

# **Formulation of Local Government Policies in Preparing Oil and Gas Interest Participation (PI) in Banggai Regency, Central Sulawesi**

Risman Sarifudin

*Doctor of Administration Science, 17 August 1945 University Surabaya, Indonesia*

---

## **ABSTRACT**

The research objective is to analyze the policy formulation of the Banggai district government in preparing for the implementation of interest participation in the coming 2027. This research uses the descriptive qualitative method. The results showed, *first*, the formulation of government policies in facing 10% PI uses a process model starting from identifying problems related to the issue of 10% interest participation, setting policy objectives for Banggai District Facing 10% Interest Participation, analyzing policy options, then deciding on one option. namely forming BUMD specifically for Mining as a Policy Formulation for the Banggai Regency Government. Second, the factor that hinders the formulation of the 10% PI policy lies in the limitations of the quality of human and government human resources and local government institutions, both in terms of structure and function of the ineffective institutions and inconsistent planning. Third, the Banggai Regency government policy formulation model.

**KEYWORDS:** Policy; Interest Participation; Oil and Gas

---

Date of Submission: 16-03-2021

Date of Acceptance: 31-03-2021

---

## **I. INTRODUCTION**

Legal mining exploitation in various regions does not contribute to the region concerned [1]. It often creates social and economic disparities between local communities and mining communities. This gap has the potential to create social insecurity which can also create large costs that must be borne by the company and the government. For the regions to also get great benefits from mining activities, the central government has made laws and regulations on interest participation [2]. Government Regulation Number 35 of 2004 concerning Upstream Oil and Gas Business Activities grants *privilege* Pertamina the submit bids to exploit the work area concerned. In addition to Pertamina, the transfer of oil and gas contracts also opens opportunities for Regional-Owned Enterprises (BUMD) to participate in exploiting oil and gas resources in their regions. PP No. 35/2004 regulates the obligation of oil and gas contractors to offer a *participating interest* (hereinafter referred to as PI) of 10% to BUMD [3]. Regional active participation is needed, among others, to streamline and simplify regional permits for PSC Contractors to operate. With these regulations, the contribution of mining to the regions will be more certain.

One of the areas in which mining company activities are located in Banggai Regency, Central Sulawesi Province. Banggai Regency has abundant oil and natural gas mining potential as well as metal minerals such as nickel and gold. The potential for oil and gas is found in the Senora Block and the Matindok Block. The Senoro block covers an area of  $\pm 6,100$  Ha, with proven natural gas reserves of 1,532 TCF (Trillion Cubic Feet), Possible reserves of 1,051 TCF, expected reserves of 1,083 TCF. The Senoro block is being managed by JOB Pertamina Medco Tomori Sulawesi (PMTS). Matindok Block which has 6 gas fields namely Maleo Raja, Sukamaju, Donggi, Mentawai and Minahaki Gas fields. Matindok block is managed by Pertamina Matindok Gas Development (PPGM). *contract cooperation JOB Tomorivalid for 30 years ie from 1997 to the year 2027* (<http://www.medcoenergi.com>, accessed December 20, 2018).

The contract expires in 2027, indicating that the opportunity for Banggai Regency to enjoy the 10% PI is still eight years away. This is a mining potential that will contribute greatly to the progress and welfare of this area if the Banggai Regency government can prepare itself with various policies that are relevant to the need for the implementation of interest participation. The problem is, the attention of the Banggai Regency government has not shown its seriousness to prepare itself to be worthy of taking the role of the 10% PI.

The submission of the 10% PI to BUMD is regulated in Government Regulation No.35 of 2004 article 33 paragraph (1), which states that the contractor can transfer, deliver and transfer part or all of its rights and obligations (*participating interest*) to other parties after obtaining approval from the Minister based on the

consideration of the Agency. Implementer [4]. After entering the exploitation stage, mining companies are required to submit interest participation of 10%. However, the government makes strict regulations, because PI is only given to local governments through BUMD. Broadly speaking, the government has set a limit for the granting of PI, namely:

