ease of Doing Business Score



Source: Doing Business 2017, and the Economist Intelligence Unit  
Compiled by Prof. Steve H Hanke, The Johns Hopkins University

Economic prosperity affects life expectancy and quality of life through many channels: higher individual and national incomes produce favorable effects on nutrition, on standards of housing and sanitation, and on health and education expenditures. Since a freer regulatory environment is associated with higher levels of GDP per capita, we should observe that a freer regulatory environment (a higher DB score) is associated with higher life expectancies and better living standards. While Figure 3 demonstrates that a freer regulatory environment results in greater economic prosperity, Figures 4 and 5 take this analysis a step further, showing that incremental

## Doing business in Indonesia

Table 3 displays the ranks and scores for Indonesia's 10 indicators of business regulation. Each year's report analyzes the previous year, so the 2017 Ease of Doing Business report analyzes Indonesia's business environment for the year 2016. The score for each indicator ranges from a potential low of 0 to a high of 100. It is important to note both rank and score because a country's rank for an indicator among the countries studied might change, even though its score does not. In 2017, Indonesia ranked 91 among the 190 countries studied, with an Ease of Doing Business score of 61.52.

**Table 3: Ease of Doing Business Scores and Rank for 2017 (Indonesia)**

Indicators	Doing Business Score - DTP%	Rank	Country with Best Performance
<b>Overall</b>	61.52	91	New Zealand - 87.01
Starting a Business	76.43	151	New Zealand - 99.96
Dealing with Construction Permits	65.73	116	New Zealand - 87.40
Getting Electricity	80.92	49	Korea, Rep - 99.88
Registering Property	55.72	118	New Zealand - 94.46
Getting Credit	60.00	62	New Zealand - 100
Protecting Minority Investors	56.67	70	New Zealand - 83.33
Paying Taxes	69.25	104	Qatar - 99.44
Trading Across Borders	65.87	108	Austria - 100
Enforcing Contracts	38.15	166	Korea, Rep - 84.15
Resolving Insolvency	46.46	76	Finland - 93.89

Source: Doing Business 2017  
Prepared by Prof. Steve H Hanke, The Johns Hopkins University

**Figure 4: Indonesia's Ease of Doing Business Rankings**

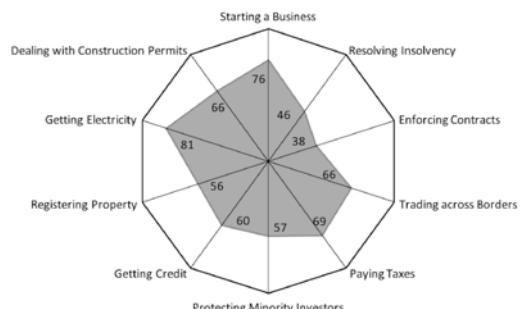


Source: Doing Business 2017. Prepared by Prof. Steve H Hanke, The Johns Hopkins University; Scale: 190 center, Rank 1 outer edge

Figure 4 is a spider chart that displays Indonesia's rankings among the other 189 countries for the World Bank's 10 indicators of business regulation. The chart clearly visualizes

Indonesia's strengths and weaknesses, divided by indicator. The edges represent the frontier, or the aggregate of "best practices" realized among the 190 countries studied. Therefore, the larger the shaded area, the closer that

**Figure 5: Indonesia's Ease of Doing Business Scores**

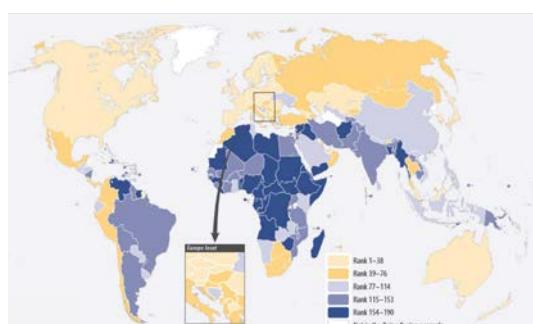


Source: Doing Business 2017. Prepared by Prof. Steve H Hanke, The Johns Hopkins University; Scale: 0 center, Score 100 outer edge

country is to reaching the "frontier."

