

# Potential State Revenues from the Natural Resources Sector and its Problems: Fishery Sector

Book 5 of 5

# Potential State Revenues from the Natural Resources Sector and its Problems

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*Book 5. Fishery Sector*

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Book 5 of 5

# Potential State Revenues from the Natural Resources Sector and its Problems

Book 5. Fishery Sector

Instruments written in this book are part of the PROMOTING EQUITY ON THE REVENUE MOBILIZATION OF NATURAL RESOURCES IN FORESTRY, AGRICULTURE, PLANTATION, MARINE AND FISHERIES IN INDONESIA program.

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## **Statement**

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## Foreword

Economic development requires a substantial tax base. Until now, the exploitation of natural resources, specifically revenue from nonrenewable sources such as mining, oil, and gas, serves as a major source of state revenue. At the same time, state revenues from the exploitation of relatively renewable natural sources including agriculture, plantations, forestry, and fisheries have received less attention and their revenue potential has not been maximized.

This book is one of the reports documenting the efforts made by civil society groups to (1) estimate the revenue generating potential of natural resources; (2) describe the governance in the sectors studied; and (3) identify the reasons for low revenue collections in the agriculture, plantation, forestry, and fishery and marine sectors. The report is designed to increase understanding of the sectors' potential, governance, and revenue issues so that in the future civil society can help contribute to increasing revenue collections from these four sectors.

This book is the fifth of five books, and is divided into two parts. First, an introduction, and second, the findings of the study.

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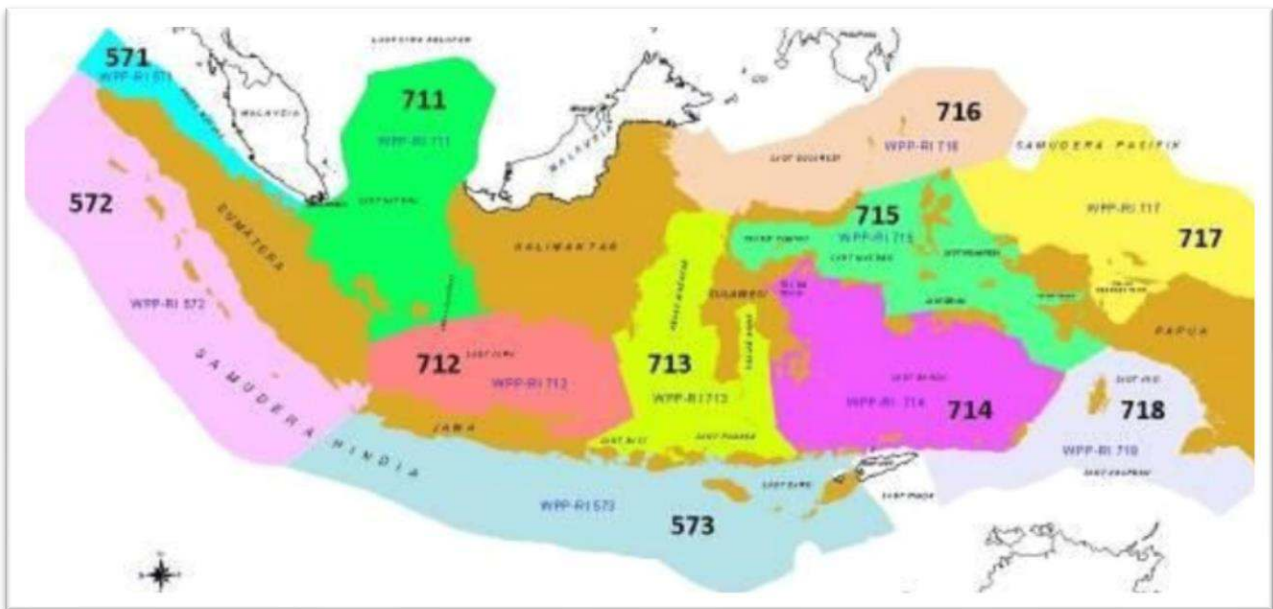
## Introduction

### Background

Indonesia is an archipelagic country with ocean amounting to two-thirds of its total area. The waters connecting the islands of Indonesia contain many natural resources. One of these natural resources is fish. For the purpose of this report, fish include any kind of organism that spends all or part of its life cycle is in an aquatic environment.<sup>1</sup>

In the management of fish resources, the Indonesian government divides the country's territorial waters into 11 Fishery Management Areas (WPP), as shown in the following image:

**Fishery Management Areas of the Republic of Indonesia**



Source: Government Regulation KP No.PER.1/MEN/2009<sup>2</sup>

Of the 11 designated WPPs, 4 areas are completely located in the waters of Indonesia, namely WPP 712, 713, 714, and 715. The seven other WPPs were adjacent to neighboring countries, namely WPP 571, 572, 573, 718, 717, 716, and 711.

WPP 571 covers the waters of the Malacca Strait. WPP 572 and WPP 573 meanwhile are located in the Indian Ocean, with the Sunda Strait as a border. The waters between the islands of Riau and West Kalimantan to the Natuna Sea are a part of WPP 711. The Sulawesi Sea, waters connecting Indonesia and the Philippines, is WPP 716. In the north of Papua, which is directly connected to the Pacific

<sup>1</sup> Understanding of fish according to Law No.45 of 2009 on the Amendment of Law No.31 of 2004 on Fisheries.

<sup>2</sup> Government Regulation KP No.PER.1/MEN/2009 on Fishery Management Areas of the Republic of Indonesia

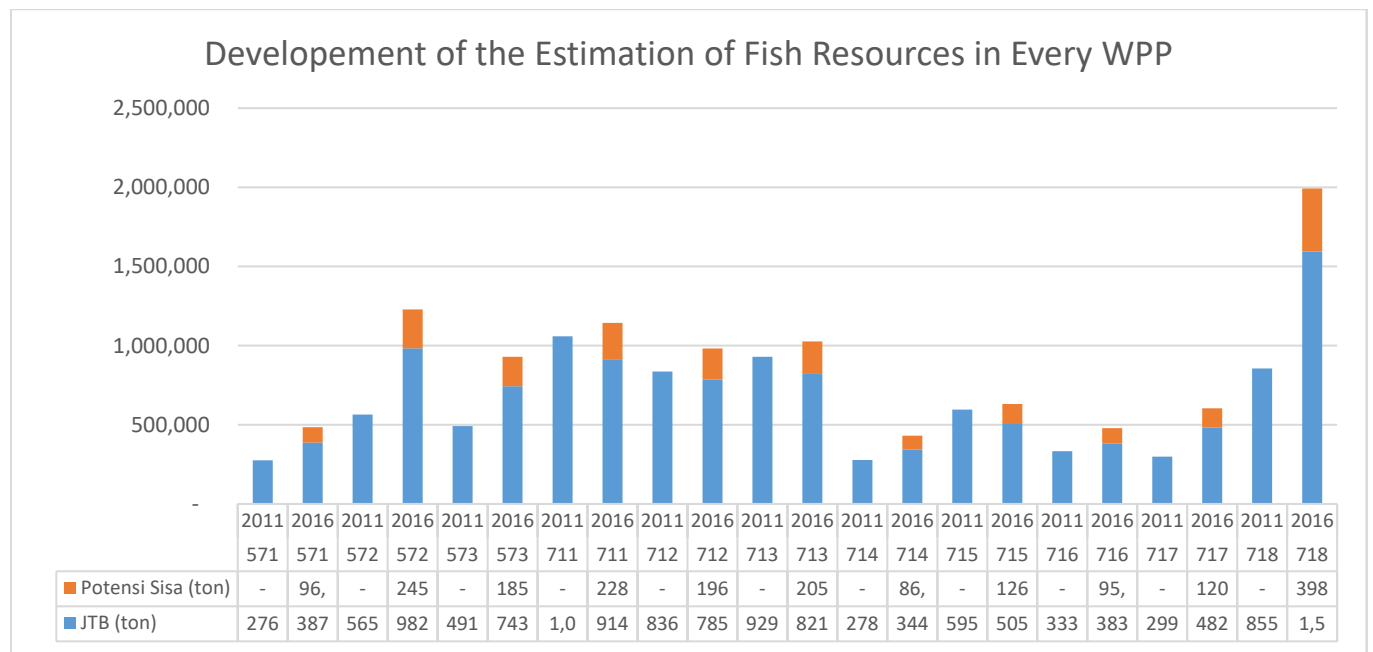


Ocean, is WPP 717. Lastly, WPP 718 covers the Arafuru Sea and the Timor Strait, which borders East Timor and Australia.

The Java Sea represents WPP 712. The northern part of Bali-West Nusa Tenggara until the Makassar Strait is in WPP 713. The Banda Sea connecting Maluku, East Nusa Tenggara and Southeast Sulawesi is WPP 714. Meanwhile the Seram Sea and Tomini Bay connecting the bird head shaped part of Papua, North Maluku, and Central Sulawesi is WPP 715.

In order to control the exploitation of fish resources, the government examined the potential production of every WPP. As of August 2011, the estimated fish resources of all of Indonesia came to 6,520,00 tons. In August of 2016, the potential of fish resources was explicitly determined to have increased to 9,932,922 tons. In 2016, a regulation was set to limit the amount of fish exploitation allowed (JTB) to 7,945,541 tons.

Details are provided in the following graph:



Source: Processed from Government Regulation KP No.45/2011<sup>3</sup> and Government Regulation KP No.47/2016<sup>4</sup>

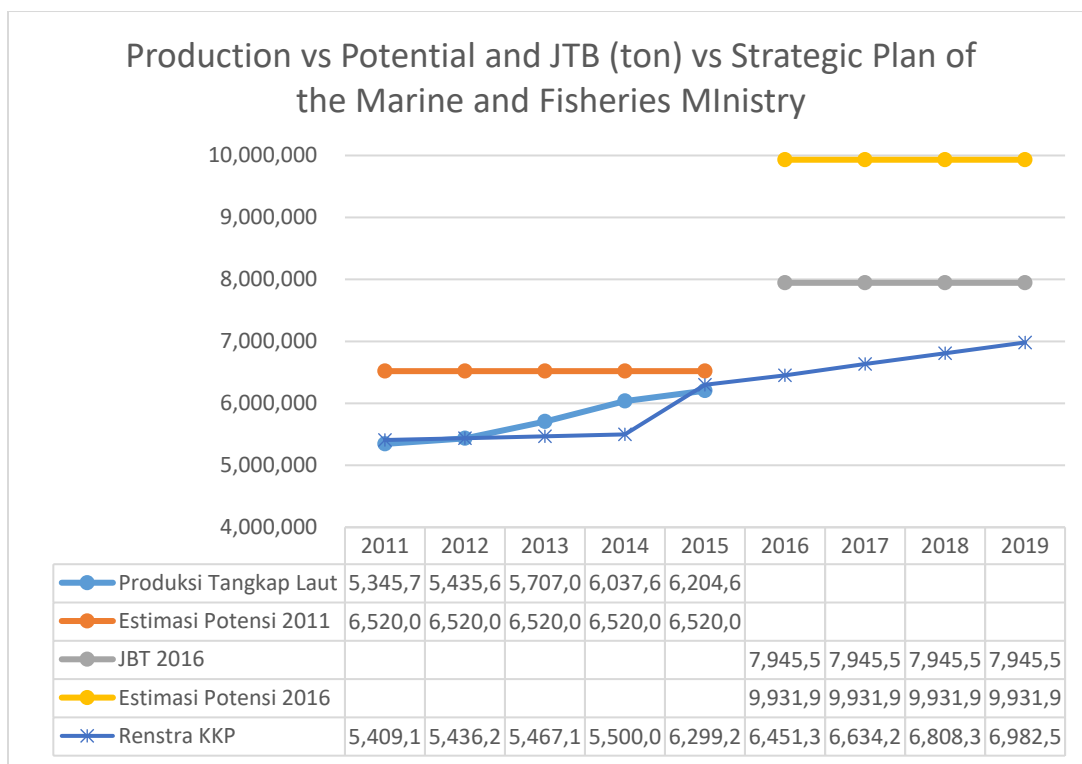
<sup>3</sup> Marine and Fisheries Ministry Regulation No.45/2011 on the Estimation of Potential of Fish Resources in Fishery Management Area of the Republic of Indonesia. Rokhmin Dahuri, former minister of marine and fishery even mentioned the potential of 65 million tons without specifying the potential of marine fisheries <http://www.republika.co.id/berita/ekonomi/bisnis/12/12/05/mejnwppotensi-perikanan-indonesia-baru-tergarap-20-persen>

<sup>4</sup> Marine and Fisheries Ministry Regulation No.47/2016 on potential Estimation, total od exploited Capture, and Level of Utilization of Fish Resources in Fishery Management Areas of the Republic of Indonesia.

In the above graphic, total estimated potential of all WPP increased in 2016. The largest increase was seen in the Timor Arufuru Strait (WPP 718), amounting to 1,043,000 tons and the West Sumatra Coast (WPP 572) totaling 662,000 tons.

In comparison with the fish exploitation allowed (JTB) between 2011 and 2016, there was a decrease of potential in 4 WPPs, the Natuna Sea- Kalimantan Straight (WPP 711), Java Sea (WPP 712), Flores Sea – Makassar Straight (WPP 713) and the Seram Sea – Timini Bay (WPP 715), with a potential catch of 86,000 ton, 51,000 tons, 108,000 tons, and 80,000 tons, respectively.

