



**KEMENTERIAN KOORDINATOR BIDANG PEREKONOMIAN  
REPUBLIK INDONESIA**

**NOTES OF THE MEETING OF THE INDONESIA EXTRACTIVE INDUSTRIES  
TRANSPARENCY INITIATIVE (EITI) IMPLEMENTATION TEAM**

- Day / Date : Thursday / 31 January 2013
- Time : 10.00 – 12.15
- Place : Serayu Room, A.A. Maramis II Building, Floor 3  
Coordinating Ministry for Economic Affairs
- Agenda : 1. Results of the EITI Indonesia Steering Committee Meeting  
2. Data submission by government agencies and EI production units  
3. Developments in the reconciliation process  
4. Developments in procurement of the validator  
5. EITI Global Conference in Sydney in May 2013  
6. Preparation for phase II EITI Indonesia reporting

Meeting Participants:

Government

1. Financial and Development Supervisory Agency (BPKP), Delpina Siahaan
2. Financial and Development Supervisory Agency (BPKP), Yanti Sukmayanti
3. Ministry of Interior, Dyah Kartika
4. Ministry of Energy and Mineral Resources, Ery Nahari
5. Ministry of Energy and Mineral Resources, Sudjarwo
6. Ministry of Energy and Mineral Resources, Directorate General of Oil and Gas, Agus Adi Cahyono
7. Ministry of Energy and Mineral Resources, Directorate General of Oil and Gas, Yulianto
8. Ministry of Energy and Mineral Resources, Office of the Secretary General, Laode Sulaeman
9. Ministry of Finance, Directorate General of Taxation, Chandra Kumara
10. Ministry of Finance, Directorate General of Taxation, Hadi Pratomo
11. Ministry of Finance, Directorate General of Fiscal Balancing, C. Risyana
12. Ministry of Finance, Directorate General of Fiscal Balancing, M. Hijrah
13. Coordinating Ministry for Economic Affairs, Office of the Deputy Minister for Macroeconomics and Finance, Amar Yasir
14. Coordinating Ministry for Economic Affairs, Office of the Deputy Minister for Energy, Mineral Resources and Forestry, Malidu Ahmad



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15. Coordinating Ministry for Economic Affairs, Office of the Deputy Minister for Energy, Mineral Resources and Forestry, Budi Utomo
16. Coordinating Ministry for Economic Affairs, Office of the Deputy Minister for International Economic Cooperation and Assistance, Hafil Widiyanto
17. Coordinating Ministry for Economic Affairs, Office of the Deputy Minister for International Economic Cooperation and Assistance, Restog Krisna Kusuma
18. Office of Energy and Mineral Resources, East Java Province, Yoyok Suroyo
19. Office of Local Revenue, East Kalimantan Province, Edward Noviansyah
20. Office of Energy and Mineral Resources, East Kalimantan Province, Bantolo
21. Office of Mines and Energy, Riau Province, Januaris
22. Office of the Regional Secretary, Riau Province, Emrizal Pakis
23. SKK Migas, Desti Melanti
24. SKK Migas, Sujoko
25. SKK Migas, Dwi Asianti W.
26. SKK Migas, Beti Damayanti
27. SKK Migas, Kurnia Ariwijayanti
28. SKK Migas, Edy Riantono

### Industry

1. Indonesian Coal Mining Association, Supriatna Suhala
2. Indonesian Mining Association / PT. Freeport Indonesia, Rini G. Ranty

### CSO

1. IDEA, Wasingatu Zakiyah
2. PWYP Indonesia, Maryati Abdullah
3. PWYP Indonesia, Yesi Maryam
4. Revenue Watch Institute, Roslita Arsyad
5. Revenue Watch Institute, Diah Tantri
6. Indonesia Parliamentary Center, Sulastio

### EITI Indonesia Secretariat

1. Daily Head of Operations, Ambarsari Dwi Cahyani
2. Regulatory Specialist, Ronald Tambunan
3. Administrative Specialist, Anita Pascalia

### World Bank

1. Advisor on the EITI, David W. Brown
2. Senior Advisor, Frederic Cegarra Escolano



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### Representative of the Government of Indonesia on the EITI International Board

1. Erry Riyana Hardjapamekas

### EITI Indonesia Reconciler – CPA Gideon Ikhwan and Sofwan

1. Irsan Thayeb

### **Notes of the Meeting**

#### Emy Perdanahari:

On behalf of the Deputy Minister for Energy and Mineral Resources of the Coordinating Ministry for Economic Affairs, the Assistant Deputy Minister for Energy and Electricity opened the meeting. Frederic Cegarra Escolano, the World Bank's Task Team Leader for EITI Indonesia, was invited to convey a short message related to the implementation of EITI in Indonesia.