Figure 5 is a spider chart that displays Indonesia's Doing Business performance by score rather than its ranking among the other 189 countries. Again, a larger shaded region

**Figure 6: Indonesia vs The World Map**



Source: Doing Business Database

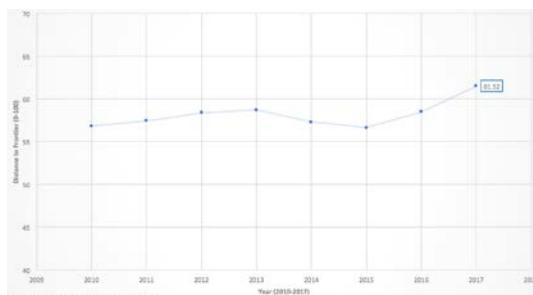
implies a better overall business environment. The edges in this case, however, represent the maximum potential score of 100.

Figure 6 shows how Indonesia's DB ranking compares to those of other East Asia and Pacific countries, and to the rest of the world. According to the Doing Business Report 2017, Indonesia ranked in the middle range, between 77 and 114, with a ranking of 91. The chart below depicts the changes in Indonesia's Ease of Doing Business Score since 2010. From 2010 to 2013, Indonesia improved its DB score modestly yet steadily. This progress was offset by a subsequent period of decline until 2015. Around this time, however, Indonesia's DB score picked up and climbed considerably,

model was generated by fitting an exponential trend line to the plot of the 2017 Doing Business score and 2016 GDP per capita of all the countries, which is shown in Figure 1. Hence, this model equation is based on a data sample of 190 countries. With a DB score of 61.52, Indonesia is expected to generate approximately \$5,194 based on this model. In actuality, Indonesia falls short of this estimation with a reported GDP per capita of \$3,620.36, according to the WEO database. This difference is also visually observed in Figure 1, with the distance from the trend line to the labeled data point for Indonesia in the semi-log plot.

In order to perform an analysis of an individual country, we will shift this trend line to reduce the error of the model equation and to give more significance for the country of interest. The shift differs with countries because it is equal to the amount of discrepancy between the reported data from the WEO and the model estimate for each country. For Indonesia, the shift will be -1,573.4, and the new accurate model equation is  $44.691 \cdot e^{(0.0773 \cdot (DB \text{ Score}))} - 1,573.40$ .

Figure 7: Doing Business in Indonesia since 2010



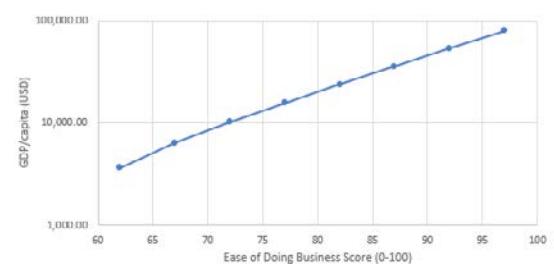
Source: World Bank Doing Business Historical Data  
Prepared by Prof. Steve H Hanke, The Johns Hopkins University

exceeding 60 percent for the first time in 2017.

### 'Frontier' analysis of Indonesia

To reiterate, for the year 2017, GDP per capita is modeled as approximately equal to  $44.691 \cdot e^{(0.0773 \cdot (DB \text{ Score}))}$ . This

Figure 8: Frontier Analysis for Indonesia



Source: Doing Business 2017  
Compiled by Prof. Steve H Hanke, The Johns Hopkins University

This equation is then used to project the additional prosperity Indonesia would generate if it were to improve its DB score by improving the ease of doing business. Figure 8 and Table 4 illustrate this additional prosperity.

