



**COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
THE REPUBLIC OF INDONESIA**

MINUTES OF MEETING – IMPLEMENTATION TEAM

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE - INDONESIA

Time and Venue

Day / Date : Thursday / 14 March 2013
Time : 9:30 – 13:00
Venue : Coordinating Minister Meeting Room
Coordinating Ministry Office Building, 4th Floor
Jl. Lapangan Banteng Timur No. 2-4, Central Jakarta.
Agenda : 1. Validator: Tender Result, Introduction, and Work Plan;
2. Presentation of Reconciliation Final Report by Reconciler;
3. Scope of EITI II Reporting: Post 31 January 2013 Revision.

Participants

Government of Indonesia

1. Financial and Development Supervisory Agency (BPKP), Teguh W
2. BPKP, Delpina Siahaan
3. Ministry of Interior, DG Regional Financial Administration Development, Winardih
4. Ministry of Energy and Mineral Resources, DG Mineral and Coal, Paul Lubis
5. Ministry of Energy and Mineral Resources, DG Oil and Gas, Agus Cahyono Adi
6. Ministry of Energy and Mineral Resources, DG Oil and Gas, Tobian Parulian
7. Special Task Force on Oil and Gas Upstream Activities (SKKMIGAS), Sujoko
8. SKKMIGAS, Elan Biantoro
9. SKKMIGAS, Slamet Musyadin
10. SKKMIGAS, Dewi Ardhianni
11. SKKMIGAS, Beti Damayanti
12. Ministry of Finance, DG State Budget, Erman J Kusuma
13. Ministry of Finance, DG State Budget, Evi Karmilah
14. Ministry of Finance, DG Taxation, Yon Aarsal
15. Ministry of Finance, DG Treasury, Erikson Hutasoit
16. Ministry of Finance, DG Treasury, Deny Extyastoro Hastomo
17. Ministry of Finance, DG Financial Balance, C. Risyana
18. Ministry of Finance, DG Financial Balance, Sandy Firdaus
19. Regional Revenue Agency, East Kalimantan Province, Edward Noviansyah
20. Regional Revenue Agency, East Kalimantan Province, H. Eddy Kuswandi, SE, MM
21. Regional Revenue Agency, East Kalimantan Province, Drs. Djoni Topan, M.Si
22. Mining and Energy Agency, East Kalimantan Province, Bantolo
23. Mining and Energy Agency, Riau Province, Januaris

Industry

1. Indonesian Coal Mining Association,
2. Indonesian Mining Association, Hendra S
3. Indonesian Mining Association, Mukhlis
4. Indonesian Petroleum Association, Dipnala Tamzil

NGO and Academe

1. IDEA, Wasingatu Zakiyah
2. PWYP Indonesia, Maryati Abdullah
3. PWYP Indonesia, Aryanto Nugroho
4. IESR, Yesi Maryam
5. Article 33 Indonesia, Chitra Retna S
6. Article 33 Indonesia, Kanti
7. Article 33 Indonesia, Muh. Rasyid R A
8. RWI, Diah Tantri
9. RWI, Roslita Arsyad
10. UI, Sonny Mumbunan

EITI Indonesia Secretariat

1. Assistant Deputy for Electricity as Secretary of EITI Indonesia Implementation Team, Ir. Emy Perdanahari, Ph.D
2. Acting Deputy Secretary of EITI Indonesia Team, Ambarsari Dwi Cahyani
3. Regulatory Specialist, Ronald Tambunan
4. Revenue Specialist II, Anita Pascalia
5. Staff Deputy III for Electricity, Yuliana
6. Staff Deputy III for Electricity, Malidu

The World Bank

1. Advisor to EITI Indonesia, David W. Brown

EITI Internasional Board Member

1. Erry Ryana Hardjapamekas

Reconciler, Gideon Ikhwan Sofwan PAC

1. Ade Ikhwan
2. Laurence
3. Irsan Thayeb
4. Christina Sutanto

Validator, Deloitte Australia

1. Francis Thomas
2. Mark Leung
3. Margaretha Andhita

Meeting Chair : Ms. Emy Perdanahari, Assistant Deputy for Electricity in the capacity of Secretary for the EITI Indonesia Implementation Team, on behalf of the Deputy for the Coordination of Energy, Mineral Resources, and Forestry, The Coordinating Ministry for Economic Affairs

Minutes

Chairwoman Emy Perdanahari opened the forum at 09:30 WIB, and after opening remarks to the participants, Reconciler, and Validator, the chair listed the agenda for the meeting:

1. Validator: Result of Tender, Introduction, and Work Plan;
2. Presentation on the Reconciliation Final Report by the Reconciler;
3. Scope of EITI II Reporting: Post 31 January 2013 Revision.