1. Local governments must form and appoint Regional Owned Enterprises (BUMD) whose establishment and equity participation is based on regional regulations;
2. Criteria for a district, city or provincial BUMD that is entitled to a 10% PI offer by taking into account the management authority of 0-4 nautical miles for districts, cities or provinces and 4-12 nautical miles for provinces;
3. BUMD must have the independent financial capacity to finance the 10% PI takeover and subsequent operational activity plans;
4. BUMD can cooperate with the Government Investment Center (PIP) or BUMN;
5. BUMD's statement of interest and capability within 60 calendar days from the first bid by the contractor. If there is no statement of interest in offering PI to BUMD it is declared closed by the contractor, he is obliged to offer PI 10% to BUMN stipulated by the minister
6. The transfer of the 10% PI must obtain ministerial approval based on SKK Migas considerations;
7. Work areas over 12 miles are the jurisdiction of the central government.

The above provisions position Banggai Regency as a producing region to actively prepare itself to fulfil these requirements. The Banggai Regency Government must have the initiative and actively propose its interest or ability to take the interest participation offered by the company. In this case, the Banggai Regency government must be able to exercise its authority to appoint competent BUMDs and make efforts to comply with the provisions stipulated in PP No. 35 of 2004 article 35 paragraph 1. A statement of interest and ability to take up a participating interest as referred to in Article 34 shall be submitted by the Regional Owned Company within not more than 60 (sixty) days from the date of the offer from the Contractor.

Several provisions regarding PI above position the government of Banggai Regency as an active subject in mining business cooperation. Several problems faced by Banggai Regency, in general, are related to the unpreparedness of BUMDs in utilizing PI. This unpreparedness is more due to a lack of understanding of oil and gas regulations and the ability to read business opportunities. Many regions even often rely on quota from the centre without taking the initiative and innovating to take advantage of the opportunities for PI. If they are grouped into several reasons for this unpreparedness, they are (1) Human resources, especially experts in the oil and gas sector, are still scarce; (2) dull business instincts and accustomed to receiving finished portions, (3) Collusion, Corruption, Nepotism (KKN). Based on the facts above, this research is interesting to do so that we get a study and analysis on the optimization of the role of the Banggai Regency government in implementing interest participation.

Interest participants according to PP. 35 of 2004 article 35 paragraph 1 is only possible when the Regional Government can take the initiative and can cooperate with the private sector. Brown, LaFond & Macintyre (2001: 3) states that capacity is an elusive concept, which in some literature is described as follows: "*capacity as a process and outcome; as dynamic and multidimensional*". This means that capacity is an academic statement that describes the maximum ability of a person or institution to achieve predetermined targets or goals. To achieve this, it must be pursued through a dynamic process involving many dimensions. Capacity development is a strategy aimed at increasing efficiency, effectiveness and responsiveness in the framework of government performance, by focusing on the dimensions of human resource development, organizational strengthening, and institutional reform [5]. Optimizing the role of the Banggai Regency government is closely related to how the capacity of the local government is in collaborating with the private sector.

The government has a role in the economy, it can be classified into 1) The role of allocation, which is the function of the government to allocate resources and make them more optimal in use, 2) The role of distribution, namely the role of government to adjust the distribution of income and welfare of society, 3) The role of stabilization is a functioning government to increase employment opportunities as well as the stability of the prices of goods needed by a steady economy [6]. In this case, the cooperation between the government and the private sector in managing mining must be placed within the framework of resource allocation, distribution and economic stabilization. For this reason, local governments are required to have the capacity to work

## **II. RESEARCH METHOD**

This research uses a qualitative descriptive approach (*qualitative research*). The research used a qualitative descriptive approach, which describes the preparation of the Banggai Regency Government in welcoming the interest participation that will be accepted in 2027. The qualitative approach is a problem-solving procedure that is researched using data obtained from interviews, literature observations and field observations, then analyzed and interpreted by providing conclusions. The use of a qualitative approach is expected that the

researcher can present a more in-depth picture following the predetermined focus. This type of research is descriptive explanatory, that is, research does not merely reveal a problem and situation or event as it is so that it is merely to reveal facts (*fact-finding*) but also explains various linkages between existing variables. The research results are emphasized on giving an objective description of the actual condition of the object studied

### **III. DISCUSSION**

#### **A. Identification of Problems Related to Interest Participant Issues The**

results of the collection of information and data related to the preparation of 10% interest participation in 2027 revealed several problems, namely: First, there are no BUMDs that can manage to mine. Banggai Regency does not yet have a credible BUMD to manage to mine. Second, the limited quality of human and government human resources. Government human resource capacity in planning and implementing development programs/activities based on local resources. Third, local government institutions, both in terms of structure and institutional function, have not been effective. The problem of government management in Banggai Regency is marked by not being completed yet. An assessment of these three issues is described below.