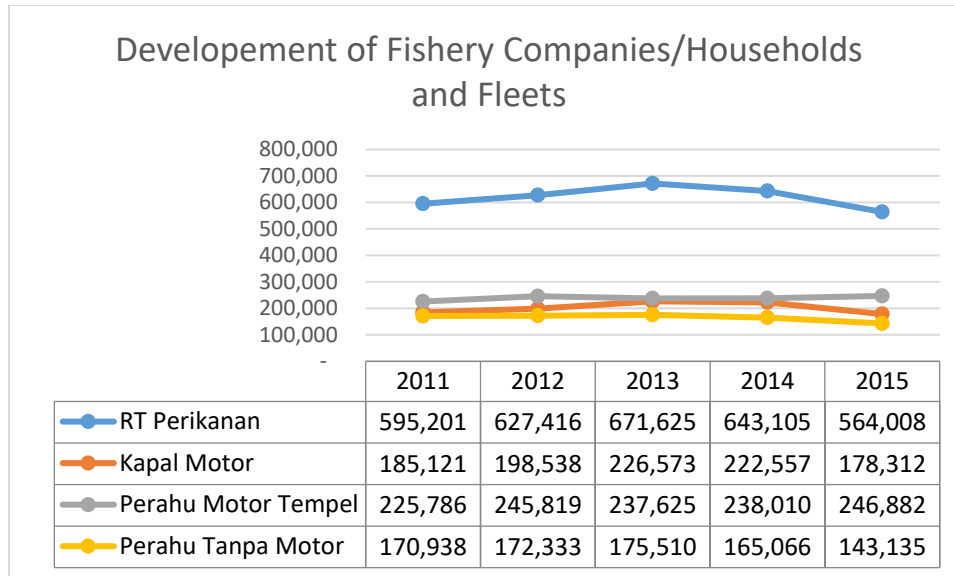
From the years 2011 through 2015, exploitation of fish continued to increase, reaching 6,204,688 tons by 2015. This number is still below the estimated potential of 2011. Exploitation numbers which are still below potential numbers, suggest that there is potential for businesses and fisherman to increase their catch. The magnitude of this potential is illustrated in the graph below:



Source: Processed from data of Fishery Catch Production 2000-2015, Strategic Plan of the Marine and Fisheries Ministry 2015-2019

In the Marine and Fisheries Ministry’s Strategic Plan for 2010 through 2014, the target production for marine fishery was exceeded in the last three years of the plan. This indicates that control of production is a concern, even though production is below estimated levels.

Revenue increases are not, however, proportional to increased production and data shows a decline in fishery employment. Thus, is the tendency with motor boats that are capable of sailing to the Exclusive Economic Zone (ZEE). Only the outboard motor fleet is showing an increase.



Source: Central Bureau of Statistics, Data on Fishery Household/Companies and Data of Boats/Motorized Vehicles of Marine Fishery 2000- 2015

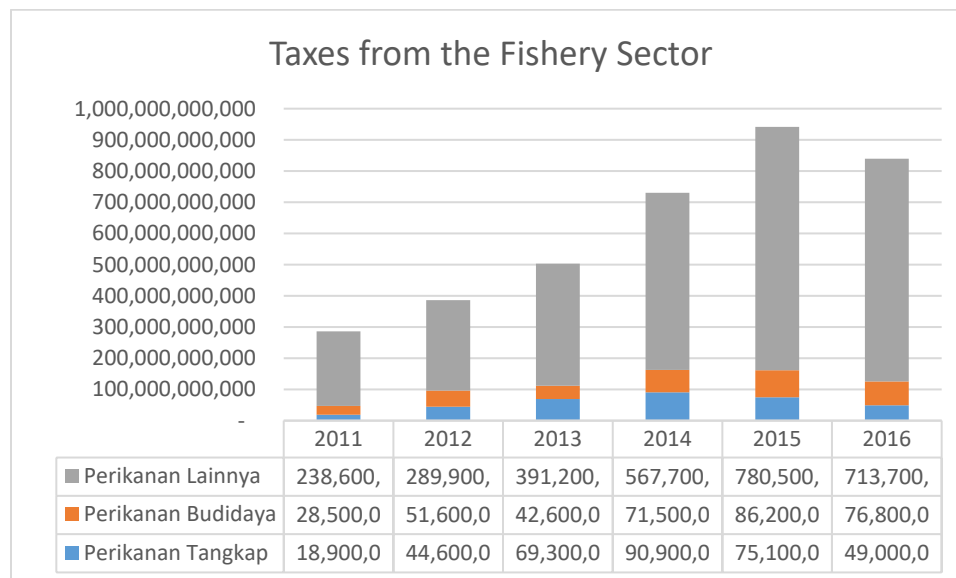
The contribution of the fishery sector, not only from capture fishery, towards state tax and non-tax revenue is still below 1% of total state revenues.



Source: Presentation by Directorate General of Tax at the 115 Task Force even - 2 July 2017

The total amount of taxes paid by the fishery sector experienced an upward trend until 2015 where it approached 1 trillion rupiah (941.8 billion rupiah) but in the following year decreased to 829.5 billion rupiah. Taxes obtained from the processing and trade sector were consistently the largest

contributors to the sector. Taxes from the capture fishery experienced its peak growth in 2014 but declined in the following years.



Source: Presentation by Directorate General of Tax at the 115 Task Force event - 2 July 2017

The contribution of fishery taxes as shown in the graph above does not mirror the potential still available. Based on the Directorate General of Taxes, there were 99,815 tax obligated actors, consisting of 97,965 in the fishery business field classification (KLU)<sup>5</sup> (Catch, cultivation, processing, and trade) and 1,850 in the non-fishery business field classification.<sup>6</sup>

From this data, the number of taxpayers who reported annual notices (SPT) has never exceeded 20% from 2012 to 2016. In order, the percentage of taxpayers who reported annual notices were, 13.53%, 14.02%, 16.13%, 19.48%, and 18.81%.

When the non-fishery and fishery business field classifications are combined, with the assumption that the characteristics of the taxpayers are similar, the estimate of potential fishery taxes is as shown in the table below:

### **Simulation of Potential Fishery Tax Calculation**

<sup>5</sup> Business Field Classification

<sup>6</sup> Directorate General of Tax, tax obliged (WP) fishery business field classification and WP non-fishery business field classification in every area, in Sumatera (27,312 WP – 472 WP), Jakarta (3,780 WP – 581 WP), Jawa Non-Jakarta (40,799 WP – 438 WP), Bali dan Nusa Tenggara (3,755 WP – 97 WP), Kalimantan (7,975 WP – 48 WP), Sulawesi (12,870 WP – 151 WP), Papua and Maluku (1,474 WP – 63 WP).

Year	Taxpayers who did not report SPT (1)	Taxpayer who Reported SPT <sup>7</sup> (2)	Total Taxpayers	Realization of Fishery Taxes (3)	Potential Tax (1*3)/(2)
2012	86,310	13,505	99,815	386,100,000,000	2,467,552,091,817.85
2013	85,823	13,992	99,815	502,500,000,000	3,082,193,932,247.00
2014	83,710	16,105	99,815	730,100,000,000	3,794,887,985,097.80
2015	80,367	19,448	99,815	941,800,000,000	3,891,898,426,573.43
2016	81,035	18,780	99,815	839,500,000,000	3,622,411,208,732.69

Source: Processed from data of Directorate General of Tax at the 115 Task Force event - 2 July 2017

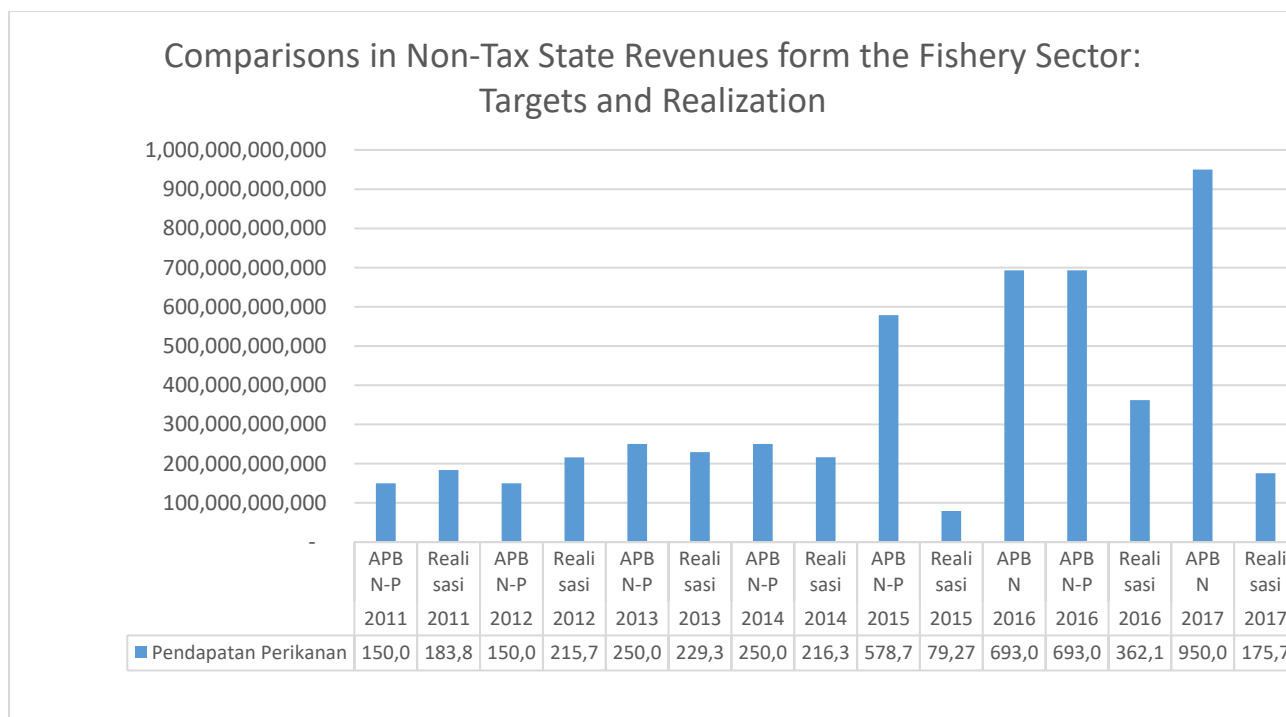
The potential tax numbers calculated in every year of the strategic plan exceeded 2 trillion rupiah. When compared to its realization, then its percentage is 639%, 613%, 520%, 413%, and 431% of the realization of taxes from the years assessed.

Evaluation of non-tax state revenues show that actual collections exceeded targeted amounts in 2011 and 2012. Afterwards, targets have failed to be reached. Realization of non-tax revenues from 2011 to 2017 in order is as follows, 123%, 144%, 92%, 87%, 14%, 52% and 18% in the first semester of 2017.

However, in 2016, there was a rise in fishery sector revenue collections to IDR 362,117,397, 236, an increase of 457% from collections in 2015.

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<sup>7</sup>Including the annual notices that were zero. Which were 40% of the annual notices received.



Source: LKPP (government procurement policy institute) (audited) 2011-2016, Realization report Semester I 2017

When the margin is calculated between targets and realization of non-tax state revenues, then in 6.5 years as much as 1,559,421,237,019 rupiah has been lost. Without accounting for the first semester of 2017, the total loss amount to 785,121,237,019 rupiah.

#### Potential Losses of Non-tax State Revenues in the Fishery Sector (First Semester)

Year	Target State Budget	Realization	Potential Losses
2011	150,000,012,000	183,802,161,080	(33,802,149,080)
2012	150,000,100,000	215,766,602,000	(65,766,502,000)
2013	250,000,094,000	229,350,562,720	20,649,531,280
2014	250,000,001,000	216,367,232,525	33,632,768,475
2015	578,796,000,000	79,271,014,420	499,524,985,580
2016	693,000,000,000	362,117,397,236	330,882,602,764
2017	950,000,000,000 <sup>8</sup>	175,700,000,000	774,300,000,000
<b>Total</b>	<b>3,021,796,207,000</b>	<b>1,462,374,969,981</b>	<b>1,559,421,237,019</b>

Source: LKPP (government procurement policy institute) (audited) 2011-2016, appendix (2) Presidential Regulation No.97/2016<sup>9</sup>, Realization report Semester I 2017

<sup>8</sup>Specifically for 2017, State budgets were referred. For other years previous, Fishery state budgets were referred.

<sup>9</sup> Presidential Regulation No. 97 of 2016 on the Details of the State Budget of the Fiscal Year 2017

The condition showed above illustrates state revenues from the fishery sector assessed nationally. How about revenues in local regions? Specifically, at the provincial, regency/city level? Since the introduction of the autonomy policy, the division of intergovernmental authorities in various fields have been underlined, including in the field of marine fisheries. In this field, there are different authorities granting permission that are controlled by the Regulation of Minister of Marine Affairs Number 30 Year 2012 concerning Capture Fishery Business in Fishery Management Area of Republic of Indonesia, lastly amended by Regulation of Minister of Marine Affairs of Fishery Number 54 Year 2014 regarding second amendment with Law Number 23 Year 2014 on Regional Government, as shown below:

### Division of Intergovernmental Authority in Marine Fishery

Division of Authority	Base Regulation	National	Provincial	Regency/Cities
Granting of Business License, Fishing Permit, Fishing Shipment Permit	UU no.23/2014	Above 30 Gross Tonnage (GT); Under 30 GT, using foreign capital or laborers.	5 - 30 GT	
	Regulation of the Marine and Fishery Ministry no. 30/2012, amended by Regulation of the Marine and Fishery Ministry 54/2014	Above 30 GT; Under 30 GT, using foreign capital or laborers.	10 - 30 GT	< 10 GT
Management of Fishing Areas	UU no.23/2014	Above 12 million rupiah	0 - 12 million rupiah	
	Regulation of the Marine and Fishery Ministry no 26/2014	Path III: above 12 mil	Path II : 4-12 million rupiah	Path I: <4 million rupiah
Registration of Fishing Vessels	UU no.23/2014	Above 30 GT	5 - 30 GT	
	Regulation of the Marine and Fishery Ministry no 23/2013	Above 30 GT; Indonesian vessels operating in WWP NRI and high seas	10 - 30 GT; Indonesian vessels operating in WWP NRI Domiciled in provinces; Operate in provincial	< 10 GT; Indonesian vessels operating in WWP NRI Domiciled in regency/city;

Division of Authority	Base Regulation	National	Provincial	Regency/Cities
			management areas	Operate in reGENCY/city operation areas
Fish Auctions	UU no.23/2014	-	-	Management and Implementation

Source: UU No.23/2014<sup>10</sup>, PermenKP 30/2012<sup>11</sup>, Permen KP 23/2013<sup>12</sup>, Permen KP 26/2014<sup>13</sup>, Permen KP 57/2014<sup>14</sup>

Based on these two tables, local governments will receive plenty of revenue from the marine capture fishery sector from business service levies, especially from auction houses and certain licensing fees, and from fishery business permits.