All three agenda will be explained in whole by each PIC, after which it will be discussed at length. The explanations is as follow:

I. Validator: Result of Tender, Introduction and Work Plan

1. The Chair invited the selected Validator to introduce themselves, upon which the Validator introduces themselves to all participants while at the same time conveying their gratitude in being able to attend the meeting;
 2. The chair expounded on the Validator selection process, that being:
 - The selection process was undertaken from 17 December 2012 to 18 February 2013 using International Selection Methodology;
 - Based on the selection result of 31 January 2012, 3 validator was selected, in sequential list: (i) CAC 75, with proposal mark of 84,98; (ii) Deloitte Australia, with proposal mark of 81,20; (iii) Resource Consulting Services Limited, with proposal mark of 77,11;
 - First phase, CAC 75 was named as the winning bidder (31 January 2013), but failed to be appointed since negotiation to include Income and Value Added Taxes in services fee could not be finalized (12 February 2013);
 - Second Phase, on 14 February 2013 a letter of inquiry was sent to the second highest bidder, Deloitte Australia, on the inclusion of Income and Value Added Tax in services fee. Deloitte Australia stated their willingness and capability to bore such imposition;
 - Deloitte Australia was named as the winning bidder of validator selection on 18 February 2013.
 - Following that, the Chair expounded upon the Validator schedule, namely:
 - 14 March 2013, meeting with EITIO Indonesia Implementation Team;
 - 15-25 March 2013, stakeholder interview/discussion in Indonesia;
 - 22 March 2013, Submitting Verbal Preliminary Report to the Chairman of Implementation Team and Secretary to the Coordinating Minister;
 - 25 March 2013, submitting Preliminary Report to the Implementation Team, and collecting inputs;
 - 26 March-3 April 2013, report drafting;
 - 4 April 2013, Draft of Final Report to be sent to the Implementation Team, EITI International Secretariat and EITI International Validation Committee;
 - 5-19 April 2013 (or after), the Implementation Team, EITI International Secretariat, and the EITI International Validation Committee to undertake review, discussion and provide written opinions. Minimum time frame would be 2 weeks, depending on the Validator's final report;
- Should everything be on schedule, then:
- 20-24 April 2013, validator to revise the report;
 - 25 April 2013, Final Report to be submitted to the Implementation Team and the International Validation Committee.

To anticipate any possible delays, the EITI International Secretariat suggested that Indonesia submitted a request for extension to 18 May 2013. No participants voiced their objection to the extension.

On the explanation provided by the Chair, Agus of DG Oil and Gas of the Ministry of Energy asked whether there would be a revision on the validator's report in relation to the planned schedule and result of meetings/discussions. It was replied by the chair that any necessary revision will be prepared in advance.

II. Presentation of Reconciliation Final Report by the Reconciler;


1. Ade Ikhwan, Reconciler, explained that in general the Reconciler's scope of work comprised of obtaining the assignment, executing assigned project and provide any updates. For the 2009 fiscal year report, it is still being continually updated since there are a number of data needed to be reconciled, such as royalty from mining, corporate income tax and property tax, as well as dividends mineral and coal mining companies. At the same time, data on government lifting, corporate income tax, contractor's over lifting, and DMO fees, as well as others from oil and gas companies, including uniformity of measurement unit of barrel oil equivalent or MSCF for gas, still remain to be reconciled. It was also explained that for the calculation of 2009 fiscal year it is agreed upon that utilized exchange rate would be at Rp 10.400,-/US Dollar.

