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PRESS RELEASE

Indonesia's First EITI Report Provides a Look inside the Black Box

Jakarta, 8 May 2013 – The First Extractive Industries Transparency Initiative (EITI) Report by Indonesia, which compares revenues reported to have been paid to the government by nearly all oil, gas, mineral and coal companies operating in the country with those received by the government, shows that in 2009, after certain deductions, the government collected US$24.2 billion (Rp251 trillion at Rp10,400 per US$).

Although the overall contribution of the oil and gas sector to public revenues has long been public information, the EITI report shows the exact contribution of each oil and gas company. Even more extraordinarily, it does the same for each large and medium sized mining company, including those that are locally licensed.

Emy Perdanahari, Chairwoman of EITI Indonesia Secretariat, commented, "The Indonesian extractives sector and the amount of revenues it generates have long been source of contention, simply because detailed information was not available to the general public. With the release of this report, the public will finally know how much, officially speaking, each resource company paid to each government agency. This is a huge milestone in government transparency."

The report provides what may be the first ever figure on the overall income tax and royalty contribution of the mineral and coal sectors. Before the implementation of EITI, the only number that was public was a single figure for all royalties paid by mining firms. The EITI Indonesia report determines that the nation's mineral (copper, gold, nickel, tin and bauxite) companies contributed about US$1.2 billion (Rp12.5 trillion) in income tax and US$1.2 billion (Rp12.5 trillion) in royalties, while its coal companies contributed about US$1 billion (Rp10.4 trillion) in income taxes and US$1.3 billion (Rp13.5 trillion) in royalties. The real figures are larger, because the EITI numbers exclude smaller mining companies, as well as a handful of large and medium sized companies whose taxes the DG of Tax declined to report, due to lack of supporting documentation related to the adherence to the Tax Laws stipulations' on disclosure.

Supriatna Suhala, Executive Director of the Indonesian Coal Mining Association, stated, "The EITI report provides the public with the clearest understanding so far of the coal mining sector's contribution to state revenue. We also have to keep in mind that there would be multiplier effect which may be higher than the recorded contribution."

Although the report helps illuminate the official contribution of the coal sector to national development, it also highlights possible shortcomings in how this information is managed. The report found that the Government recorded receiving US$282 million more in income tax than coal companies said they paid. This was mostly due to the two biggest coal producing units of Indonesia's biggest coal mining group, Bumi Resources, not reporting to EITI Indonesia what are believed to be its back taxes from 2007 and 2008 that were paid in 2009.

The EITI Indonesia Report also showed a weakness of information management at the Directorate General of Minerals and Coal. This was shown through discrepancies in the area of coal royalties. Differences between what companies paid and what the government received started out at US$727 million, but were narrowed down to US$54 million, due to EITI Indonesia conducting a review of physical records maintained by the Directorate General of Minerals and Coal. Specific to non-tax revenue from mining, 493 adjustments were made in this way, more than 75 percent of all adjustments in the entire report.

The report also helps local people understand how much of the official payments of individual companies should, in theory, have arrived in local treasuries. The Indonesian government decreed over ten years ago that about 15 percent of the value of oil and 30 percent of the value of gas surrendered by producers to the state, as well as 80 percent of mineral and coal royalties, would be redistributed to the districts, surrounding districts, and provinces within which they operate.

In practice, the implementation of this policy is rarely noticed by the Indonesian public simply because detailed information on the amount of resource revenues intended to flow to the local governments, and from which company in a given year, has never been compiled into a detailed report. Now, the information has been made available by EITI Indonesia.

"With the publication of the EITI Indonesia report, citizens in resource rich districts will finally begin to receive answers to their questions not only about the amount of revenues from oil, gas and mining companies paid to the central government, but perhaps more importantly from a local perspective, how much of the revenues from each company should have made its way to their province and district. This is a tool for the people to force accountability from their government," said Faisal Basri, a Civil Society Representative on the Indonesian EITI Implementation Team.

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EDITORIAL NOTES:

1. The full EITI Indonesia Report for Calendar Year 2009 may be downloaded at this link.
2. The objective of the Extractive Industries Transparency Initiative (EITI) is to strengthen governance systems by increasing the transparency and accountability of the extractive industries. EITI is an international standard for companies to report payments to government and for governments to disclose payments received from those companies.

3. EITI is a coalition between governments, businesses, civil society, investors and international organizations. Representatives from these institutions are represented on the International EITI Board. In Indonesia, based on Presidential Regulation 26/2010, EITI is implemented by a Transparency Team consisting of elements from the Government, Civil Society and the Extractive Industries, and is chaired by the Coordinating Minister for Economic Affairs, and is managed on a day to day basis by the EITI Indonesia Secretariat.
4. The EITI Indonesia Secretariat is an institution under the Coordinating Ministry for Economic Affairs and is led by the Assistant Deputy III for Energy and Electricity.
5. The EITI Standard is being implemented in 37 countries, 20 of which have been determined to be compliant, while the remaining 17 are still candidates. With the issuance of its first report, Indonesia is several steps closer to reaching EITI-compliant status.
6. Reports, data and other collaterals relating to EITI can be found on:
    a. EITI Indonesia website: http://eiti.ekon.go.id/
    b. EITI International website: http://www.eiti.org/