From the division of authority there are differences between provincial and district / city authorities. Law Number 23 Year 2014 on Regional Government places the district / municipal governments only authorized in relation to Fish Auction Sites (TPI) only. This resulted in the licensing authority moving to the province.

In the division of authority, there are differences between provincial and district / city authorities. Law Number 23 Year 2014 on Regional Government, district / municipal governments' authorization was only in Fish Auction Sites (TPI). This resulted in the authority of licensing being moved to the provincial government.

However, the Ministry of Marine Fisheries still provides regencies/city governments with the authority to regulate vessels less than 10 GT in size and with operations of zero to four miles from the coastline. Therefore, it is necessary to conduct an exploratory assessment to see if appropriate amounts of revenue are collected and to identify issues affecting revenue collections in local regions.

**Objective**

This assessment study aims to:

1. Obtain a picture of governance of state revenue in local regions
2. Disclose potential state revenues and possible losses, modes and actors involved, especially in the provincial and district / city governments.

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<sup>10</sup> Law No.23 of 2014 on Regional Government  
<sup>11</sup> Regulation of the Minister of Marine Affairs and Fisheries No.30 of 2012 on Capture Fishing Enterprises in Fishery Management Areas of the Republic of Indonesia  
<sup>12</sup> Regulation of the Minister of Marine Affairs and Fisheries No.23 of 2013 on Registration and Marking of Fishery Vessels  
<sup>13</sup> Regulation of the Minister of Marine Affairs and Fisheries No.26 of 2014 on FADs  
<sup>14</sup> Regulation of the Minister of Marine Affairs and Fisheries No.54 of 2014 on the Second Amendment of Ministry of Marine and Fishery Regulation No.30 of 2012.



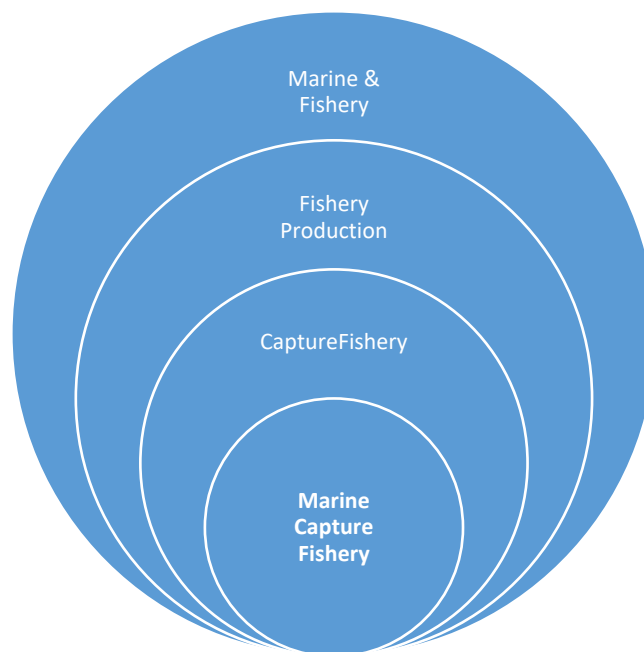
3. Reveal the problems of marine capture fisheries, among others the practice of illegal levies experienced by fishery / fishery business actors.

## Scope

Fishery represents all activities related to the management and utilization of fish resources and its environment ranging from preproduction, production, processing to marketing implemented in a fishery business system. The fishery sector and its production are generally known to be divided into two sections, catch and aquaculture.

Capture fishery is the process of obtaining fish in waters that are not cultivated by any means. This activity includes the use of ships to load, transport, store, cool, handle, process, and / or preserve production. On the other hand, aquaculture or aquafarming is an activity to nurture, raise, and / or breed fish and harvest the results in a controlled environment, including activities that use ships to load, transport, store, cool, handle, process, and / or preserve the product.

Capture fishery is further classified into sea capture and capture in rivers, lakes, or other bodies of water. The latter is known as catch in public waters/land. The scope of fisheries assessed in this study is as illustrated below.



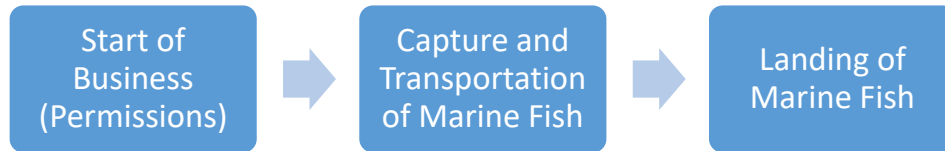
The eight regencies/cities chosen as case studies is as follows:

1. Lampung Province and Bandar Lampung City.
2. Central Java Province and Kendal Regency.
3. East Java Province and Tuban Regency.
4. East Kalimantan Province and Samarinda City.
5. Central Sulawesi Province and Donggala Regency.

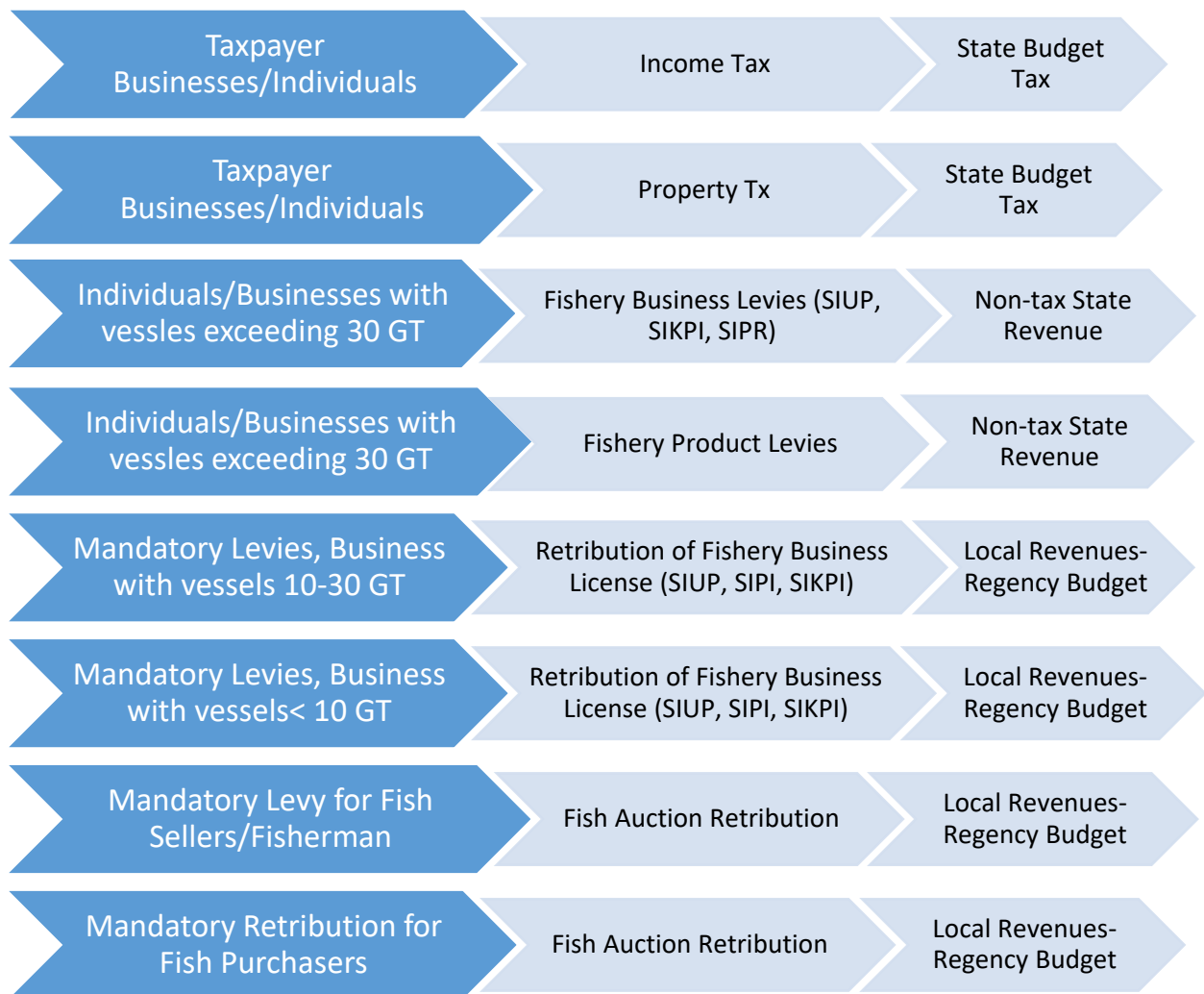
6. South Sulawesi Province and Bulukamba Regency.
7. West Nusa Tenggara Province and East Lombok Regency.
8. Maluku Province and Ambon City.

## Methodology

In general, the chain of extraction of marine fish resources in the assessment has the following path:



The flow of revenue for marine fishery capture is as illustrated bellow:



Each revenue is assessed with the following framework to identify potential losses of revenue:



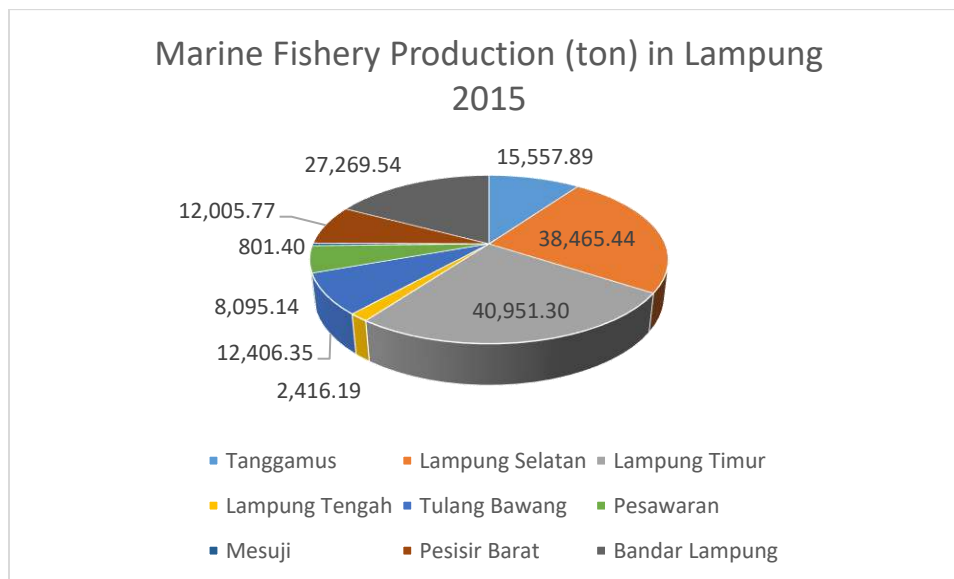
Methods used in this study are as follows:

1. Desk study
2. Interviews with Relevant Apparatus
3. Interview with Fishery Business Actors

## Lampung Province and Bandar Lampung City

### Description of Marine Fishery State Revenue Governance

Waters in the Lampung province are located in WPP 572 and WPP 712. In 2015, the total size of capture fishery production came to 157,969.02 tons from 9 of 14 regencies/cities. The largest producers are located in East Lampung and South Lampung Regency whose waters are within WPP 712. Third largest producer is Bandar Lampung whose waters are in WPP 572. The full portrait can be seen in the picture below.



Source: Lampung in Numbers 2016

Regulation of fishery revenue policy in the region is based on Provincial Regulation of Lampung No. 32 of 2014 on the Amendment to Local Regulation No. 3 of 2011 on Local Retribution and Local Regulation of Bandar Lampung Number 7 Year 2011 on Specific Licensing Levies.<sup>15</sup>

Based on Lampung Decree No.32 / 2014, fishery business licensing tariffs are:

#### Fishery Business License Payments for Lampung Province

No.	Permit	Unit	Tariff	Validity Period
1	SIUP			As long as the business operates

<sup>15</sup> This study does not review government regulations of Bandar Lampung city, because the regulations specifying the tariffs was not obtained. This regulation was annulled by the Ministry of Home Affairs in 2016. However, a 2017 Constitutional Court verdict annulled the authority of the Ministry of Interior to cancel the district / city regulation,

No.	Permit	Unit	Tariff	Validity Period
	10-20 GT	Per Vessel GT	10,000, -	
	20-30 GT	Per Vessel GT	15,000, -	
2	SIPI			One year
	10-20 GT	Per Vessel GT	5,000, -	
	20-30 GT	Per Vessel GT	10,000, -	
	30-60 GT	Per Vessel GT	30,000, -	
3	SIKPI			One year
	10-20 GT	Per Vessel GT	5,000, -	
	20-30 GT	Per Vessel GT	10,000, -	
	30-60 GT	Per Vessel GT	30,000, -	

Source: Provincial Law of Lampung No. 32 of 2014 on Amendment to Local Regulation No. 3 of 2011 on Local Retribution

Although in this regulation the Lampung Provincial Government has the authority over fishery business permits for vessels sized 30-60 GT, the Governor Regulation No. 41 of 2015 on the Delegation of Authority in the Field of Licensing and Non-Licensing to the Regional Investment Board and Integrated Licensing Service of Lampung Province has authority is over ship sizes 5-30 GT. The authority over this range of ship sizes aligns the governor's regulation with Law No.23 of 2014 on Regional Government.

Unlike Government Regulation No.75 of 2015 on Types and Tariffs of Non-Tax State Revenues Applicable to the Ministry of Fisheries and Marine Affairs, the imposition of tariffs on fishery licensing does not concern the type of fishing gear used.