Lebih lanjut, secara rinci dipresentasikan sebagai berikut:

Slide 1

Scope of Work – EITI Reconciliator

- We, of Gideon Ikhwan Sofwan Public Accounting Firm, was officially commissioned as EITI Reconciliator through Consultant Engagement Contract dated 21 December 2012.
- Reconciliation will be conducted on 129 selected companies (reporting entities) comprising of 54 Coal Companies, 18 Mineral Companies and 57 Oil & Gas Companies.
- Prior to our commissioning as EITI Reconciler, EITI Secretariat had sent information which will be reconciled between Reporting Entities and the Government (DG Taxation, ESDM, DG State Budget, and BP Migas). Information to be reconciled will be displayed in the following slide(s)
- Most of the information required for the reconciliation process had been received by the secretariat (around the last quarter of 2011).
- Previously, the Secretariat had undertook workshop, both with reporting entities and the Government, in relation to the sort of information required and what will be reconciled.

KAP GIDEON IKHWAN SOFWAN  Parker Randall

- The first thing to be undertaken after our commissioning was to recapitulate all obtained information. Hal pertama-tama yang kami lakukan setelah mendapat penugasan adalah melakukan rekapitulasi atas informasi-informasi yang telah diperoleh, baik dari Entitas Pelapor maupun Pemerintah. Hal ini diperlukan untuk menentukan arah selanjutnya dari proses rekonsiliasi.
- Kami juga melakukan update atas informasi-informasi yang berkaitan dengan Entitas Pelapor (nama Perusahaan, Alamat, No Telp, email dan PIC dari masing-masing Perusahaan).
- Bekerja sama dengan pihak Sekretariat, kami menyusun contingency plan sehubungan dengan hambatan/isu yang telah dan/atau akan ditemukan pada saat proses rekonsiliasi.
- Informasi – informasi awal hasil dari konfirmasi, baik dari pihak Pemerintah maupun Entitas Pelapor, sebagian besar masih berupa informasi secara total (belum berisikan informasi secara rinci).

Reconciled Information – Coal & Mineral Co.

Revenue Stream	Company		ESDM – Minerba		DG Tax		DG State Budget	
	Rp	US\$	Rp	US\$	Rp	US\$	Rp	US\$
Royalties								
Mining Proceeds								
Fixed Fees								
Income Tax								
Property Tax								
Government Dividends								

Reconciled Information – Oil & Gas - US\$

Revenue Stream	Production Sharing Contractors	BP Migas/SKK Migas	DG State Budget
	US\$	US\$	US\$
Government liftings of oil and gas, and Domestic Market Obligation oil			
Corporate Income and dividend/branch profits tax			
Contractors' over liftings / (under liftings) – net			
Contractors' over liftings / (under liftings) – net			
DMO fees			

Reconciled Information – Oil & Gas - Volume

Revenue Stream	Production Sharing Contractors	ESDM
Government liftings of oil (Barrels)		
Government liftings of gas (MSCF)		
Domestic Market Obligation oil (Barrels)		

Reconciliation Process

- Undertake preliminary analysis on recapitulation process, against obtained information, both from the government and the Reconciler.
- Conducted further discussion with both the Government (ESDM, DG Tax, DG Budget dan SKK Migas) and the Reporting Entities on the assumptions and facts that were used during information submission both confirmed and reconciled.
- Conducted workshop
- Visitation to several companies, whether they are located in-town or out-of-town. Visitation was undertaken on companies which during initial identification did not indicate differences and not participating in workshop.
- Visitation to the Government, to request more detailed information, based on detail data obtained from Reporting Entities.
- Analysis & Final Report