##### **1. There is no BUMD that can manage to mine.**

The definition of BUMD is based on the provisions of Article 1 of Law No. 23/2014 on Regional Government, it is said that BUMD is: "Regional Owned Enterprises, hereinafter abbreviated as BUMD, is a business entity that is wholly or most of its capital owned by the region. ". The definition of Regional Owned Enterprises (BUMD) based on Government Regulation of the Republic of Indonesia Number 54 of 2017 concerning Regional Owned Enterprises Article 1 number 1 states that BUMD is a "Regional Owned Enterprise, hereinafter abbreviated as BUMD, is a business entity wholly or most of its capital is owned by area".

Regional-Owned Enterprises (BUMD) are state-owned enterprises managed by local governments. Regional companies are companies established by local governments whose capital is largely or wholly owned by local governments. The purpose of establishing a regional company is to participate in regional development, development and development of economic potential in the region towards a just and prosperous society [7].

Judging from the goals of the state as stated in the Preamble to the 1945 Constitution that the Indonesian state government was formed to promote public welfare and social justice for all Indonesian people, BUMD is an implementation of efforts to achieve the goal of advancing public welfare and social justice. So far, BUMD has focused more on efforts to improve people's welfare through managing the daily needs of people in the regions. The era of regional autonomy emphasizes the importance of the position of BUMD. Examples of regional companies include Regional Drinking Water Company (PDAM) and Regional Development Bank (BPD), Regional Owned Enterprises (BUMD) having a very important and strategic position in supporting the implementation of autonomy [8].

In general, the role of BUMD in economic activities and regional development can be seen from 3 aspects, namely: a. Increase Production; b. Expansion of Job Opportunities, and c. Increase Regional Income. On the other hand, BUMD also has functions and roles that are assigned to it, the main thing is a. Implementing government policies in the field of economy and regional development; b. Accumulation of funds for financing regional development; c. Encouraging community participation in the business sector; d. Become a pioneer of activities and businesses that are less attractive to the private sector.

Based on the target category, BUMD can be divided into two groups, namely regional companies to serve the public interest and regional companies to increase regional revenue in their PAD. And the BUMD is engaged in various business fields, namely financial and banking services (BPD and Market Bank), clean water services (PDAM) and various other products services and businesses in industry, trade and hospitality, agriculture-plantation, parking, printing, mining. and others [9].

The management of BUMD needs to be optimized so that it truly becomes a reliable economic force and contributes significantly to Regional Original Revenue. Regional economic business and activities originating from BUMD have been running for a long time before the law on regional autonomy was passed. To achieve the objectives of BUMD as a means of PAD, it is necessary to optimize BUMD efforts, namely by increasing professionalism in terms of management, human resources and adequate facilities and infrastructure so that they have an equal position with the strengths of other economic sectors.

The regional government aims to establish a regional company which is none other than to get other income outside of taxes, that establishment of a regional company is to be able to assist regional development and to advance the economy both at regional and national levels so that it can meet the needs of the people and create a prosperous, just society. and prosper.

There are no Regional-Owned Enterprises (BUMD) in Banggai Regency that have not yet focused on the mining business. The existing BUMDs cannot be relied on to be further developed because their performance is not optimal. For example, the performance of PT Banggai Sejahtera (PT BS) and PT Banggai Karya Sejahtera has not shown good performance in terms of providing benefits to the district government. This

is a serious and fundamental problem because Banggai Regency only has six years to prepare BUMDs that are competent in mining management.