The Provincial Government of Lampung also receives revenue from the Fish Auction (TPI) Levy at Fishery Seaports (PPP) which are under its authority. There are 4 PPPs in the Lampung Province, namely Kota Agung, Lempasing, Maringgai and Teladas. Of the four PPPs, only PPP Teladas does not have a fish auction. Based on Bylaw No. 3 of 2011, the amount of payment due is 5% of the value of fish auction established at that time.<sup>16</sup>

The object of levies are fish auction services and the utilization of fish auction places at seaports managed by the provincial government. Other objects of subject to retribution as intended in paragraph (1) include places contracted by Provincial Government from other parties to serve as an

<sup>16</sup> See Article 62 of the Provincial Regulation No. 3 of 2011 on Regional Retribution. This Article has not been amended by Provincial Regulation No. 32 of 2014 on Amendment to Local Regulation No. 3 of 2011.

auction place. Exempted from the levies referred to in paragraph (1) are, auction places provided, owned, and/or managed by the state-owned enterprises, enterprises, and private parties.

All production from capture fishery has to be marketed as auctions in TPIs (Auction Houses) in Coastal Fishery Seaports or other fish auctions that have been assigned with the exception of:<sup>17</sup>

1. Production of marine fishery capture amounting to less than 10 kg or for individual use.
2. Fish capture for research or sport purposes.
3. Products of garden fishermen using *cantrang*.

### Potential Revenues and Losses, Modes, and Actors Involved

The field research conducted for this study had difficulty finding profiles of taxpayers. Vertical organization of the Directorate General of Taxation in Lampung is the Regional Office of Bengkulu and Lampung which is located in Bandar Lampung City. Interviews conducted with fishery business actors did not provide a complete picture of the businesses (income and production costs per year), making it impossible to estimate the amount of revenue that would be owed.

Estimating the amount of business license revenue owed had another set of challenges due to incomplete data and the absence of details on ship size.

#### Number of Permits Issued by the Provincial Government of Lampung

No.	Permit	2013	2014
1	SIUP	29	39
2	SIPI	166	162
3	SIKPI	22	26

Source: Governor of Lampung Monitoring and Evaluation National Movement for the Rescue of Natural Resources in the Marine sector, 20-21 April 2015

Data on auction house (TPI) payments were only obtained from TPI Lempasing. Detailed data from TPI Kota Agung and TPI Maringgai were not obtained. Potential auction house payments, based on estimated based on data from TPI Lempasing and an assumption that the production value is equal to the auction price, are illustrated in the table below:

#### Production of Lempasing Fishery Port of and Simulation of TPI Levy 2016

Month	Volume (kg)	Production Value (IDR)	5% * Auction Value
January	35,770	444,639,174	22,231,958.70
February	26,303	353,950,345	17,697,517.25
March	35,848	463,981,496	23,199,074.80
April	55,514	775,217,480	38,760,874.00

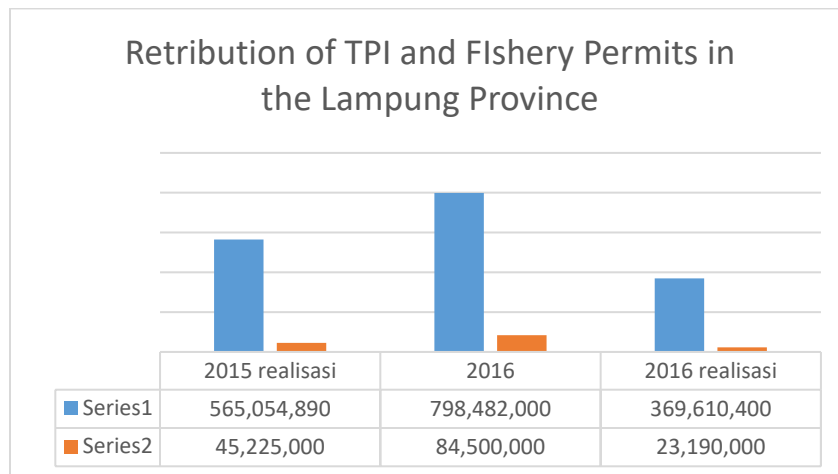
<sup>17</sup> See article 60, idem

Month	Volume (kg)	Production Value (IDR)	5% * Auction Value
May	47,152	645,694,300	32,284,715.00
June	54,320	605,205,600	30,260,280.00
July	23,415	302,252,600	15,112,630.00
August	15,231	198,324,250	9,916,212.50
September	21,108	231,900,810	11,595,040.50
October	27,169	302,000,150	15,100,007.50
November	32,522	425,968,450	21,298,422.50
December	23,571	284,627,275	14,231,363.75
<b>Total</b>	<b>397,923</b>	<b>5,033,761,930</b>	<b>251,688,096.50</b>

Source: Data of Lempasing Fishery Port Production

In 2015, the production of Lampung's capture fishery was 157,969.02 tons. If the total amount produced in 2016 is equal to 2015, its production value is equal to Leasing's auction house in 2016, and all production is assumed to go through the auction house, the revenue potential in 2016 equals  $(157,969,02 / 397,923) * 251,688,096.5 = \text{IDR } 99,916,119.324.016$ .

The production calculated above is 177 times larger than the realization of revenues in 2015 as seen in the following diagram:



Source: Assessment Report of LKPD Lampung Province 2015, 2016<sup>18</sup>

The amount of revenue from TPI levies can still be doubled, this is because fishery product landing points in the Lampung province is not only at Coastal Fishery Seaports. There are at least 28 large points with many ships gathered and dozens of other small points along the coast of Lampung. In

As previously mentioned, without the details of ship size in GT, it is difficult to understand the potential for increasing revenue collections from fishery business license payments. The above

<sup>18</sup> This document was obtained by issuing an application of KIP (*Kartu Indonesia Pintar*) to BPK-RI.

diagram can only illustrate the low realization of revenues in 2016, which was only 27.4% of the target and that was lower than the amount collected in 2015.

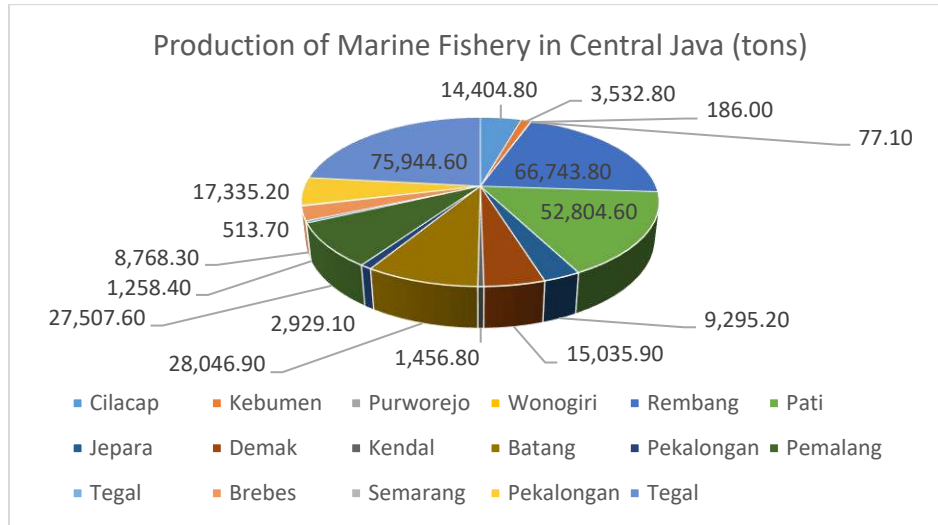
In addition, thousands of FADs (fish aggregating device) installed along the coast of Lampung and the head supervisor was certain that they were installed without a permit. Several of these FADS were installed approximately 30 km offshore by foreign companies dealing in yellow fin tuna. These vessels originate from Thailand and go back to Thailand without reporting to local Indonesian government. These FADs costs anywhere between 150 and 300 million, are invisible from the surface and are placed for one year before being brought back up.



## Central Java Province and Kendal Regency

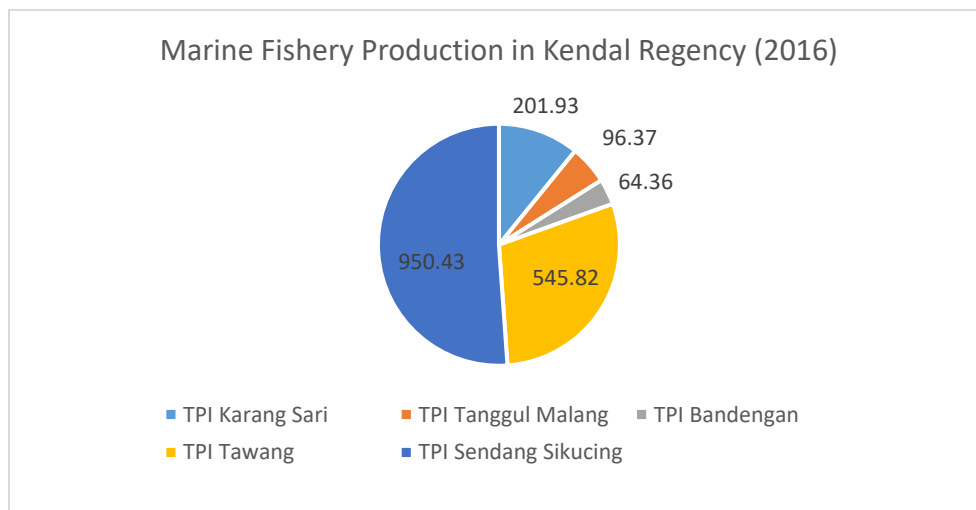
### Description of Marine Fishery State Revenue Governance

Waters to the north of the Central Java Province are part of WPP 712, meanwhile waters to the south of the province are part of WPP 573. In 2015, marine capture fishery produced 325,840.8 ton. Production was largest in the waters of WPP 712, which include Tegal, Rembang, Pati, and Batang. In that year the Kendal Regency only produced 1,456.8 tons. The production of marine fishery in Central Java came from 17 out of 35 regencies/cities. Details are provided below:



Source: Central Java in Numbers 2016

Production records from the Central Bureau of Statistics (BPS) Kendal showed production numbers that were higher than those shown in BPS Central Java (1,858.9 tons) originating from five TPIs. The margin between these two sources was 401.1 tons.



Source: Kendal in Numbers 2016

State revenues data for the Central Java Province and Kendal Regency reflect individual and business taxpayers that were classified as capture fisheries. Taxes paid include income and property taxes.

Businesses and individuals with vessels exceeding 30 GT paid non-tax revenue fees such as Fishery Business Fees (PPP) from SIUP (business license), SIKPI (Fishing Vessel Permit), and/or SIPR (Advertising License Permit) and Fishery Product fees (PHP) from SIPI (Fishing Permit).

Businesses and individuals with vessels in the range of 10-30 GT and engines of 30-90 horse power are regulated by Regional Regulation of Central Java Number 1 Year 2011 on Regional Retribution and Regulation of Central Java Governor Number 24 Year 2014 on the Changes of Levy Rates.<sup>19</sup> These actors pay for Capture Fishery Business Licenses under the Specific Licensing Levies and under conditions detailed in the table below:

### Payments for Capture Fishing Permits in Central Java Province

No.	Type of Permit	Unit	Tariff	Duration of Validity:
1	SIUP 10-30 GT with engines of 30-90 HP (Horse Power)	Per Vessel GT	10,000, -	A long as business operates, (no changes made in scale of business)
2	SIPI 10-30 GT with engines of 30-90 HP			Valid for three years, annual payment
	Purse Seine	Per Vessel GT	10,000, -	
	Gill Net	Per Vessel GT	8,000, -	
	<i>Cantrang</i>	Per Vessel GT	20,000, -	
	Long Line	Per Vessel GT	15,000, -	
	Bottom Long Line	Per Vessel GT	15,000, -	
	Lift Net	Per Vessel GT	15,000, -	
	<i>Bubu (Rajungan net)</i>	Per Vessel GT	5,000, -	
	<i>Bagan</i>	Per Vessel GT	5,000, -	
	Squid Nets	Per Vessel GT	20,000, -	
	Other gear	Per Vessel GT	10,000, -	
3	SIKPI 10-30 GT with engines of 30-90 HP	Per Vessel GT	10,000, -	

Source: Regional Regulation Central Java No.1/2011, Governor Regulation Central Java No.24/2014

<sup>19</sup> This regulation is amended by Regional Regulation Number 10 Year 2014, but in relation to fishery business no matters were changed. Perda Jateng No.1 / 2011 includes a regional regulation of 3,143 provincial / regency / municipal regulations that was canceled by the Ministry of Home Affairs on June 21, 2016. However, the Constitutional Court through Decision Number 137 / PUU-XIII / 2015, dated April 5, 2017, annulled the unconstitutional district / city regulation and through Decision No. 56 / PUU-XVI / 2016, dated June 14, 2017, and declared the authority of the government to cancel provincial regulations against the 1945 Constitution. See <http://nasional.kompas.com/read/2017/06/14/22392261/putusan.mk.cabut.kewenangan.mendagri.batal-kan.perda>. Thus, the researchers drew the conclusion that Perda Jateng No.1 / 2011 is still valid.

Not all revenues from the payment of fishery business permits go into regional income and expenditure budgets (APBN) of Central Java; 25% are distributed to regencies/cities and the province receives 75% of the revenue.

There are certain licensing levies that apply in the Kendal Regency, such as the Fishery Business License for businesses with vessel sized  $\geq 5 - 10$  GT and the fish auction levy (TPI). Both types of levies go to revenue stations in the Kendal Regency budget.