Reconciliation Result– Mineral & Coal - per 5 March 2013

Revenue Stream	Reported by Companies, after adjustment Equivalent US Dollars ('000)	Reported by PNB/ ESDM, after adjustment Equivalent US Dollars ('000)	Unreconciled differences Equivalent US Dollars ('000)
Corporate income tax:			
- Minerals	1,223,166.75	1,166,001.96	48,009.59
- Coal	795,167.53	1,432,851.89	(700,868.64)
Sub Total	2,018,334.28	2,598,853.85	(652,859.06)
Royalties:			
- Minerals	198,311.33	193,550.44	4,760.90
- Coal	1,013,574.82	632,870.87	380,703.95
Sub Total	1,211,886.15	826,421.30	385,464.85
Revenue sales share:			
- Minerals	-	-	-
- Coal	607,685.98	446,895.90	160,790.08
Sub Total	607,685.98	446,895.90	160,790.08
Dead rent:			
- Minerals	986.38	1,831.72	(845.34)
- Coal	2,494.55	2,035.07	459.48
Sub Total	3,480.93	3,866.79	(385.86)
Land and buildings tax (PBB):			
- Minerals	13,664.83	3,360.31	9,774.46
- Coal	14,041.12	2,745.90	2,954.18
Sub Total	27,705.95	6,106.21	12,728.64
Dividends:			
- Minerals	288,994.58	276,870.05	12,124.53
- Coal	63,063.72	63,063.72	-
Sub Total	352,058.30	339,933.77	12,124.53
TOTAL	4,221,151.60	4,222,077.83	(82,136.82)

Reconciliation Result – Oil & Gas - per 5 March 2013

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No	US\$'000	PER ORIGINAL REPORTING TEMPLATES		INITIAL DIFFERENCE	RECONCILIATION ADJUSTMENTS		ADJUSTED AMOUNTS		UNRECONCILED DIFFERENCE
		BP MIGAS	PNBP		BP MIGAS	PNBP	BP MIGAS	PNBP	
(1)	Government liftings of oil and gas, and DMO oil	15,316,437	15,310,379	(6,059)	-	6,724	15,316,437	15,317,103	(666)
(2)	Contractors' overliftings/ (underliftings) - net	811,030	792,237	18,792	(18,792)	-	792,237	792,237	-
(3)	DMO fees	(697,201)	(697,199)	-	-	-	(697,201)	(697,199)	-
SUBTOTAL		15,430,266	15,405,417	12,734	(18,792)	6,724	15,411,474	15,412,141	(666)

Reconciliation Result – Oil & Gas - per 5 March 2013

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US\$'000	PER ORIGINAL REPORTING TEMPLATES		INITIAL DIFFERENCE	RECONCILIATION ADJUSTMENTS		ADJUSTED AMOUNTS		UNRECONCILED DIFFERENCE
	PSC PARTICIPANTS (1)	PNBP (2)		PSC PARTICIPANTS (4)	PNBP (5)	PSC PARTICIPANTS (6)	PNBP (7)	
(1) Corporate income tax/ dividend tax/ branch profits tax	4,678,054	4,580,432	97,622	47,945	(1,070)	4,725,999	4,579,363	146,636
(2) Contractors' overliftings/ (underliftings) - net	913,796	792,237	121,559	7,626	-	921,422	792,237	129,185
(3) Bonuses : - Production - Signature	18,250 5,250	17,250 -	1,000 5,250	1,000 (5,250)	2,000 -	19,250 -	19,250 -	- -
SUBTOTAL	5,615,350	5,389,919	225,431	51,320	930	5,666,671	5,390,850	275,821

Reconciliation Result – Oil & Gas - per 5 March 2013

OIL AND GAS VOLUME/ QUANTITY INFORMATION	Units	PER ORIGINAL REPORTING TEMPLATES		INITIAL DIFFERENCE	RECONCILIATION ADJUSTMENTS		ADJUSTED AMOUNTS		UNRECONCILED DIFFERENCE
		PSC OPERATORS	ESDM		PSC OPERATORS	ESDM	PSC OPERATORS	ESDM	
		(1)	(2)		(4)	(5)	(6)	(7)	
(1) Government liftings of oil	Barrels	177 956 905	179 242 266	(1 285 361)	(460 006)	-	177 496 899	179 242 266	(1 745 367)
(2) Government liftings of gas	MSCF	499 521 962	682 659 945	(183 137 983)	(10 679 381)	-	488 842 581	682 659 945	(193 817 364)
(3) DMO oil	Barrels	63 053 986	24 760 691	38 293 429	67	-	63 054 053	24 760 691	38 293 362

Confirmation Status – Mineral & Coal

		Total	Reported	No Report	Remarks
Mineral	Gold & Copper	6	6	0	
	Tin	7	5	2	CV Donna Kebara Jaya & CV Makmur Jaya no longer operates
	Bauxite	2	2	0	
	Nickel	3	3	0	
	Total	18	16	2	
Coal		54	53	1	PT Transisi Energi
	Total	72	69	3	

List Status - Oil & Gas

		Total	Reported	No Report	Remarks
Operator	Oil & Gas	57	57	0	
Total		129	126	3	

For oil & gas, within the original template there is a notification for non-operators to convey Corporate and Dividend Tax payment information.