Elasticity is a measure of a variable's sensitivity to a change in another variable. In this case, we are interested in measuring the change in GDP per capita in relation to DB movements. The following chart shows an incremental analysis and elasticity measurement on Indonesia's path to achieving the frontier (a DB score of 100). Calculations show that prosperity becomes more elastic with incremental changes in DB scores. In other words, with a DB score of 61.52 and GDP per capita of \$3,620.36, Indonesia still has so much exponential potential for returns (prosperity) by simplifying procedures and slashing regulations.

Table 4: Incremental Analysis of Indonesia

Ease of Doing Business Score for 2017	GDP/Capita (\$)	Increase in GDP/Capita (\$)	Elasticity ( $\Delta\% \text{GDP/capita} / \Delta\% \text{DB}$ )
62	3,620.36	—	
67	6,359.99	2,739.63	9.38
72	10,103.27	3,743.27	7.89
77	15,612.69	5,509.42	7.85
82	23,721.57	8,108.88	8.00
87	35,656.39	11,934.82	8.25
92	53,222.30	17,565.91	8.57
97	79,076.16	25,853.86	8.94

Source: Doing Business 2017  
Prepared by Prof. Steve H Hanke, The Johns Hopkins University

## Commentary

The 2017 “frontier” (Doing Business score of 100) generates GDP per person of ~\$100,000, which is 27.6 times better than the GDP per person generated by Indonesia (GDP per person: \$3,620.36). In other words, Indonesia's economy would have to grow at an annual rate of 14.2 percent for 25 years to reach the “frontier.”

In 2017, Indonesia improved in Ease of Doing Business ranking by 15 spots, moving up from 106 to 91. Greatest improvements took place in Starting a Business, Getting Electricity and Paying Taxes, with each category ranking 151, 49 and 104, respectively. Among the 190 economies, Indonesia's worst-performing categories were Enforcing Contracts, Starting a Business and Registering Property, with each category ranking at 166, 151, and 118, respectively.

For Getting Electricity, Indonesia moved up 12 spots relative to last year, ranking 49 with a score of 80.92. Over the past few years, Indonesia implemented several reforms that culminated in this progress. Notably, just this year it made the process for getting electricity faster by reducing the time for contractors to perform external work, which was made possible by a countrywide increase in the stock of electrical material supplied by the public utility. Equally important, Perusahaan Listrik Negara (PLN), Indonesia's public electricity distributor, made getting electricity easier by eliminating the need for electrical contractors to obtain multiple certificates guaranteeing the safety of internal installations. Additionally, in 2013, Indonesia did away with the requirement

for new customers applying for an electricity connection to show a neighbor's electricity bill.

Still, getting electricity in Indonesia requires five procedures that take 59 days, at 357 percent of income per capita. Indonesia's time score of 59 days is ahead of the East Asia and Pacific and the Organization for Economic Cooperation and Development (OECD) high-income averages of 72.9 and 76.2 days, respectively. Yet, Indonesia's electricity cost of 357 percent (of income per capita) alarmingly lags behind the OECD high-income average of 62.5 percent, indicating a need for more cost efficiency in its electricity provision. Indonesia received 6 out of 8 on the reliability of supply and transparency of tariff index. If Indonesia were to implement financial deterrents aimed at limiting outages the improvement in the reliability of electricity for businesses would help it reduce electricity costs. Furthermore, PLN, the Indonesian public utility, currently operates as the only electricity distributor. If Indonesia were to privatize PLN and encourage competition in the industry, the resulting gains in efficiency would undoubtedly mitigate electricity distribution costs and help Indonesia further improve its DB score in this category.

**A**nother category where Indonesia demonstrated considerable progress was Paying Taxes, where it moved up 11 spots relative to last year, ranking 115 with a score of 69.25. Notable reforms in recent years leading up to this progress include the introduction of an online system for filing and paying health contributions; an online system for paying social security contributions along

with reductions of the rate paid by employers and the ceiling for contributions; tax cuts on employer's health insurance contribution rate; and a reduction of the corporate income tax rate.