### Payments of Capture Fishery Business Permits in Kendal Regency

No,	Permit Type	Unit	Tariff	Duration of Validity
1	IUP with vessels $\geq 5 - 10$ GT	Per Vessel	40,000, -	As long as business operates
2	SIPI with vessels $\geq 5 - 10$ GT			
	<i>Rawe, Cantrang, Gill Net</i>	Per Vessel	30,000, -	1 year
	<i>Mini Purse Seine, Ampera</i>	Per Vessel	35,000, -	1 year
	Other capture gear	Per Vessel	25,000, -	1 year
3	SIKPI $\geq 5 - 10$ GT	Per Vessel	25,000, -	1 year

Source: Government Regulation of Kendal Regency No.9/2011 on Certain Permit Retributions<sup>20</sup>

All products of marine fishery capture in local regions must be auctioned in auction houses (TPI), except for amounts used by the fisherman and his or her family.<sup>21</sup> Based on Regional Regulation of Kendal Regency No.10/ 2010 on Management and Retribution of Fish Auction Houses in Kendal District, TPI levy is set at 1% of the sale and purchase transaction value of the auctioned fish. A total of 0.4% comes from fish / fish sellers and 0.6% of fish buyers.<sup>22</sup>

### Potential Revenues and Losses, Modes and Actors Involved

The field research conducted for this study had difficulties in finding profiles of taxpayers. Vertical organization of the Directorate General of Taxation in Lampung is the Regional Office of Bengkulu and Lampung which is located in Bandar Lampung City. Interviews with fishery businesses did not provide a complete picture of their business, such as income and production costs per year, making it impossible to estimate that the amount of revenue that would be produced.

The revenue from fishery business license levies in the Central Java province did not provide a complete profile of fishery businesses.

<sup>20</sup> <http://pdrd.kendalkab.go.id/index.php/retribusi/13-retribusi-perijinan-tertentu/44-retribusi-izin-usaha-perikanan>

<sup>21</sup> Paragraph 5, Regional Regulation of Kendal Regency No.10/2010 on Management and Retribution of Fish Auction Place in Kendal Regency

<sup>22</sup> Paragraph 19 Regional Regulation of Kendal Regency No.10/2010 on Management and Retribution of Fish Auction Place in Kendal Regency

**Number of Vessels Based on Size and Fishing Gear of Ships sized 10-30 GT in Central Java  
2014**

No.	Size (GT)	Number of Ships	Capture Equipment	Amount
1	< 5	16.823	N/A	N/A
2	5 – 10	4.696	N/A	N/A
3	10 – 30	2.595	Vessel	82
			<i>Bagan</i>	12
			Bottom Long Line	114
			<i>Cantrang</i>	1213
			<i>Dogol</i>	1
			Gill Net	187
			Squid Net	65
			Long Line	186
			Mini Purse Seine	651
			Purse Seine	83
			Trammel Net	1
4	>30	840	N/A	N/A
Total		24.954		

Source: Governor of Lampung Monitoring and Evaluation National Movement for the Rescue of Natural Resources in the Marine sector, 19 May 2015

The difficulty of calculating the fishing permit levy that should be paid by vessels sized 10-30 GT is due to by the absence of details on the size of the GT for each vessel. Details are needed because the Central Java Provincial Government uses units per GT to perform calculations. SIUP also cannot be calculated for the data above because it is not known how many of the 2,595 ships in 2014 are new/changed SIUP.

Crude calculation can still be conducted for SIPI and SIKPI. Assuming the GT size of each vessel is 20 GT (the mid-point of the 10-30 GT classification), then the payment due for these two permits would be follows:

**Simulation of Potential Payments from Fishery Business Permits for Vessels Sized 10—30 GT  
in Central Java 2014**

Fishing Equipment	Number of Ships	Size in GT	Tariff	Potential Payments
Vessel	82	20	10,000	16,400,000
<i>Bagan</i>	12	20	5,000	1,200,000
Bottom Long Line	114	20	15,000	34,200,000
<i>Cantrang</i>	1,213	20	20,000	485,200,000
<i>Dogol</i>	1	20	10,000	200,000
Gill Net	187	20	8,000	29,920,000
Squid Net	65	20	20,000	26,000,000
Long Line	186	20	15,000	55,800,000

<b>Fishing Equipment</b>	<b>Number of Ships</b>	<b>Size in GT</b>	<b>Tariff</b>	<b>Potential Payments</b>
Mini Purse Seine	651	20	10,000	130,200,000
Purse Seine	83	20	10,000	16,600,000
Tramel Net	1	20	10,000	200,000
<b>Total</b>				<b>795,920,000</b>

Source: Hasil Olahan, 2017

From the above simulation, the potential revenue from these two permits in 2014 is IDR 795,920,000. By law, 75% of the revenue goes to Central Java's regional income and expenditure budget, equal to IDR 596,940,000 and the rest would be distributed to various regencies/cities in Central Java.

Based on the assessment report on LKPD of Central Java in 2015 and 201, there was potential revenue in the form of levies from auction houses of 4,185,248,718 rupiah. This levy is due because of the province's authority over auction houses until 31 December 2009. At the start of 2010, that authority was passed down to the regency/city level.

It was difficult to calculate payments due from fishery business permits in the authority of Kendal regency, which include businesses with vessels sized 5-10 GT due to incomplete data. The only data collected was:

#### **Number on Fishing Vessels in Kendal Regency (2015)**

<b>No.</b>	<b>TPI</b>	<b>Motor Ships</b>	<b>Tempel Vessels</b>	<b>Amount</b>
1	Tawang	31	706	737
2	Sendang Sikucing	-	95	95
3	Tanggul Malang	-	162	162
4	Bandengan	-	459	459
5	Karangsari	-	116	116

Source: Department of Marine and Fishery of Kendal Regency

From the 31 motor ships accounted for, none had detailed data on their size, therefore making it difficult to determine amount that was owed.

At this moment, a new regulation gave the authority over vessels sized 2-7 GT to the regency of Kendal. This authority only applies to the registration vessels and not for the issuing of permits. Meanwhile fishing vessels exceeding seven GT are within the authority of the province.<sup>23</sup> This development most like results in a decrease in the amount that is paid to the Regency of Kendal.

<sup>23</sup> Interview with Jasmani, Fisherman Development Division Section Department of Fisheries and Marine Kendal, 26 Mei 2017.

From the various data acquired, it is still not possible to calculate the amount owed from auction houses. With the assumption that the production value of capture fishery in auction houses are equal to the auctioned value, potential revenue collections are as follows:

### Target, Realization, and Simulation of Potential Auction House Payments in Kendal

Year	Target	Realization	Production Value in Auction House (TPI)	Potential Payment (1%*production value)
2014	N/A	N/A	16,977,765,000	169,777,650
2015	110,250,000	139,649,540	14,075,201,000	140,752,010
2016	110,750,000	215,763,160	N/A	N/A
2017	125,000,000	80,901,980	11,750,925,000	117,509,250

Source: Production Value of marine fishery sold in TPI from 2014 to 2015, Report on TPI production in Kendal April 2017, Document of Target and Realization 2015-2017

In 2015 and 2016, the collection targets for TPI were both achieved. But compared to potential collections - 1,102,570 rupiah in 2015 - there is still a large disparity.

In 2017, even though the potential payments owed were lower than the target, this is because data is only available through the month of April. Therefore, there is a large possibility that the potential payments will increase in the remaining 8 months of 2017 production.

Potential losses from auction house payments occur because of the absence of department officials to supervise auctions and agreed upon auction prices. Changes in auction prices surely affect the amount of retribution collected for the regional income and expenditure budget of Kendal Regency. Department officials rely on the reports of the Village Unit Cooperative (KUD) Mina Jaya Kendal as the management authority of the auction house to calculate retribution.<sup>24</sup> Houses conduct auctions three times a day, at 09.00, 13.00, and at night.<sup>25</sup>

In addition, tradesmen or sellers often delay payments and owe these fees after purchasing fish. There are even tradesmen who end up not paying the fee.<sup>26</sup> The department of marine and fishery has no power to overcome this issue. This issue surely decreases the amount of payments collected.

Some of the lost Auction House payments are due to fishermen who don't land their products at the auction house. This is most likely caused by the debts they have to tradesmen and therefore handover their products straight to the tradesmen. This causes the production of the auction house to decrease.

<sup>24</sup> Interview of assessor with Hudi Sambodo, Head Fishery Division, Department of Marine and Fishery Kendal Regency, May 24 2017

<sup>25</sup> Interview of assessor with Sugeng, Head of *Mina Agung Sejahtera* Group, May 22 2017

<sup>26</sup> Interview of assessor with Joko Suharno, TPI Division Department of Marine and Fishery Kendal, 26 Mei 2017

Other potential sources of revenue are from Fish Aggregating Devices (FADs). FADs are typically used by non-local people that have more assets than traditional fishermen. Unfortunately, FADs are not regulated by regional authorities.

### Problems in Marine Capture Fishery

Although the Regional Regulation No.10/2010 on Management and Retribution of Fish Auction Place in Kendal District lists TPI levy at 1% of the auction price, the Village Unit Cooperative Mina Jaya Kendal as managers of the TPI sets the levy at 5%.

Where previous percentage of levies were 0.4% to fisherman and 0.6% to the buyers/tradesmen, now with the increased retribution, the ratio becomes 3% for fishermen and 2% for tradesmen:

#### Auction House (TPI) Levies in the Kendal Regency

Input	Fee	Allocation	
3% fisherman/seller	5%	1% Payment to the Regional Government	
		4% operational, fisherman fund, trader fund	0.5% Fisherman's savings
			0.25% trader's savings
			0.5% dana paceklik
2% buyers/traders		0.6% social funds, accidents/mortality	
		2% auction administration	
		0.15% organizational development	0.05% Board of Directors of <i>Himpunan Nelayanan Seluruh Indonesia</i>
			0.07% KUD Mina Jaya
			0.03% <i>Paguyuban Bakul Ikan Kendal</i>

Source: Joint Agreement DPC HSNI Kendal regency, KUD Mina Jaya and Paguyuban Bakul Ikan Kendala, 31 December 2010

The presence of HNSI (*Himpunan Nelayanan Seluruh Indonesia*) had no real benefit for fisherman. When accidents occurred at sea, no help was sent from the organization. When there were socializations for fishing lanes and fishing gear from the government, HSNI did not send a representative.

In addition, no reports were found on the utilization of funds from the development of HNSI. The use of social funds and famine funds were often criticized by fishermen and the KUD and HNSI were not transparent in their expenditures.

When fishermen had no knowledge of the process for obtaining a permit from the government, HSNI member (Secretary of KUD Mina Jaya) took the opportunity to become the middle man in the process and asked for a fee ranging from IDR 1 – 2.5 million.<sup>27</sup>

Traditional fishermen often compete with large businesses with large vessels. The division of exploitation areas and paths are not regulated strictly and therefore are often not followed.

Fishermen also feel that they have no bargaining power at the time of auction. When the supply of fish is abundant, prices will fall. There is hope however, as the government provides cold storage to accommodate the catch when price falls. Currently, the cooling machines are owned by fish traders. Obtaining a stock of ice for fishermen to maintain the freshness of fish is still a challenge. The need for ice blocks, usually around 20 tons per day, is still supplied by other regions. The same can be said for fuel for the fisherman's vessels.<sup>28</sup>

When exposed to operations by officials at sea, the fishermen have to spend IDR 2 -3 million to avoid being cited. That number becomes tens of millions, if the fisherman is subject to a joint operation involving several law enforcement officers. Usually the fishermen are affected because of the illegal use of *bolga*, which is forbidden because of tight mesh captures small fish.<sup>29</sup> In addition, the use of light to help catch fish is also exposes fishermen to officials' operations, as they are easily identified.

Even though fisherman with vessels under 5 GT are not obliged to make payments of retribution, they are often subject to fees imposed by government officials. There is not much they can do as they do not have a complete knowledge of the regulations in place.

## Findings

From the above study, several findings can be concluded:

1. The regulation of authority of Central Java Province and Kendal Regency in the permitting of fishing vessel has not followed Law No.23 / 2014 on Regional Government.
2. The retribution fishery business licenses in Central Java Province uses the unit per GT of the ship while in Kendal regency uses number of ships as a unit. However, both consider types of fishing gear utilized as a major determinant of retribution.
3. Calculated from the available data, the potential of SIPI and SIKPI levies of Central Java Province in 2014 is IDR 795,920,000.
4. Calculated from the available data, the potential retribution of TPI Kendal regency in 2015 was IDR 1,102,470.
5. Fisherman in the Kendal regency have low bargaining powers.

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<sup>27</sup> Interview of *assessor* with Sugeng, Head of *Mina Agung Sejahtera* group, 22 Mei 2017

<sup>28</sup> *Idem*

<sup>29</sup> Description of *Bolga*, <https://visitmodem.wordpress.com/tag/alat-tangkap/>

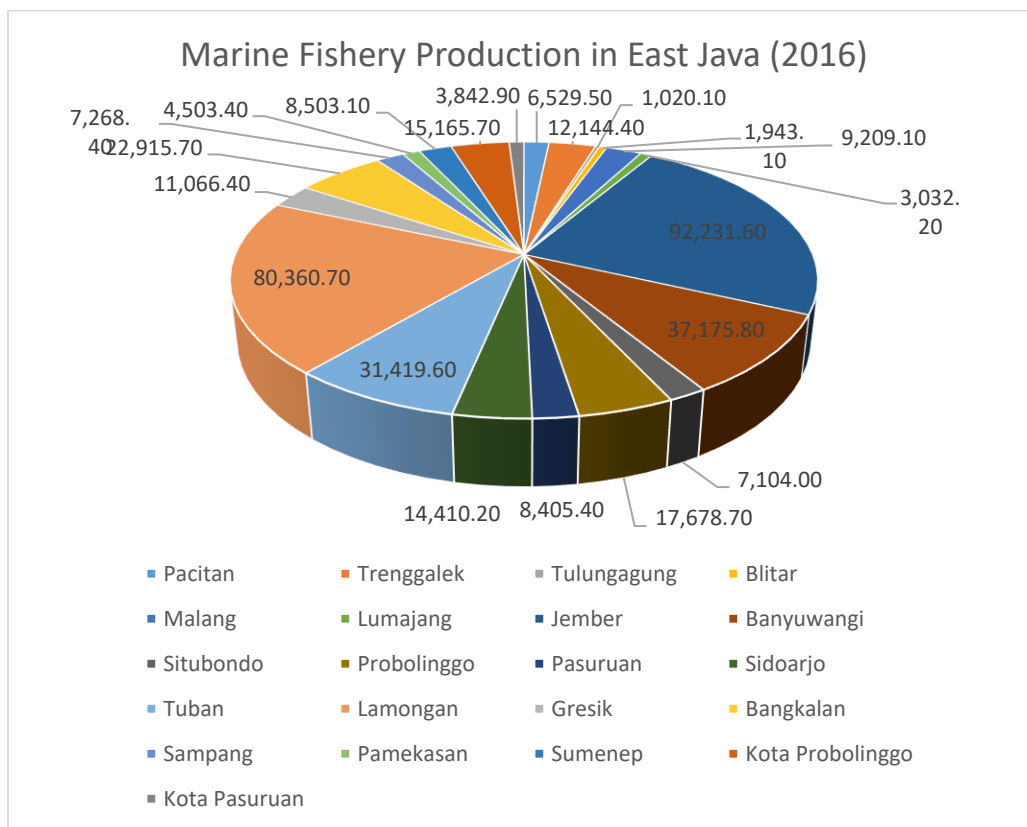


## East Java Province and Tuban Regency

### Description of Marine Fishery State Revenue Governance

The territorial waters of Central Java are governed in WPP 712 (Java Sea), stretching along the north coast and Madura, and WPP 573 (Indian Ocean) in the southern coast from Pacitan to Banyuwangi. Eastern regions of Banyuwangi also enter in WPP 713 (Sulawesi Strait). The waters of Tuban enter WPP 712.