Other Standing Issues

- We require assistance from DG Tax in providing tax payment details during 2009 for several reporting entities. Based on our analysis, more than 90% difference on tax returns were caused only by a small number of these Reporting Entities.
- We require assistance from ESDM – Minerba to provide further data relating to Royalties and PHT returns received from Reporting Entities.
- Several suggestion for the implementation of subsequent EITI periods:
 - a. Initial planning (information to be reconciled, concept, cash/accrual basis, cut off)
 - b. Parties appointed to follow and fill EITI's socialization and information
 - c. Detail of information to be requested and data authorization

2. Reconciler then express examples of issues which caused differences which needs to be addressed, amongst others:

- The presence of different tax IDs between a Head Office and their branches in the regions, which complicate uniformity in tax calculation mechanism;
- Difference in oil lifting amount of around 460 thousand barrels;
- Confirmation on the reporting status of Coal and Mineral Mining Companies, total of 72 in which 69 reported while 3 did not;
- Mineral companies;
- Details on 2009 tax payment for several Reporting Entities are not yet finalized, we need the assistance from DG Tax;
- Finalization of royalties data as well as others require support assistance from DG Mineral and Coal ESDM;

Several suggestions for the improvements of information data which will be reconciled have been planned.

Participants convey their opinions on the Reconciler's presentation as follow:

Mukhlis, Mining Association:

Asked on the presence of difference of understanding on the basis for paid tax, whether it would be on cash basis or accrual basis.

Ade Ikhwan, Reconciler:

This is caused by the difference between tax forms/SKP utilized, such as income tax form, and also by citing the example that for property tax the distribution was at regional level, while the central government does not have direct access to the regions, which created discrepancies. Apart from that, corporate income tax credit, when accumulated, reached a substantial figure, which caused a discrepancy difficult to explain. It is hoped by the reconciler that such factors be excluded from the reconciliation process;

Paul Lubis, DG Coal & Mineral, Ministry of ESDM:

SKP is much better to be included, as per the request, due to the difficulties in tracing the returns. Tax ID numbers differs, which created a situation where even when one branch office had paid their tax, others might not yet paid theirs or is yet to be submitted. Data on such factor had been accumulated, tax payers must also assist in reporting it. It is optimistic that this could be completed, maybe in one day.

Ambarsari, Sekretariat:

Reporting of Property Tax SKP have been received, and further discussion will be taken.

Maryati, from NGO, queried/conveyed:

- Tax must be calculated on accrual basis;
- It must be expounded regarding the time constraint of the validator's engagement timeframe, whether it will be reached.
The Reconciliation Report must settle the significant issues;
- On discrepancies, is there anything to explain, including the format of the returns, amount and sources, maybe there is further to be clarified with DG Tax, and DG Oil & Gas; it is hoped that there would be a settlement to any discrepancy and explanation on where the problem lies;
- Reconciler must have an idea on the sort of publication format the report will be produced and presented to the public;

Ade Ikhwan provided a general response the in accordance to the focus of the ToR, there are 8-9 companies which indicated a significant discrepancies. Such discrepancies would then be focused upon.

It was further expounded by Paul of DG Tax that after coming from the tax office, another meeting took place to settle all differences, and such differences, according to Sujoko of SKK Migas had been settled;

Erman J Kusuma, DG State Budget conveyed that for certain insignificant figure (to the tunes of several million US Dollars) for oil and gas, would the issue of accrual or cash basis be important to settle / to harmonize the perception first, such as 2010 tax being paid in 2011.

Ade Ikhwan, Reconciler targeted that in certain cases, it will be settled nearing 22-25 March 2013;

David W Brown, queried on the occurrence of large discrepancy (millions of US Dollars) for gas volume.