One of the goals of establishing a company is to seek profit or profit. Profits or profits are touching on the ideal BUMD governance, referring to the applicable laws and regulations and good business management. Referring to Law No. 23 of 2014 concerning Regional Government Article 331 paragraph (4) it is stated as follows:

The establishment of BUMD as referred to in paragraph (1) aims to:

- a. provide benefits for regional economic development in general;
- b. carry out public benefits in the form of providing quality goods and/or services for the fulfilment of the livelihoods of the community following the conditions, characteristics and potential of the region concerned based on good corporate governance; and
- c. earn profit and/or profit.

Related to the first objective of establishing BUMD, namely to provide benefits for the development of the regional economy in general. The main benefit of establishing a BUMD is economic benefits. Economic benefits for the regions can be interpreted broadly, namely providing financial benefits for increasing local revenue (PAD) and increasing the economy at large for the community where the BUMD is located. About the purpose of carrying out public benefits in the form of providing quality goods and/or services to fulfil the livelihoods of the community according to the conditions, characteristics and potential of the region concerned based on good corporate governance, BUMD reflects the function of services to the public such as drinking water supply services by PDAMs. . Associated with the third objective, namely obtaining profit and/or profit. BUMD is an organizational unit within the local government that was established to generate revenue for the local government that founded it, and the BUMD's achievements are measured based on a comparison between profits.

The provisions of Article 331 paragraph (5) state that the establishment of BUMD is based on regional needs and business feasibility. In connection with the aspect of regional needs, the Banggai Regency government needs to make a priority scale. The priority determination of the business fields to be managed by BUMD is based on a priority scale, urgent, strategic, and potential that controls the lives of many people. This must be done by the local government that will manage the BUMD. This condition is enforced considering that the business fields carried out by the regional governments are not the same as the priority scale with other regions. The purpose of establishing this BUMD requires good governance or *good governance*. In the management of BUMD, the main problem faced by BUMD managers is that not all BUMDs have implemented a BUMD system and management based on the principles of good corporate governance or based on the principles of Good Corporate Governance. GCG is a structure that involves various parties to produce good corporate governance so that the company's goals are achieved. In addition, GCG is an input and output process system, with the existence of a system, errors can be processed and resolved.

In its application, to implement GCG in a company, principles are needed so that GCG can be carried out properly. According to the KNKG (National Committee for Governance Policy) (Zarkasyi, 2008), the principles of GCG are:

- 1) Transparency (Transparency). To maintain objectivity in running a business, companies must provide material and relevant information in a way that is easily accessible and understood by stakeholders. Companies must take the initiative to disclose not only the problems implied by laws and regulations but also matters that are important for decision making by shareholders, creditors and other stakeholders. Here are 2 indicators used in assessing company transparency, namely information and policies within the company.
- 2) Accountability (Accountability). The company must be able to account for its performance transparently and fairly. For this reason, the company must be managed properly, measured and following the interests of the company by taking into account the interests of shareholders and other stakeholders. Accountability is a requirement needed to achieve sustainable performance. In assessing the accountability of a company, it can be seen from 2 indicators, namely performance and audit bases.
- 3) Responsibility. Companies must comply with statutory regulations and carry out responsibility for the community and the environment so that long-term business continuity can be maintained and receive recognition of Good Corporate Citizen CSR (Corporate Social Responsibility) and compliance (compliance) with laws and regulations.
- 4) Independency. To facilitate the implementation of GCG principles, the company must be managed independently so that each company organ does not dominate each other and cannot be intervened by other parties. There are 2 indicators to assess company independence, namely internal and external influences.
- 5) Equality and Fairness. In carrying out its activities, the company must always pay attention to the interests of shareholders, other stakeholders and all people involved in it based on the principles of equality and fairness. To assess equality and fairness that occurs in a company, 2 indicators can be seen, namely shareholders

and stakeholders. By applying the existing GCG principles, the company is expected to run effectively and efficiently, so that its performance can be optimal.

Banggai Regency does not yet have a BUMD that specifically manages to mine so it is necessary to form a mining BUMD from the start. The Banggai Regency Government needs to issue a Regional Regulation on the establishment of BUMD.

## **2. Limited quality of public and government human resources.**

Problems in the management of BUMD, especially non-Persero, mostly lie in HR and managerial issues in BUMD management. BUMD management is more oriented to considerations of public services to the exclusion of profits or profits. Quantitative and qualitative human resources in Banggai District are not sufficient to manage mining sector businesses both at the managerial level and at the operational technical level.