In 2015, the production of marine capture fisheries in East Java reached 395,930 tons. From the 38 regencies/cities in East Java, only 21 contributed to the production of marine capture fishery. Jember Regency and Lamongan Regency had the highest contributions and are located in WPP 573 and WPP 712 respectively.

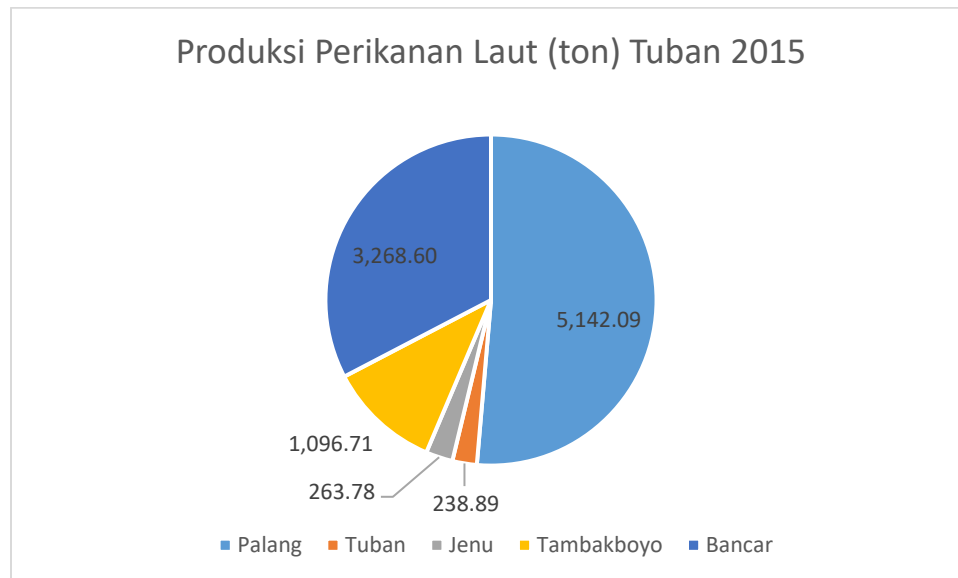


Source: East Java in Numbers (2016)

The Tuban Regency ranks fourth in marine fishery production behind the Banyuwangi Regency with 31,419.6 tons. Similar to East Java, not all districts in Tuban produces marine fishery. In the 20 districts located in Tuban regency, only 5 are engaged in marine fishery production. The largest is in the district of Palang, followed by Bancar district.

When observed further, there are striking differences between production numbers recorded by provincial and regency Central Bureau of Statistics (BPSs). The BPS of Tuban recorded 2015 marine

capture fishery production of 10,010.07, reflecting a disparity of 21,409.53 between provincial and regency data.



Source: Tuban regency in Numbers 2016

## Findings

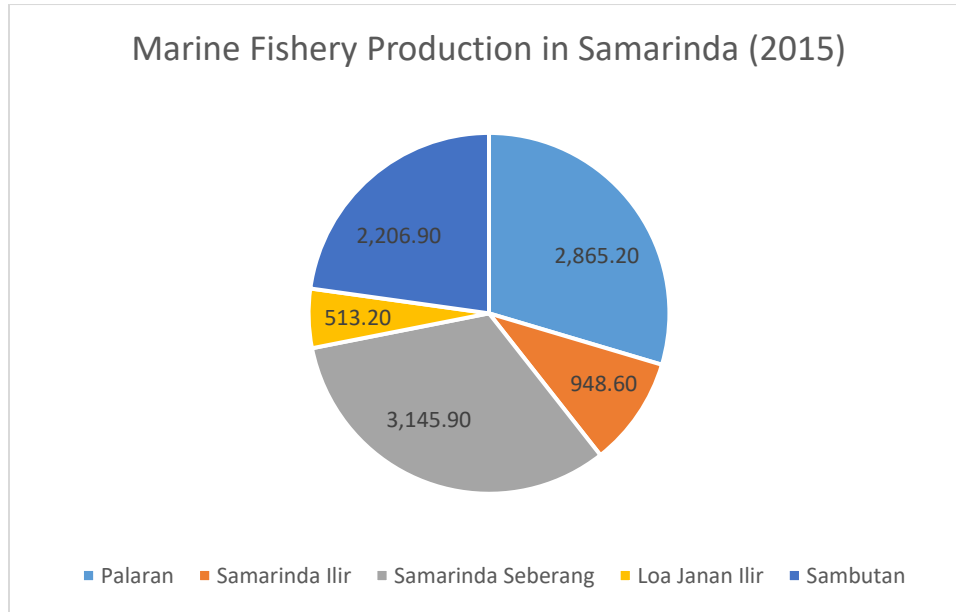
Based on the above study, several findings can be made:

1. Capture fishery retribution in East Java Province is only related to the installation of FADs. While SIUP, SIPI and SIKPI are not charged.
2. The division of authority of East Java Province and Tuban Regency related to the size of fishing vessel handled, is in accordance with Law No.23 of 2014 on Regional Government.
3. In TPI Palan, the fish auction process is conducted privately, making it susceptible to manipulation of the numbers of auctioned fish and auction value.
4. In TPI Bulu, fish sellers (skipper) and buyers (middleman) do not want conduct in auctions and do not pay TPI levies. Debts in 2017 have amounted to IDR 400,000,000.

## East Kalimantan Province and Samarinda City

### Description of Marine Fishery State Revenue Governance

The territorial waters of East Kalimantan province are located in WPP 713 (Makassar Strait). In 2015, the BPS recorded production of marine capture fisheries in East Kalimantan amounted to 9,940 tons. Samarinda city contributed to 9,679.8 which originated from 5 out of the 10 districts.



Source: Samarinda in Numbers (2015)

### Payments by Capture Fisheries in East Kalimantan

No.	Permit Type	Unit	Tariff	Duration of Validity
1	SIUP – Individual	Per business	150,000, -	As long as business is in operation
2	SIUP - Company	Per business	200,000, -	As long as business is in operation
3	SIPI >10 – 30 GT (Regulation of the Governor)	Per GT	10,000, -	1 year
4	SIKPI >10-30 GT (Regulation of the Governor)	Per GT	10,000, -	1 year

Source: East Kalimantan Regional Regulation No.3 / 2012 on Specific Licensing Levy, Regulation of the Governor No.15 / 2012 on the Change of Route License Rate and Tariff of Fishery Business License

### Payments by Capture Fisheries in Samarinda City

No.	Permit Type	Unit	Tariff	Duration of Validity
1	SIUP			
	- 5 to 7 GT	Per business	1,000,000, -	20 years
	- 8 to10 GT	Per business	2,000,000, -	20 years
2	SIPI 5 to 10 GT	Per business	500,000, -	2 years
3	SIKPI 5 to 10 GT	Per business	500,000, -	2 years

Source: Regional Regulation of Samarinda City No.15/2011 on specific licensing payments

Fish sale payments were 2% of product sales revenue.<sup>30</sup> Every vessel and vehicle that brought products to be marketed in Samarinda were mandated to land in the Selili fish landing base (PPI). All sales and purchases had to be made in Selili, except for products of fishery capture that were made for the purpose of sport or research.<sup>31</sup> Payments exclude auction places provided, owned, and/or managed by Regional Owned Enterprises (BUMD) and private parties.<sup>32</sup>

### Potential Revenue Losses, Modes and Actors Involved

Marking down the size of fishery vessels often occurred and is known as GT stealing. Vessels with a size of 50 GT would frequently report at 30 GT.<sup>33</sup> Unfortunately, it cannot be estimated how large this mode is prevalent among license holders. However, this mode of manipulation surely decreases local revenues.

Licensing data obtained were incomplete and did not contain the details of the size of each vessel, which is a key variable in calculating payments owed. To simulate its potential, it was assumed that the size of ships was 20 GT as the midpoint between the 10-30 GT classification which was under the authorization of East Kalimantan Regency.

### Data of Permit Owners in East Kalimantan and Simulation of Potential Payments (2016)

No.	Permit Type	Amount	Size in GT	Tariff	Potential Payments	Target Local Expenditure Budget
1	SIUP – Individuals	93	-	150,000	13,950,000	

<sup>30</sup> Paragraph 8, Regional Regulation Samarinda City No.6/2010 on Retribution of Fishery Auction

<sup>31</sup> Paragraph16, idem

<sup>32</sup> Paragraph 3 article 3, idem

<sup>33</sup> Wawancara of assessor with Andar Jongvessel skipper and fisherman in TPI Selili, 26 May 2017.

2	SIUP - Perusahaan	0				
3	SIPI >10 - 30 GT	87	20	10,000	17,400,000	
4	SIKPI >10-30 GT	92	20	10,000	18,400,000	
	Total				34,090,000	24,500,000

Source: List of East Kalimantan Permit Owners January to December 2016, APBD 2016

From the above calculations, potential payments amounted to IDR 34,090,000. Meanwhile, Levy of Private Fishery Business License in the Regional Budget of East Kalimantan 2016 was 24,500,000. This means that the target set in 2016 is IDR 9,590,000, lower than the existing potential.

## Findings

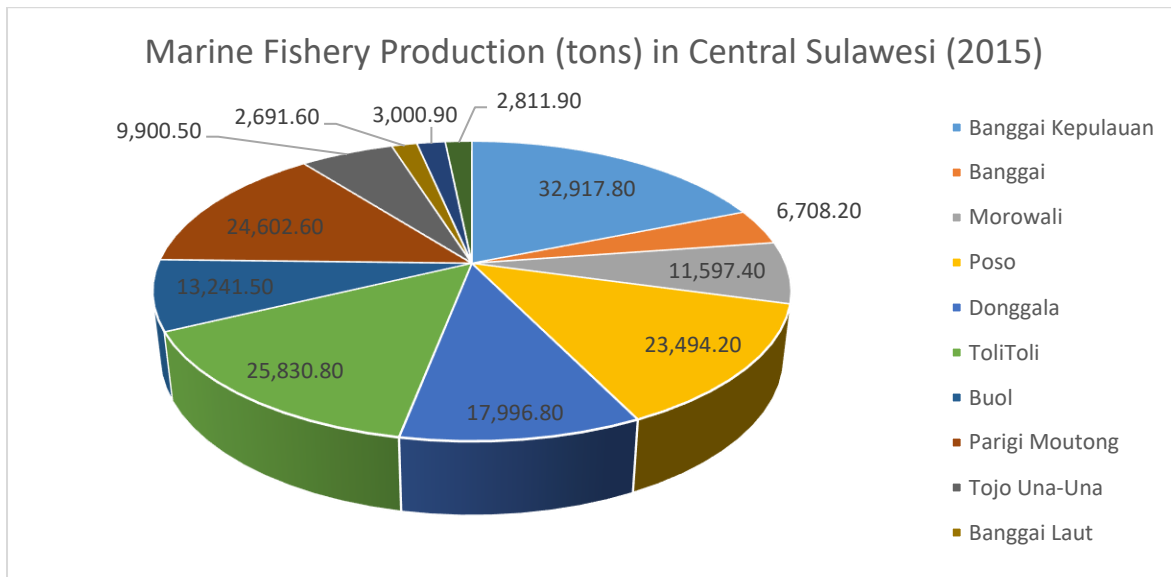
Based on the study above, it can be concluded that:

1. The division of authority in the Province of East Kalimantan and the City of Samarinda is based on the size of fishery vessels does not yet follow Law No.23 of 2014 on Regional Government.
2. The unit for calculations of fishery permit retribution in East Kalimantan is based on ship size in GT while the City of Samarinda uses number of ships as its unit.
3. Based on the simulation of potential retribution, East Kalimantan is likely to increase the potential revenues by IDR 9,590,000 in 2016.

## Central Sulawesi Province and Donggala Regency

### Description of Marine Fishery State Revenue Governance

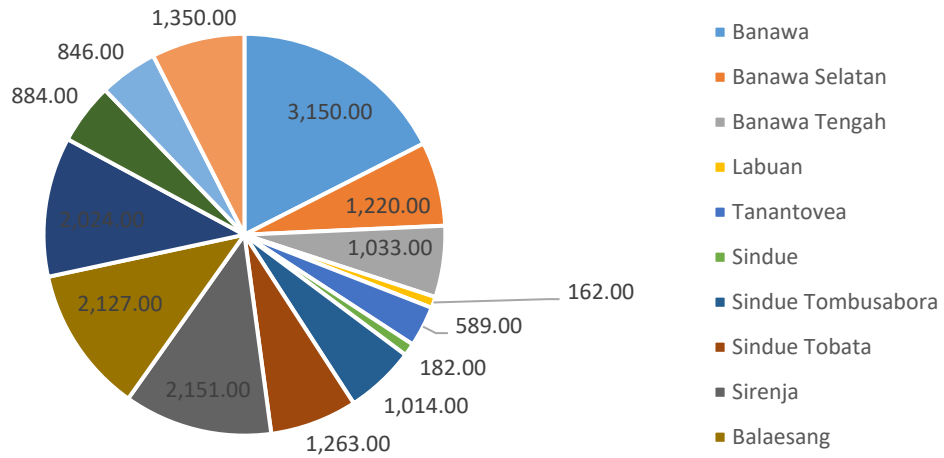
The territorial waters of Central Sulawesi are located divided in WPP 713 (Sulawesi Strait), WPP 715 (Tomini Bay), and WPP 716 (Sulawesi Sea). Production of marine capture fisheries in 2015 reached 174,794.2 tons. In that year, all regencies/cities contributed to the production of marine capture fishery except for the Sigi regency. Production exceeding 20,000 tons was achieved in the regencies of Banggai Islands (WPP 715), Tolotoli (WP 716), Parigi Moutong (WP 715), and Poso (WP 715). The regency of Donggala, with territorial water in WPP 713, was ranked fifth with production of marine capture fishery reaching 17,996.8 tons.