(SKK Migas), stated that the difference occurred due to difference in measurement units being utilized, some measured in MSCF while others in BOE, as well as other units.

Maryati queried on why the government submitted their report in different units.

Agus Cahyono Adi, DG Oil and gas explained that:

- ESDM published their report continuously, there are no annual closing, and audit is undertaken per/on the year oil or gas is found;
- For production sharing system, a January-December period is used on oil contracts ending in cash;
- Gas does not apply a specific volume measurement in the report, including what would be the share of the contractor and the government. This is because each location differs from one another. One contractor could own more than one Gas Sale Purchase Agreement (PJBG) with differing price and volume;
- Hence, (responding to David's query), the difference in the volume does not cause the money to move anywhere.

Maryati then suggested that if there are no discrepancies in US Dollar (*in cash*), then the usage of measurement unit be standardized, based on FQR.

Agus Cahyono Adi stated that the measurement unit in FQR had been used in ESDM's monthly report, but (in respond's to the Chair's inquiry), the companies could not adjust to implementing similar unit. Because of this, Agus suggested that for Gas, there is a need for a consensus on gas volume unit.

Erry Riyana Hardjapamekas call upon all present to fully explain and completely understand the causes for all discrepancies so as to eliminate suspicions and clearing up all issues.

III. Scope of EITI II Reporting Scope: Post 31 January 2013 Revision

Ambarsari, EITI Indonesia Secretariat presented on:

- *Cost Recovery*
- Determination of Reporting Regions and Reporting Items
- Reporting Forms
- Second EITI Report Work Plan

a. *Cost Recovery (CR)*

- There are two differing opinions:
 1. Agree to include CR in the report
 2. Disagree to include CR in the report
- A separate timeline to achieve agreement is needed, it is estimated to be around 2-3 months.
- Considering:
 1. That the second report have heavier substance, comprising of 2 reporting years, consisting of 261 production units, and covering regional examples;
 2. That the second report must be publicized by 31 December 2013 at the latest, then the scope must be determined by the end of March at the latest in order for the reporting forms to be sent by April.

b. *Determination of Reporting Regions and Reporting Items*

- Letter from DG Financial Balance recommends 6 reporting regions, comprising of East Kalimantan Province; Bengkalis Regency, Riau; Muara Enim Regency, South Sumatera; Kutai Kartanegara Regency, East Kalimantan; Banjar Regency, South Kalimantan; Tabalong Regency, South Kalimantan.

- The Secretariat considers the scale and complexity of the second report, and opined to include only 2 regional governments to be included in the report.
- There are 3 considerations being put forth:
 1. Representing provinces and regencies
 2. Representing type of commodity
 3. In the case of mining, the majority of business units are in the form of coal PKP2B.

c. Reporting Forms

- Can be seen on distributed documents
- Consisted of forms for:
 1. Oil and Gas industry
 2. Mineral and Coal industry
 3. Oil and Gas governmental institutions
 4. Mineral and Coal governmental institutions
 5. Revenue-Sharing governmental institutions
- Reporting forms for regions are yet to be composed, and require consultation with DG Financial Balance and Regional Governments.

d. Work Plan for Second EITI Report

WORK PLAN OF SECOND EITI REPORT	2013										
	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
Approval on Scope of Work and Reconciler's ToR											
Distribution of reporting forms											
Submission of reporting forms to the secretariat											
Selection of Independent Reconciler											
Reconciliation Process											
Drafting of reconciliation report											
Review and approval of report											
Publication of report											

Q & A:

Ambarsari, EITI Indonesia Specialist:

- Each business units had been contacted since the end of February 2013 in order to obtain clarification on *cost recovery*;
- Forms for 2010-2011 will be distributed for later submissions by business units.

Emy Perdanahari, chair:

We are constrained by time limits so the *cost recovery* issue must be settled soon.

Responding to queries from Zakiyah of NGO on how many agrees and disagrees for the inclusion of cost recovery (CR), could there be a voting process.

Ambarsari:

This will be explained in the notes for Scope of Work, to the Coordinating Minister, and it needs to be communicated.

On CR, regarding the result from PSC, could it be converted to CR which will be included in the report, Maryati of NGO opined that CR is public information, hence included in the calculation of revenue line thus CR is imperative to be reported.