Notwithstanding these reforms, Indonesia's score of 69.25 in this category is still noticeably behind the East Asia and Pacific average of 72.16 and the OECD high-income average of 83.07, indicating room for more progress. In Indonesia, paying taxes requires 43 payments that take 221 hours to file per year, and at a 30.6 percent rate of total profit. In contrast, East Asia and Pacific averages for the same year are 22.9 payments taking 198 hours, and at a 33.9 percent rate of total profit. To further improve DB scores, Indonesia should make taxes easier to file by consolidating different taxes and simplifying the filing process. For instance, the Jakarta government could opt to consolidate social security contributions and health insurance contributions under a single online payment.

Additionally, it should also cut down on the number of payments and the payment time associated with corporate income tax and the value added tax (VAT), which are currently at 13 payments taking 75 hours and 12 payments taking 90 hours per year, respectively. An easy way for Indonesia to do this would be to establish online payments for these taxes, just like it recently did for health and social security contributions. Along the same lines, Indonesia should also strive to further relieve its corporate income tax rate, which currently claims 16.9 percent of total profit, the highest among all its tax rates. Another way Indonesia could improve scores is to speed up its post-

filings procedures. While Indonesia received a near perfect score of 95.4 percent for corporate income tax audits, it received a poor score on the VAT refunds index (64 percent) due to a long time of compliance with VAT refund (18 hours) and time to obtain a VAT refund (30.9 weeks).

Expediting these post-filing processes would help Indonesia strengthen its DB score in this category. For Starting a Business, Indonesia scored 76.43, ranking 151 among 190 economies – moving up 16 spots last year alone. Starting a business in Indonesia requires 11 procedures that take 22 days to complete. In contrast, the average number of procedures in East Asia and Pacific is seven and the average number of days is 23.9. To start a business in Indonesia, a company must obtain clearance for the company's name at the Ministry of Law and Human Rights (three days); apply for the certificate of company domicile (two days); pay the nontax state revenue fees for legal services at a bank; apply at the Ministry of Trade for the permanent business trading license (seven days); and apply for the workers social security program (seven days). In contrast, in the “frontier,” the only process required in New Zealand for starting a business is applying for registration with the Companies Office online, which takes less than one day.

To improve DB scores, Indonesia should cut down on the number of procedures required, in addition to speeding each one up. An easy way to do this would be to consolidate applications for health care insurance and workers' social security. Most recently, in 2016, Indonesia made starting a business easier by creating a single form to apply for the

company registration certificate and trading license. Additionally, Indonesia abolished the minimum capital requirement for small and medium enterprises and encouraged the use of an online system to reserve company names. For Registering Property, Indonesia scored 55.72, giving it a rank of 118 out of 190. While its five procedures, taking 25 days, did not lag much behind the OECD's high-income average of 4.7 procedures taking 22.4 days, Indonesia was primarily lacking in its quality of land administration index, scoring 12.5 out of 30 as opposed to OECD's high income of 22.7. It received zero points for geographic coverage and equal access to property rights. Not all privately held land plots in the economy, nor in the largest business city, are formally registered at the immovable property registry, nor are all privately held land plots in the economy and largest business city mapped. Additionally, men and women do not have equal ownership rights to property. Indonesia can increase scores by setting up an electronic database for checking for encumbrances (liens, mortgages, etc). In 2016, Indonesia made registering property easier by digitizing its cadastral records and setting up a geographic information system.

Enforcing contracts in Indonesia takes 460 days and costs 118 percent of claim, as opposed to the OECD's high income of 553 days at a 21 percent cost. The high costs are mostly due to attorney fees costing 90 percent of the claim, in addition to enforcement fees costing 25 percent. Possible improvements that could raise Indonesia's quality of judicial processes index score of 8/18 would be increased court automation and improved case management.

This would include having initial complaints filed electronically through a dedicated platform within the competent court, carrying out service of process electronically and allowing fees to be processed electronically. Additionally, DB scores could be raised by having laws that regulate the maximum

number of adjournments that can be granted and limiting adjournments to unforeseen and exceptional circumstances. Indonesia did, however, make enforcing contracts easier in 2016 by introducing a dedicated procedure for small claims that allows for parties' self-representation. 