#### Frederic Cegarra Escolano

The important thing now is for the Implementation Team and all associated with EITI Indonesia to undertake the reconciliation as well as the validation process. He expressed his confidence that Indonesia would pass validation, and complimented the large turnout for the Implementation Team meeting.

#### Emy Perdanahari:

The leader of the meeting then proceeded to outline the day's agenda, and saw to it that these matters were presented:

1. Results of the Meeting of the EITI Indonesia Steering Team
2. Data submission by government agencies and EI production units
3. Developments on the reconciliation
4. Developments concerning the procurement of a validator
5. EITI Global Conference in Sydney in May 2013
6. Preparations for the second EITI Indonesia report



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In connection with remarks delivered on the forthcoming second EITI Indonesia report, Ambarsari Dwi Cahyani added that oil and gas cost recovery is a new item for which data is proposed to be submitted in the second round of reporting and reconciliation, and invited a decision from the Implementation Team and the views of stakeholders, before finalizing the scoping note. In the third reconciliations, it will be recommended that we look at non-tax revenues paid by mining companies for the use of the forest zone. This should be possible in view of the fact that the Minister of Forestry's Director General for the Development of Forest Businesses has just become a member of the Implementation Team. For scoping purposes, the help of the Executive Agency for Upstream Oil and Gas Businesses (SKK Migas) and the Directorate of Non Tax Revenues is being sought in obtaining data on non tax revenues conveyed to the state by oil and gas operators, in view of the fact that this data was not reported in the Central Government's Financial Report for calendar year 2011.

The reconciler Irsan Thayeb put forward the proposed justification for the threshold below which discrepancies will not be explored, and stated that this limit would nevertheless allow the reconcilers to capture 90 percent of the value of all the initial discrepancies that have resulted. He stated his view that discrepancies below this floor were not materially significant.

The meeting participants gave opinions on the above six matters in the agenda as follows:

### **1. Results of the Meeting of the EITI Indonesia Steering Team**

There was no comment from the meeting participants.

### **2. Data submission by government agencies and EI production units**

Desti Melanti:

SKK Migas never asked for information from JV partners to oil and gas operators, because its relationship is with the operators. If, for a particular operator, its JV partners should change in the middle of a reporting year, is information being sought from the partners who were in place at the end of the year being reported upon, or from all partners in existence at some point over the course of the year in question?



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Ambarsari Dwi Cahyani:

The data we have received from the Directorate General of Budget represents all JV partners in existence at all points during the year that is being reported upon. For this reason, it will be best if all partners in existence at any point over the course of the year that is being reported upon submit templates.

### 3. Developments on the Reconciliation

Erry Riyana Hardjapamekas:

What is the justification for the proposed threshold below which discrepancies will not be explored? The basis for this decision was reached by balancing utility with the cost (in terms of time and money) of pursuing that information. What is being sought is not pure accuracy, but normalcy. It is important that we recall that so long as we explore all oil and gas discrepancies above USD 500,000 and all mineral and coal discrepancies above USD 5,000, will allow the reconcilers to capture 90 percent of the value of all the initial discrepancies that have resulted.

Januaris:

In view of the fact that EITI is an international standard, why don't we compare Indonesia to what other countries are doing?

David W. Brown:

I did not anticipate this question, and do not have any data at my fingertips about the thresholds chosen by other countries. But it is important to remember that every country is free to pick its own threshold based on its own considerations, so long as its MSG agrees.

Maryati:

Having a threshold seems perfectly normal. Please clarify, however, whether the threshold we have been discussing is for each revenue stream conveyed by a production unit, or for the total of all revenue streams conveyed by a production unit?