Maryati, NGO:

Provide a deadline (e.g. 2 weeks) for the settlement, harmonized perception remains crucial, even if could not be reconciled, maybe all parties concerned will understand.

According to SKK Migas there is a need for a *Joint Audit*, because *Cost Recovery* is a bureaucratic problem, and not of revenue.

Emy, meeting chair concluded that there is no need for voting, because a common understanding is enough, and with a sit down for CR assessment, hopefully with 1 week an agreement could be reached, because by April 2013 the report must be EITI compliant

Erry Ryana: It is possible that cost recovery need not be reconciled, and that audit result of *cost recovery* be presented within the report, due to its nature being normative.

Agus Cahyono, DG Oil and gas agreed that *cost recovery* be discussed further in a special session. The CR figures dynamically changes along with current development

Januaris, RIAU Regional Government conveyed that the *cost recovery* reconciliation process be undertaken at the beginning, agrees with Erry Ryana on the importance of CR transparency, and be published. As well as providing answers for regional parliamentarians. The issue is also to be included as inputs for the Steering Committee.

Pak Sujoko, SKK Migas agreed that CR be further discussed by tagging the consideration that a joint audit had taken place.

Ibu Delphina, BPKP stated that if CR is to be reconciled, but not in adjustment with the reporting year, then it would be illogical, because of this what needed to be done is to refer to the result of the audit.

The Chair conveyed that a meeting on CR will be undertaken the following week, it is hoped that representatives from DG Oil and Gas, SKK Migas, East Kalimantan Provincial Government, Riau Provincial Government, NGO, BPKP, and DG State Budget be present.

Erman JK, DG State Budget: such issue should not hinder EITI Indonesia to obtain *compliant status*, because CR is not included in EITI's requirements.

Maryati, NGO conveyed that such issue should not be a hindrance if executed in parallel. If the Mineral and Coal forms are clear, then 2010-2011 Oil and Gas could go ahead. For coal, referring to previous decisions, Coal DMO is to be included to the *scoping note*.

Maryati queried on reporting regions for the second report.

Ambar explained that it is planned that a number of regions will undertake pilot projects. There will be a special discussion with DG State Budget Balance in the near future, or with DG Financial Balance.

Bantolo, East Kalimantan Province on the other hand, queried on CSR funds, asking whether CSR funds is categorized as received by the public or by the regions.

Agus Cahyono, DG Oil and Gas explained that CSR is not in the form of cash, but programs.

David W. Brown, the World Bank informed:

- The World Bank is pleased to review the development of EITI Indonesia;
- CSR is not included in the requirement;

- There are 3 Coal Mining Permits issued in Tabalong, while in Muara Enim there are only two operational companies, what actually is the number of permits effective in the two regions, there is a need for accurate data checking. So that there is an importance in object determination.

Paul, DG Coal and Mineral agreed that the regions be included in the report. Permit issue will be further checked.

Januaris, Riau Province:

CSR is reported as aid or non regional revenue program. There is a need for perception alignment.

Zakiah, NGO, proposed that other region with significant contributions be included.

Maryati, NGO

What about regions with potential such as gold, nickel and coal such as Banjar and others, to be covered, due to their significance for State/Regional Budget, and because the regions also wanted to publicize their mining proceeds.

Risyana, DG Financial Balance conveyed that recommendations had been based on existing data and according to requests. And this had been communicated with corresponding region. From mining proceed perspective they are less varied in the case of mineral resources.

David Brown stated that we will observe the benefit, if the Kutai Kartanegara regency is ready, then maybe they should be considered as a reporting region.

Risyana stated that Kutai Kartanegara could start assessing and have been informed by us.

Ambar concluded that there will be 2 regions with a report, East Kalimantan Province and Kutai Kartanegara Regency.

Maryati, NGO proposed that in regards to reported revenue stream, reclamation fund both in oil and gas as well as mining could be included. Issues such as rehabilitated environment and post-mining factor be included in the coverage.

Ambar, The Secretariat will prepare and discuss with DG Financial Balance and relevant regions because they must be aligned with regional condition.

Meeting Chair, Emy Perdanahari closed the forum at 12:30 WIB.