

**PRESIDENTIAL REGULATION REPUBLIC OF INDONESIA
NUMBER 26 YEAR 2010**

REGARDING

TRANSPARENCY OF NATIONAL/LOCAL EXTRACTIVE INDUSTRY REVENUES

BY THE GRACE OF THE ALMIGHTY CREATOR

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

- a. That the use of extractive resources, which are non-renewable, should be done efficiently and effectively in order to advance general prosperity.
- b. That the management and use of natural resources must be done in accordance with the principles of good governance, including transparency, the inclusion of relevant stakeholders, openness, sustainable development, and the improvement of the investment climate.
- c. That based on the considerations in points a and b, there is a need for establishing a Presidential Decree on Transparency of National/Local Extractive Industry Revenues.

Remembering:

1. The Constitution of the Republic of Indonesia of 1945
2. Law 22 of 2001 about Oil and Gas

3. Law 17 of 2003 about National Finance;
4. Law 1 of 2004 about the National Treasury;
5. Law 32 of 2004 about Local Government;
6. Law 33 of 2004 about Fiscal Balance between Central and Local Governments;
7. Law 14 of 2008 about Freedom of Information;
8. Law 4 of 2009 about Mineral and Coal Mining;

9. Government Regulation 35 of 2004 regarding Upstream Oil and Gas Businesses as further amended by Government Regulation 34 of 2005;
10. Government Regulation 8 of 2006 regarding Financial Reporting and the Performance of Government Agencies;

IT IS DECIDED:

To establish: **A PRESIDENTIAL REGULATION ON TRANSPARENCY OF
NATIONAL AND LOCAL EXTRACTIVE INDUSTRY REVENUES**

CHAPTER 1

GENERAL PROVISIONS

Article 1

Definitions of terms used in this Presidential Regulation are as follows:

1. Extractive Industries are any activity that takes natural resources directly from the stomach of the earth (*perut bumi*), including minerals, coal, oil and natural gas.
2. National Revenues from the extractive industries are all governmental receipts derived from taxes, as well as non-tax receipts derived from the net profit (*kekayaan bersih*) which flows from the extractive industries.

3. Local Revenues from the extractive industries constitute a recognized right of Local Governments and are derived from net profit (*kekayaan bersih*) which flows from the extractive industries.

CHAPTER II

EXTRACTIVE INDUSTRIES TRANSPARENCY TEAM

Article 2

- (1) For the implementation of transparency of national and local extractive industry revenues, an Extractive Industries Transparency Team will be formed, to be known from here forward as the Transparency Team.
- (2) The Transparency Team sits beneath and is responsible directly to the President.

Article 3

- (1) The Transparency Team is tasked with the carrying out of transparency of national and local extractive industry revenues.
- (2) In the carrying out of the task in Paragraph 1, the Transparency Team is authorized to ask for information, additional data, inputs and/or consultations with agencies of the central government, district governments, extractive industry companies, and other stakeholders as deemed necessary.

Article 4

The Transparency Team in Article 2 will consist of:

- a. a Steering Team; and
- b. an Implementing Team

Article 5

The Steering Team in Article 4 will be tasked with:

- a. Erecting general policies for the transparency of national and local extractive industry revenues;
- b. Giving direction to the Implementing Team in the implementation of the transparency of national and local extractive industry revenues;
- c. Establishing a Team Transparency Work Plan; and
- d. Evaluation the implementation of transparency of national and local extractive industry revenues.

Article 6

- (1) The Steering Team will meet no less than once a year.
- (2) The Head of the Steering Team will convey a report to the President once a year or when needed.

Article 7

Membership in the Steering Team is as follows:

Head: Coordinating Minister for Economic Affairs

- Members:
1. Minister of Energy and Mineral Resources
 2. Minister of Finance
 3. Minister of Home Affairs
 4. Head of Agency for Finance and Development Supervision (BPKP)
 5. Prof. Dr. Emil Salim

Article 8

The Implementing Team is tasked with:

- a. Establishing a Transparency Team Work Plan for a period of 3 (three) years;
- b. Establishing reporting formats;
- c. Putting in place a Reconciler;
- d. Establishing a Steering Team report to the President; and
- e. Undertaking other activities needed to ensure the transparency of national and local extractive industry revenues.