Source: Central Sulawesi in Numbers (2015)

With similar numbers as those recorded by BPS of Central Sulawesi, BPS of Donggala recorded production of Marine Capture Fishery of 17,995 which originated from 14 districts. Only two districts in Donggala did not contribute to marine fishery production, the districts of Rion Pakava and Pinembani.

### Marine Fishery Production in Donggala Regency (2015)



Source: Donggala Regency in Numbers (2015)

### Payment of Fishery Business Permits in Central Sulawesi

No.	Permit Type	Unit	Tariff	Duration of Validity
1	SIUP	Per Business	500,000	As long as business operates
2	SIPI			
	Capture fishery vessel with purse seine fishing gear, 10 GT	Per vessel	450,000	1 year
	15 GT	Per vessel	675,000	1 year
	20 GT	Per vessel	900,000	1 year
	25 GT	Per vessel	1,125,000	1 year
	30 GT	Per vessel	1,350,000	1 year
	Pole and Line Vessel 10 GT	Per vessel	1,320,000	1 year
	15 GT	Per vessel	1,500,000	1 year
	20 GT	Per vessel	2,000,000	1 year
	25 GT	Per vessel	2,500,000	1 year
	30 GT	Per vessel	3,000,000	1 year
	Capture Fishery Vessel with other fishing gears, 10 GT	Per vessel	300,000	1 year
	15 GT	Per vessel	450,000	1 year
	20 GT	Per vessel	600,000	1 year
	25 GT	Per vessel	750,000	1 year
	30 GT	Per vessel	900,000	1 year
3	SIKPI	Per vessel	500,000	1 year

Source: Regional Regulation Central Sulawesi No.1/2012 on Payment of Certain Licenses<sup>34</sup>

<sup>34</sup>[http://www.jdih.sultengprov.go.id/peraturan/\(%20NOMOR%2001%20TAHUN%202012%20\)%20RETRIBUSI%20PERIZINAN%20TERTEKUN.pdf](http://www.jdih.sultengprov.go.id/peraturan/(%20NOMOR%2001%20TAHUN%202012%20)%20RETRIBUSI%20PERIZINAN%20TERTEKUN.pdf)

### Payment of Fishery Business Permit in Donggala Regency

No,	Permit Type	Unit	Tariff	Duration of Validity	
1	SIUP	Per Business	250,000	1 year	
2	SIPI				
	<b>Fishing Equipment</b>				
	Purse Seine up to 300 m	Per equipment unit	50,000	1 year	
	Purse Seine longer than 300 m	Per equipment	75,000	1 year	
	Gill Net up to 300 m	Per equipment	15,000	1 year	
	Gill Net longer than 300 m	Per equipment	35,000	1 year	
	Beach Line	Per equipment	15,000	1 year	
	<i>Payang (Jala Rompong)</i> up to 250 m	Per equipment	50,000	1 year	
	<i>Payang (Jala Rompong)</i> longer than 250 m	Per equipment	75,000	1 year	
	Long Line up to 500 m	Per equipment	50,000	1 year	
	Long Line longer than 500 m	Per equipment	75,000	1 year	
	Pole and Line (Hutate) or similar items	Per equipment	100,000	1 year	
	Trolling	Per equipment	15,000	1 year	
	<i>Bubu</i> or similar	Per equipment	7,500	1 year	
	Traditional <i>Bagan Apung</i>	Per equipment	50,000	1 year	
	Modern <i>Bagan Apung</i>	Per equipment	75,000	1 year	
	<i>Bagan Tancap</i>	Per equipment	25,000	1 year	
	<i>Sero</i> or similar	Per equipment	10,000	1 year	
	Other Fishing Equipment	Per equipment	5,000	1 year	
		<b>Fishing Aid Tool</b>	Per equipment		1 year
		Deep Sea FAD (Fish Aggregating Device)	Per equipment	150,000	1 year
		Shallow Sea FAD	Per equipment	50,000	1 year
	Light Boat	Per equipment	50,000	1 year	
	Submerged Light	Per equipment	75,000	1 year	
	Other Equipment	Per equipment	25,000	1 year	
	<b>Fishing Fleet</b>			1 year	
	<i>Tempel</i> Motor Boat up to 5 GT	Per vessel	5,000	1 year	
	Motor Boat 5 GT to 10 GT	Per vessel	25,000	1 year	
	Other Motor Boat	Per vessel	35,000	1 year	
3	SIKPI			1 year	
	<i>Tempel</i> Motor Boat up to 5 GT	Per vessel	15,000	1 year	
	Motor Boat 5 GT to 10 GT	Per vessel	35,000	1 year	
	Other Motor Boat	Per vessel	75,000	1 year	

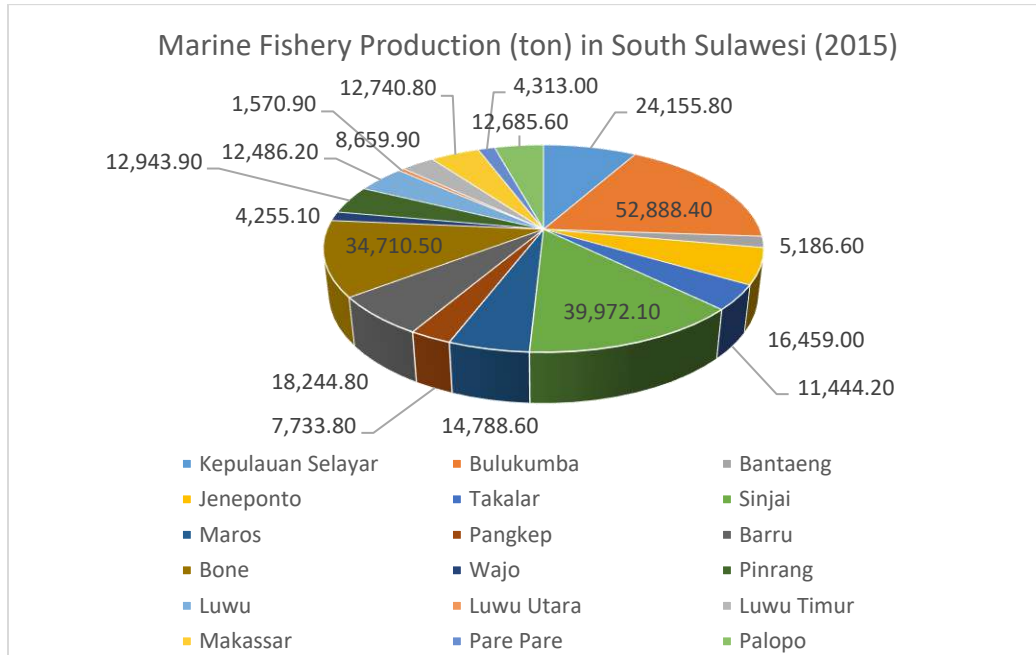
Source: Regional Regulation Donggala Regency No.8/2008 on payment of fishery businesses



## South Sulawesi Province and Bulukumba Regency

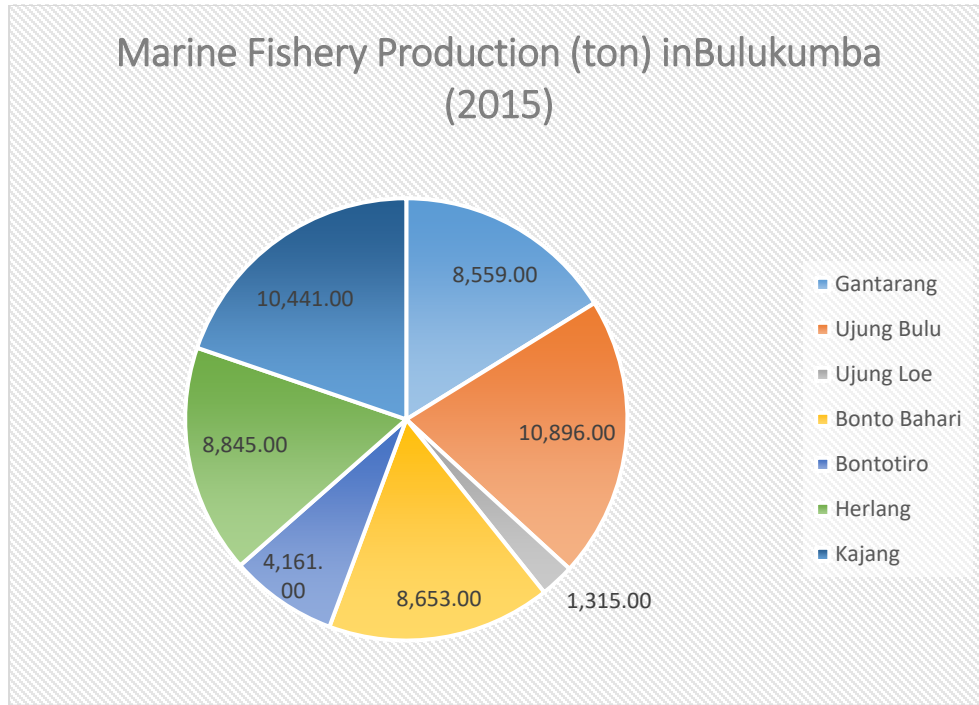
### Description of Marine Fishery State Revenue Governance

The territorial waters of South Sulawesi and Balukumba Regency are located in WWP 713 (Flores Sea and Makassar Strait). Balukumba regency contributes the largest amount of marine capture fishery production with 52,888.4 tons in 2015. Of the 24 regencies/cities located in South Sulawesi, only six contributed to marine fishery production, the regencies of Gowa, Soppeng, Sidrap, Enrekang, Tana Toraja, and Toraja Utara.



Source: South Sulawesi in Numbers 2015

According to the BPS of Bulukumba, capture fishery production in the regency amounted to 52,870 tons. From the 7 districts that contributed to the production of capture fishery, five had production exceeding 8,000 tons in 2015.



Source: Bulukumba in Numbers 2015

### Payment of Fishery Business Permits in South Sulawesi

No.	Permit Type	Unit	Tariff	Duration of Validity
1	SIUP			
	Vessels sized 10-20 GT			
	- 1-50 ships	Per permit	500,000	5 years
	- More than 51 ships	Per permit	1,000,000	5 years
	Vessels sized 21-30 GT			
	- 1-50ships	Per permit	1,500,000	5 years
	- More than 51 ships	Per permit	2,000,000	5 years
	2	SIPI		
Ships sized 10-<30 GT		Per GT	15,000	1 year
Ships sized 30-60 GT		Per GT	40,000	2 years

No.	Permit Type	Unit	Tariff	Duration of Validity
3	SIKPI			
	Ships sized 10-<30 GT	Per GT	15,000	1 year
	Ships sized 30-60 GT	Per GT	40,000	2 years

Source: Regional Regulation of South Sulawesi No.10/2011 on payments of certain licenses.

This regulation states that the authority over ships with the size 30-60 GT vessel is implemented after a decision is made by the Ministry of Marine and Fisheries.

#### **Payment of Fishery Business Permits in Bulukumba Regency**

No.	Permit Type	Unit	Tariff	Duration of Validity
1	SIUP ships >5-10 GT	Per GT	50,000	2 year
2	SIPi ships>5-10 GT	Per GT	25,000	1 year
3	SIKPI ships >5-10 GT	Per GT	25,000	1 year

Source: Regional Regulation Bulukumba regency No.17/2012 on payment of Fishery Businesses<sup>35</sup>

The tariff of retribution for fish auction activities is set at 1% of the value of sale and purchase transactions, with 0.4% paid by fishermen and 0.6% paid by fish buyers and traders.<sup>36</sup>

All products of marine capture fishery are mandated to land in PPI and TPIs or other ports and reported to regional work units (SKPD). All products must be auctioned in the TPI, except for fish utilized for the personal needs of fisherman and their families.

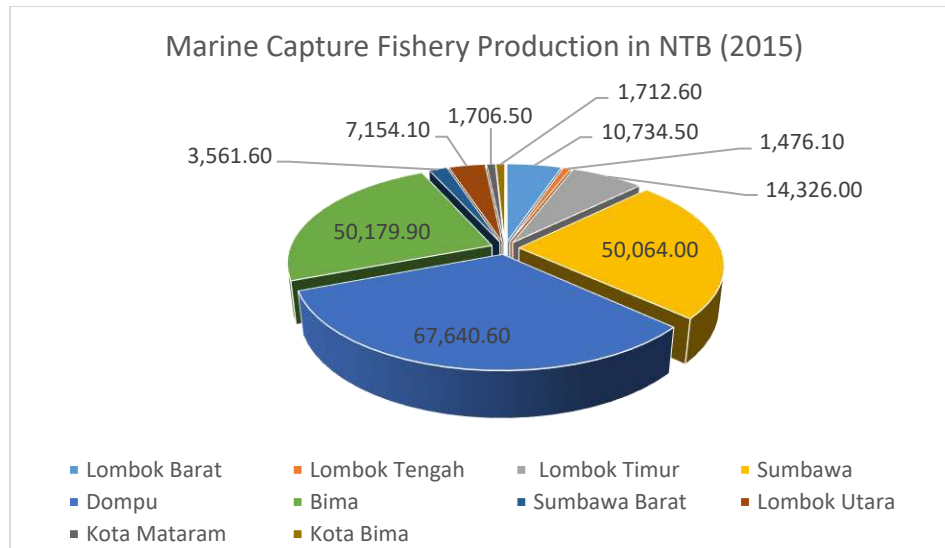
<sup>35</sup> This regulation was canceled by the Ministry of Interior, but it is still used. For reason, see footnote 20.