Irsan Thayeb:

The threshold is for each revenue stream conveyed by a production unit.

Sujoko:

How will the reconciliation process be carried out, will there be confirmation with both the government and industry reporting unit?



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Emy Perdanahari:

In the process of reconciliation, the reconciler will seek confirmation from both the government and industry reporting unit

Irsan Thayeb:

The reconcilers have at this moment already begun to seek confirmation from several government agencies and companies.

Ambarsari Dwi Cahyani:

We are sorry that the reconciler has not yet been in to see SKK Migas for data confirmation, because the organization has been undergoing a bit of a shake up, and there was the feeling that it would be good to wait for things to settle down a bit.

#### **4. Developments concerning the procurement of a Validator**

Maryati:

We from CSOs are worried about what we have heard is a requirement that, in order to be declared fully EITI compliant, Indonesia is required to publish two reports. What is the plan for us overcoming this problem? If Indonesia is, for example, under threat for delisting in April, can we ask for an extension?

Emy Perdanahari:

The validation concerns itself not only the total number of reports, but also about the quality of the EITI process.

Erry Riyana Hardjapamekas:

We'll do our best. If needed, we can ask for an extension. Or we could be de-listed. But what is important is that we try our best. I will also do my best to see that we are properly represented on the EITI Board.

Roslita Arsyad:

What about the publication of the first EITI Indonesia report, is there already a work plan in place for this?

Emy Perdanahari:

We are going to immediately recruit a Communications Specialist to support the publication process.



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### Maryati:

Will the determination be made today regarding who is in the top position on the short list of validators? What does the Implementation Team need to do to make sure we are in readiness for the validation process?

### Ambarsari Dwi Cahyani:

The determination will be made today (by the Procurement Committee of the Coordinating Ministry for Economic Affairs) regarding who is in the top position on the short list of validators. Regarding readiness for, and the actual process of, the validation, this will be conveyed in due course, as soon as we understand the proposed work plan of the firm that is selected for the validation.

### David W. Brown:

Based on my experience as a former validator in the nations of Timor Leste and Yemen (both of which were found to be compliant), I have a good feeling about the prospects of Indonesia in its upcoming validation process.

What is for sure is that the validator is going to come to Indonesia and is going to consult with stakeholders, especially the Implementation Team and/or its representatives on the Technical Team. It's important to recall the workshop we had last November, in preparation for validation, at which many of you were in attendance.

## **5. EITI Global Conference in Sydney in May 2013**

The members of the Implementation Team were asked to give suggestions for two names from each government agency to attend the EITI Conference, with costs of travel to be supported by each agency. In addition, the travel of four individuals will be supported by the EITI International Secretariat.

### Maryati:

Materials for the Indonesia booth should be contributed from various agencies, the industry associations, and CSOs, and not just by the Secretariat.



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### 6. Preparations for the second EITI Indonesia report

Yoyok Suroyo:

My suggestion is to reconcile cost recovery because it negatively influences revenue sharing (because cost recovery constitutes a substantial deduction from funds that are eventually redistributed to local governments via the revenue sharing or DBH mechanism).

Januaris:

I have the same suggestion

Agus Cahyono Adi:

Currently we cannot comment on this, because we have new leadership in the Directorate General of Oil and Gas. We will provide a written response on whether the Directorate General of Oil and Gas agrees to the inclusion of cost recovery in reporting for 2010 & 2011.

Delpina Siahaan:

Does the oil and gas income tax figure include branch profit tax? Regarding cost recovery, there is already a reconciliation of cost recovery audits performed by BP Migas, BPKP and the Directorate General of Taxation which takes place (outside of EITI). In view of the fact that this reconciled number exists, what (else) do you propose to reconcile cost recovery against.

Ambarsari Dwi Cahyani:

The oil and gas income tax figure includes branch profit tax. As for other oil and gas-related taxes (PPH 26, 23, 21) there has been no recommendation to include them in the report. Regarding cost recovery, let's wait for the recommendation from the Directorate General of Oil and Gas and SKK Migas. As for mining, there are no changes in the new template. In principle, the Secretariat is just here to facilitate proposals from other stakeholders, and for that reason there are not too many changes from the previous template.