Article 9

- (1) The Implementing Team is responsible to the Steering Team.
- (2) The Head of the Implementing Team will periodically report on the execution of tasks by the Implementing Team to the Head of the Steering Team.

Article 10

Membership in the Implementing Team will consist of:

Head: Deputy for Energy and Mineral Resources, Coordinating Ministry for Economic Affairs.

Deputy Head I: Director General of Budget, Ministry of Finance;

Deputy Head II: Secretary General, Ministry of Energy and Mineral Resources;

- Members:
1. Deputy for Economic Cooperation and International Finance, Coordinating Ministry for Economic Affairs;
 2. Deputy for Macroeconomic Coordination and Finance, Coordinating Ministry for Economic Affairs;
 3. Director General of Tax, Department of Finance;
 4. Director General of Treasury, Department of Finance;
 5. Director General of Fiscal Balancing, Department of Finance;
 6. Director General of Oil and Gas, Department of Energy and Mineral Resources;
 7. Director General of Minerals and Coal, Department of Energy and Mineral Resources;
 8. Director General for the Administrative Development of Local Finance, Department of Home Affairs;
 9. Deputy for National Accounting, Agency for Finance and Development Supervision (BPKP);
 10. Head of BPMIGAS;
 11. General Director of PT. Pertamina;
 12. Three members from Associations of Local Governments;
 13. Three members from mineral, coal, and oil and gas industrial associations;
 14. Three members from NGOs which have a history of engagement with the issue of extractive industry revenue transparency.

Article 11

- (1) The members of the Implementing Team from Local Governments will have their terms initiated and terminated by the Head of the Steering Group, based on the recommendations of the Minister of Home Affairs.
- (2) Representatives of Local Governments will serve on the Implementing Team for a period of 3 (three) years.

Article 12

- (1) Members on the Implementing Team from business associations and from NGOs will have their terms initiated and terminated by the Head of the Steering Group, based on recommendations from business associations and NGOs.
- (2) The period of work for representatives from Associations and from NGOs will be three years and will be extended for another three years.

Article 13

- (1) In performing the tasks outlined in Article 8, the Implementing Team will be helped by a Secretariat.
- (2) Directives regarding the organization, tasks, and procedures of the Secretariat will be determined by the Head of the Steering Team.

CHAPTER III

TRANSPARENCY MECHANISM

Article 14

- (1) Government, Local Government, BPMIGAS and extractive industry companies will submit reports to the Transparency Team through the Implementation Team, in accordance with the format specified in Article 8, Paragraph b.
- (2) As to the data and information contained in the reports in Paragraph (1):
 - a. Government and BPMIGAS reports will be based on Central Government Financial Reports (LKPP) reviewed by the BPKP.
 - b. Local government reports will be based on Local Government Financial Reports (LKPD) reviewed by the BPKP.
 - c. Company reports will be based on Company Financial Reports which have already been audited by an independent auditor.
- (3) The reports in Paragraph 1 will be reconciled by a reconciler.

Article 15

The Head of the Implementing Team will report the results of the reconciliation referred to in Article 14, Paragraph 3 to the Head of the Steering Group.

Article 16

- (1) Transparency Teams are required to issue a Reconciliation Report completed by the Implementing Team based on the Reconcilers Report discussed in Article 14.
- (2) Publication in Paragraph 1 may be done by, among other means:
 - a. Internet site(s)
 - b. Seminars in strategic places and in the largest extractive commodity producing areas in Indonesia.
 - c. Through the media as well as other avenues of communication

CHAPTER IV

FINANCING

Article 17

All financing required for the operations of the Steering Team and Implementing Team shall be undertaken with monies from the National Indonesian Budget and other legal sources in compliance with regulation and law.

CHAPTER V

CLOSING DIRECTIVES

Article 18

Administrative decisions in connection with the appointment of members and the financing of minimum facilities required by the Coordinating Team and the Implementing Team should be taken no later than three months after this Presidential Regulation is established.

Article 19

This Presidential Regulation will go into effect on the date of its establishment.

**Established in Jakarta,
On the date of 23 April 2010**

PRESIDENT OF THE REPUBLIC OF INDONESIA

[SIGNATURE IN THE ORIGINAL]

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Comments and corrections respectfully requested.