<sup>36</sup> See paragraph 14 Regional Regulation of Bulukumba Regency No.18/2012 on Retribution of Auction places.

## West Nusa Tenggara Province and East Lombok Regency

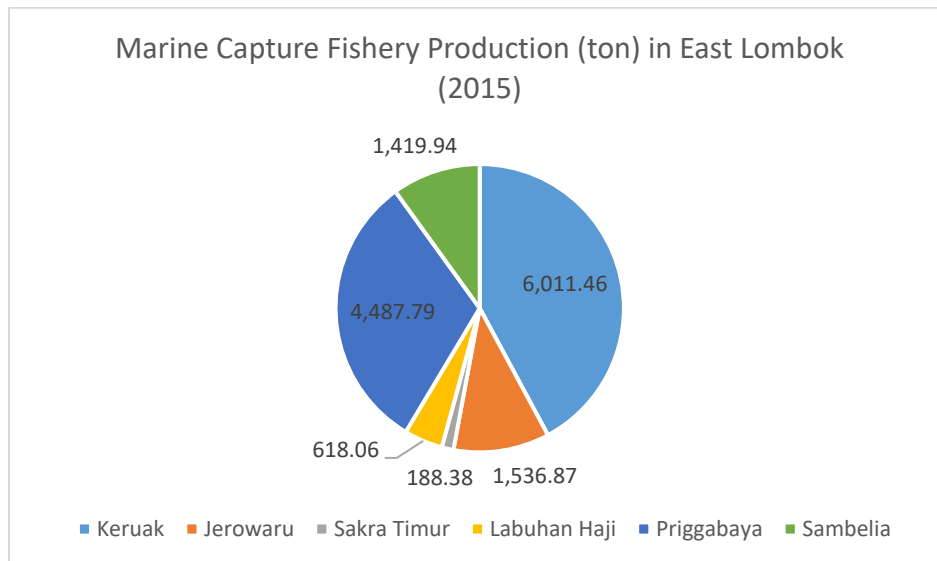
### Description of Marine Fishery State Revenue Governance

The territorial waters of West Nusa Tenggara (NTB) are located in WPP 713 (Makassar Strait and Flores Sea) and WPP 573 (Indian Ocean). In 2015, BPS recorded marine fishery production of the province at 208,555.9 tons.



Source: NTB in Numbers 2016

The largest contributors of production originated from the regencies of Sumbawa, Dompu, and Bima. The regency of East Lombok and West Lombok ranked behind them, while five other regencies/cities had contributions that were less than 10,000 tons.



Source: East Lombok in Numbers 2016

Of the 20 districts located in East Lombok, only 6 contributed to marine fishery production, amassing 14,262.6 tons, with contributions dominated by the Keruak and Pringgabaya districts. When studied, there is a disparity of 63.5 tons between the production data recorded between the province and that of the regency.

Marine capture fishery production can be conducted by either businesses or by individuals. These actors must apply for permits that are issued by the local government.

### East Lombok Regency

According to Muhammad Tsywirruddin, Head of the Department of Marine and Fishery, there are 5 Fish Auction Places (TPI) in East Lombok: TPI Tanjung Luar, TPI Labuhan Lombok, TPI Batu Nampar Selatan, TPI Seriwe, and TPI Sambelie. Of the five TPIs, only the first two were a source of local revenue. The other three TPIs were widely used by small fisherman, and in accordance with the appeal from the Ministry of Marine and Fisheries, these small TPI's were not required to pay any fees.

Of the two TPIs that were d sources of revenue, neither have performed well, with both TPIs failing to reach 50 % of targeted revenues.

#### Target and Realization of Auction House (TPI) Payments in East Lombok 2016

No.	Post	Target	Realization	Realization (%)	Potential Loss
1	TPI <i>Labuhan Lombok</i>	175,000,000, -	53,792,000, -	30,74%	121,208,000, -
2	TPI <i>Tanjung Luar</i>	147,653,000, -	16,681,000, -	11,30%	130,972,000, -
	Total	322,653,000, -	70,473,000, -	21,84%	252,180,000, -

Source: Report on the Realization of Local Revenues, Department of Marine and Fishery of East Lombok, December 2016

According to Muhammad Tahir, the Tanjung Luar TPI auctioneer, the payment of TPI retribution is not immediately paid in cash after auction, but is indebted. When these payments are eventually paid, they are often not in accordance to the regulations in place. Payments for sales at auction of 20,000,000 rupiah are only 100,000 rupiah, for example.<sup>37</sup>

Based on the provisions of Regency Regulation No.15/2014, the total retribution owed to the Government of East Lombok regency is 5% of the value at auction. For the situation described above, one million rupiah would be owed on a IDR 20-million value at auction, this corresponds to a loss of 90% of the revenue.

<sup>37</sup> Interview by assessor Ramli, 21 May 2017

## Problems of Marine Capture Fishery

According to Captain Burhanudin of Port Sape, Bima, NTB, he was charged 200,000 rupiah for the handling of SLO (operation permits), SPB (registration of goods document), and health permits. No other ports collected such fees and after hard negotiations he managed to lower the cost to 50,000 rupiah.

If these documents are not complete, such as the ownership of SPB, the vessel can be quarantined, and the fisherman brought into court for trial. To avoid being put in court, one must pay a fee of 10,000,000 rupiah.

Sea police often conduct raids in the middle of the sea to inspect the completeness of a fisherman's documents and permits. Despite the completeness of documents possessed, the commander and members of the police demand payments on the grounds of gasoline money. Each officer is usually given 100,000 rupiah with the commander receiving 200,000 rupiah.

In relation to the police's blocking of the entranceway to the port, fishermen were asked to handover fish to the officers. Usually three Cakalang fish are requested (total weight about 4 kg, with price of IDR 12,000 per kg). But often a tuna is requested for the commander.

In the beginning of 2017, a group of fishermen from the Tanjung Luar, East Lombok reported the illegal conduct of police officers to the *Komisi III* of the local parliament. Haji Abdul Karim, a fisherman of Tanjung Luar, admitted to having been forced to hand over documents to two officers of the naval police in the Bay of Saleh Sumbawa. The naval police took all official documents such as SIPI, SLO, sailing permits in Syah Bandar and other documents. The perpetrators claimed that the fishermen entered unpermitted waters. However, according to Haji Abdul Karim, the boundaries of permitted waters are the Indian Ocean to the waters of NTT. The perpetrator then requested a ransom of IDR 35 million for the documents. After bargaining, it was agreed that a sum of IDR 3.5 million rupiah would be paid. The same thing happened to Musyairi in Nare Bay. This group of fishermen was accompanied by the *Chairman Serikat Pekerja Nasional (SPN) NTB*, Sarwin.<sup>38</sup>

## Findings

Thousands of unpermitted FADs were found in the Indian Ocean. Meanwhile, according to the head of the Capture Fishery Division in NTB, hundreds of these illegal FADs can be found 12 or more miles from the shores of NTB.<sup>39</sup> This means that the issuing of permits for these FADs are under the authority of the Ministry of Marine and Fishery. For every 100 illegal FADs, the state revenue loss can be as much as IDR 200,000,000 per year.<sup>40</sup>

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<sup>38</sup> *Radar Lombok, Pungli Marak di Tengah Laut; Nelayan Ngaku sering Dipalak Oknum Polair*, 6 February 2017, <https://www.radarlombok.co.id/nelayan-ngaku-sering-dipalak-oknum-polair.html>.

<sup>39</sup> <http://bali.bisnis.com/read/20160504/10/59257/rumpon-ilegal-di-ntb-segera-ditertibkan>

<sup>40</sup> Non-tax revenue from the procurement or renewal of License Installation of new FADs is IDR 2,000,000, - / unit / year. See Government Regulation No.75 / 2015 on Non-Tax State Revenue from the Ministry of Marine Affairs and Fisheries.

There are around 300 ships originating from Sulawesi that moor in the Port of Lombok. These ships are only supplied with "small fitting" from the harbormaster.

The average size of ships originating from Sinjai exceeds 20, 21, and 28 GT. However, when arriving in Lombok, original documents are put away and not used. These ships then use documents that state that the sizes of the ships are only 6 to 8 GT. The use of false documents is within the knowledge of the harbormaster.

### **East Lombok Regency**

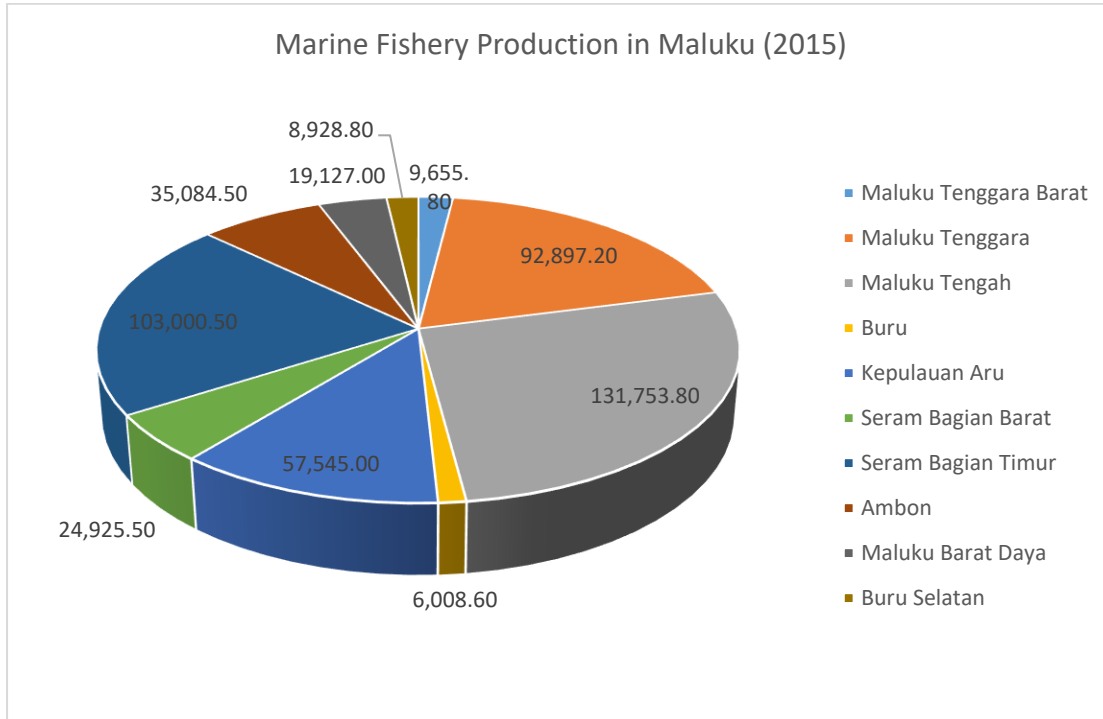
Potential losses of state revenue also originate from companies trading in frozen *cakalang* fish in the Lombok port in the form of false reports of production numbers.

## Maluku Province and Ambon City

### Description of Marine Fishery State Revenue Governance

The territorial waters of Maluku province are divided into three areas of fishery management: WPP 714 (Banda Sea), WPP 715 (Tomini Bay-Seram Sea), and WPP 718 (Arafuru Sea – Timor Sea).

This province produced 488,926.7 tons of marine fish in 2015. The regency of Central Maluku and East Seram had the largest contributions to production with 100,000 tons of fish. During that year, the city of Ambon ranked fifth out of 10 regencies/cities with a production of 35,084.5 tons.

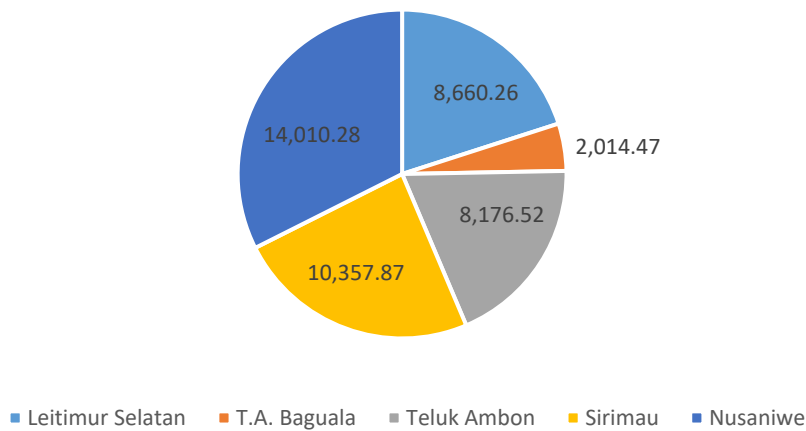


Source: Maluku in Numbers 2016

A different number is recorded by the BPS of Ambon City, where in 2015 the production of marine fishery was recorded at 43,219.4 tons, a disparity of 8,134.9 margins as compared to records held by the provincial government.



Marine Fishery Production in Ambon City (2015)



Source: Ambon city in Numbers 2016

### Potential Revenues and Losses, Modes and Actors Involved

Fishery business permit collections in 2015 amounted to IDR 10,600,000. While payments of SIU of IDR 10,600,000.00 were not presented in the Balance Sheet as of December 31, 2015, as they are no longer collectible, but its decision to remove this debt was still not determined by the Mayor. On March 30, 2016, the Head of the Department of Marine and Fisheries submitted a request for the abolition of the compulsory levy for 2009 - 2013 amounting to IDR 10,600,000 to the Head of BP2T through letter No. 523/340 / DKP on the grounds that the levy has closed the business and moved the operation out of the City Ambon hereby making its collection not possible.<sup>41</sup>

<sup>41</sup> Assessment Report on LKPD in Ambon city 2015