Emrizal Pakis:

Cost recovery should be reconciled in order to enhance transparency. The appointment of new officials should not be an excuse (for the failure of the Directorate General of Oil and Gas to take an immediate decision).

Emy Perdanahari:

Hopefully the Directorate General of Oil and Gas SKK Migas can immediately give a written reply on this matter, as soon as the minutes of this meeting are sent around.



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### Erry Riyana Hardjapamekas:

The Indonesian public suspects that a lot of cheating goes in the arena of cost recovery, so the solution here is to be transparent. Since there is already a joint audit of cost recovery by BPKP, DG Taxation and SKK Migas, surely the transparent reporting of these results can be approved.

### Edward Noviansyah:

Cost recovery is in conveyed in-kind, but reported in USD. So (in order to rule out the possibility of leakage at the point of transition between in-kind and USD revenues) both should be reconciled.

### Desti Melanti:

It is true that the cost recovery is conveyed in-kind. Yet it must be agreed whether the form in which it will be reconciled will be in-kind (volume), in USD, or both. We need to wait for direction from our superiors.

### C. Risyana:

It is understood that under EITI, all reported data should be audited. However, there is a need for a greater understanding of how the actual management of cost recovery is carried out in Indonesia (and whether this is up to EITI standards).

### Emy Perdanahari:

It seems like 90 percent of the members of the Implementation Team agree that there should be cost recovery in the second reporting. Implementation Team members are required to provide written input regarding cost recovery, by no later than the second week of February. Then at that time there will be a special meeting to discuss this. (Editor's note: This meeting did not take place.)

### Rini G. Ranty:

Please provide the opportunity for input from the Indonesian Mining Association related to the content of the first EITI Indonesia report.

### Irsan Thayeb:

We will hold a series of workshops to provide all reporting mining units with an opportunity to provide additional confirmation on the data they submitted.



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Ambarsari Dwi Cahyani:

Discrepancies may be caused by an error of interpretation, changes in personnel or actual reporting errors. To save time, small workshops will be held to confirm the data. These workshops, which will be held in the EITI Secretariat, may separate enterprises from government agencies, or in some cases sit them down together.

Roslita Arsyad:

Data to be submitted by the Directorate General of Taxation is still incomplete. Is there follow up that should be done?

Kumara Chandra:

Complete data has sent by e-mail this morning to Ambar. But we are still waiting for a signature on the cover letter. We are experiencing constraints due to differences in NPWP (taxpayer numbers) given by some reporting units, and the numbers which we have on file for those units. This will be further discussed with Ambar.

Wasingatu Zakiyah:

Can we add DMO conveyed by coal companies to the government to our templates?

Supriatna Suhala:

Currently not all coal companies are required to convey DMO to the state. But there are big penalties for companies that do not comply.

Ambarsari Dwi Cahyani:

Coal DMO does not contribute to the state budget. So we would need further study on this subject, before we conclude that it is actually material from an EITI perspective.

Supriatna Suhala:

DMO is useful to maintain the supply of coal for the country.

C. Risyana:

If we are going to pilot local government reporting in the second report, the unit of government which is more practical is the district level, not the provincial level.

Emy Perdanahari:

We will take forward discussions with Risyana regarding which districts she believes might be most fruitfully included in the second report.



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Irsan Thayeb:

I would like to request the help of IMA and ICMA in providing contact data for mining units that, so far, the reconciler has been unable to reach.

Maryati:

It would be better if procurement of the reconciler for the second report could be put on an expedited schedule. Are there financing constraints?

Emy Perdanahari:

Frederic will help to speed up the finalization of our second grant from the EITI MDTF. When that is approved, we can then try to be speedy in the procurement of the reconciler. All members of the Implementation Team please provide inputs on cost recovery and provide the names of the two officials whom you intend to send to conference in Sydney.

Januaris:

Looking at the data on oil and gas operators in the scoping note for the second report, I can see that it needs to be updated.

Desti Melanti:

We will help update it.

**The meeting was closed.**