



Relevance of FACTI Panel Report in Advancing Financial Integrity in Indonesia and Beyond

A virtual dialogue hosted by FACTI Panel Secretariat in collaboration with the Indonesia Financial Transaction Reports and Analysis Center (PPATK) and Publish What You Pay Indonesia

April 30, 2021 at 14:00 Jakarta

Background

The UN's High Level Panel on Financial Accountability, Transparency and Integrity (FACTI) released its [report](#) on February 25, 2021 that tackled the skewed global finance which obstructs the achievement of the 2030 Agenda. Formed in March 2020 by the President of the UN General Assembly and the President of ECOSOC, the Panel explored further actions the international community may need to address the gaps and impediments in combatting illicit financial flows.

The Panel found that countries can prevent the drain of resources for development and reduce the shortfall in public resources to recover from public health and economic crises. This, the Panel suggests, will require systemic solutions. This is reflected in its 14 recommendations, representing an ambitious set of measures to reform, redesign and revitalize values, policies and institutions that can effectively foster financial integrity for sustainable development.

How does FACTI's report relate to Southeast Asia's largest economy, Indonesia? Let's put that in the context of their extractive industries. The country's petroleum, mineral and coal production makes a substantial source of its annual revenue, reconfirming its role as a key growth driver. The government still relies heavily on rents from fossil fuel industry to cover spending for public services, debt payments, some infrastructure and job generating investments. Extractives have important contribution in lifting millions out of extreme poverty, help realize desired development outcomes, and reduce massive income inequality, which underpin Indonesia's 2030 Agenda.

However, some governance and systemic deficits in the international financial system remain a huge challenge. They are multi-dimensional, cut across national borders and involve people in the government, corporations and their intermediaries operating in the shadow.

Given their highly concentrated and profitable nature, Indonesia's extractives can generate incentives that favor rent-seeking and state capture to the detriment of the public. Several studies show that across the extractive decision chain, vulnerabilities to corruption are high in awarding licenses, contracts, sub-contracts and licenses. Corruption risks are also high in oil and gas sales. Various cases of tax abuse have exacerbated such vulnerabilities and risks, making the government unable to collect revenues that are much needed to deliver public services.

To combat systemic issues of corruption and tax avoidance, Indonesia has been at the forefront of strengthening its tax authority, oversight and state audit institutions. The government also has also been rolling out a National Strategy of Corruption Prevention and Eradication that provides a solid multi-

stakeholder framework for monitoring and advancing integrity in government and society. It is also an active observer of the Financial Action Task Force. For many years, Indonesia has been one of the leading countries in Asia Pacific that advances financial integrity by complying with the EITI standards and implementing its OGP commitments. Additionally, the cross-border nature of corruption also broadened Indonesia's strategies to include active participation in international platforms for transparency and exchange of information for tax purposes.

Promising results have been identified in the area of policy reform and institutional performance to fight corruption, publish company tax payments, disclose real owners of extractive and non-extractive companies, and implement tax treaties with countries to avoid double taxation or minimize tax avoidance. However, results remain mixed, raising challenges for sustainability. The government and civil society have long acted on the cross-border nature of their fight but they are advocating for greater international cooperation on tax matters, which is among the recommendations in FACTI report.

Purpose

This Indonesia dialogue will discuss:

- How important are FACTI's recommendations in advancing financial integrity initiatives in Indonesia and beyond?
- What can be learned from the national governments' implementation of its international commitments and use of instruments for financial integrity in terms of their impacts in curbing cross border anti-corruption and furthering international cooperation?
- How can FACTI Panel's proposed Global Compact for financial integrity be taken forward that builds on the strengths and critical lessons from the existing initiatives in the Indonesia?
- How critical are the roles of civil society, the media, the private sector, and the international community in moving FACTI's ambitious set of measures to reform and revitalize financial integrity solutions?

Event highlights

- The target participants are financial integrity actors representing civil society networks; parliament; tax authority, oversight agencies, and the finance ministry of the government; media; and international financial institutions. The virtual event will run for 1 hour and 45 minutes. The dialogue will be in Bahasa Indonesia with simultaneous English translation. It will be video recorded. Registration is required. Participants are encouraged to send questions or signify their intent to make interventions in advance.

Proposed programme

1. Welcome remarks and overview
 - Dr. Dian Ediana Rae, Head of Pusan Pelaporan dan Analisis Transaksi Keuangan (PPATK)/Indonesia Financial Transaction Reports and Analysis Center (INTRAC)
 - Ms. Natalia Soebagijo, Chair of PWYP Indonesia and TI Indonesia Board
2. Presentation of the FACTI Panel Report
 - Professor Shahid Hafiz Kardar, UN High Level FACTI Panel Member, former Governor of the State Bank of Pakistan and former Minister for Finance, Planning, Excise and Taxation, Industries and Mineral Development, Pakistan
3. Responses

- Government:
 - Mr. Prastowo, Special Staff for Strategic Communication, Ministry of Finance of the Republic of Indonesia
 - Mr. Fithriadi Muslim, Legal Director, Financial Transaction Reports and Analysis Center of Sujarnako, Director, Network Development between Commissions and Agencies (PJKAKI), KPK
 - Mr. Sujarnako, Director, Inter-Commission and Agency Network Development (PJKAKI) of the Corruption Eradication Commission
 - Civil society
 - Aryanto Nugruho, National Coordinator, PWYP Indonesia
 - Ah Maftuchan, Executive Director Prakarsa and Co-Chair of TAFJA for SEA region
 - Private sector:
 - Indonesian chamber of commerce (KADIN), member of ASEAN business advisory council
 - International community:
 - Collie Brown, UNODC Indonesia Country Manager (tbc)
4. Wrap up and closing remarks
- FACT Panelist