Following Law Number 13 of 2003 concerning Manpower, national development is carried out to develop the whole Indonesian people. Manpower has a very important role and position as actors and objectives of development. Manpower development is also needed to improve the quality of the workforce and its role in development while still paying attention to the development and progress of the business world. The development of national human resource capacity is not only important for development. The industrial sector also needs it so that businesses can develop sustainably.

To realize a sustainable business, the surrounding community is the main stakeholder. The strategies and policies taken by policymakers within the company should consider or even involve local communities so that the company's goals can be optimally realized.

As one of the industries that absorbs a lot of labour, the upstream oil and gas (oil and gas) sector also plays a role in developing national capacity. The upstream oil and gas sector also has an important role in creating a civilized society by advancing education and training standards in the regions. Companies can also develop the capacity of local human resources by providing apprenticeship and job opportunities for residents around the area of operation.

HR leaders and practitioners have an important role in preparing and building quality human resources, both existing in the company and prospective workers from the surrounding area to help create a civilized society. To be able to carry out this role, it is necessary to set competency standards for HR managers so that HR leaders and practitioners become qualified in carrying out the task of fostering workers and prospective workers.

Regarding the 10% PI, it takes human resources who understand more or less about petroleum engineering. Petroleum Engineering itself is divided into 4 groups of expertise, groups of expertise are divided based on their respective areas of expertise "components in petroleum engineering, namely:

- 1) Reservoir Engineering, learns about the ins and outs of the oil reservoir to be observed, performs reservoir modelling, calculates oil reserves, reservoir composition, reservoir conditions, estimates the fluid output rate, and estimates the suitable treatment for the reservoir conditions.
- 2) Drilling techniques, learn about how and methods of drilling to reach an oil reservoir safely and efficiently as possible, also learn how to make drilling mud (mud to help the drilling process).
- 3) Production Engineering, studying the surface part of an oil field, can be in the form of maintenance of good output, setting the surface facility, studying the method of separating water and oil, liquid and gas to the selling point, and determining the suitable EOR (Enhanced Oil Recovery) method, tips: if you don't understand Ask google, haha ..
- 4) Geothermal Engineering, studying the process of utilizing geothermal energy into usable energy, studying the process of water injection into heat sources and designing as possible so that the steam produced produces economical energy

The potential for oil and gas mining is the dominant factor in development strategies facing the era of globalization. and free trade at the AFTA and AFLA levels, it is necessary to encourage and realize competent Human Resources (HR). For this purpose, the Government, including the Regional Government of Banggai Regency, needs to systematically prepare mining human resources in terms of the education and training system and its supporting tools. Thus, reliable human resources will be produced to manage the wealth of Natural Resources (SDA) professionally. Through the preparation of human resources who have standardized qualifications and competencies, the Indonesian nation can compete in the face of free trade. In this case, the Banggai Regency Government can refer to the Indonesian National Work Competency Standards (SKKNI) for the Mining Category issued by the Ministry of Manpower and Transmigration as stated in the Regulation of the Minister of Energy and Mineral Resources No.2 of 2015 concerning the application of SKKNI in the field of oil and gas business activities. earth obligatory.

Currently, Banggai Regency does not have adequate human resources both in number and competence, so it is impossible to realize the 10% PI without first preparing its human resources. There are also no education and training institutions or higher education institutions that can provide education for prospective mining

human resources. The government of the Banggai Regency needs training institutions or educational institutions to produce the human resources needed to realize the 10% PI.

**3. Local government institutions, both in terms of institutional structure and function, have not been effective.**

Participation Interest 10% requires BUMD or special mining companies that are effective, efficient, professional and accountable. Needs that must be met at the same time are also difficult to achieve. The difficulty in realizing this is because, as the government in various districts/cities, BUMD or Regional Companies are more often positioned as bureaucratic businesses so that Regional Companies do not operate professionally. BUMD has not been positioned as a tool to accelerate regional development (*agent of development*). This is closely related to the low performance of BUMDs.

The performance of BUMD is still considered low because BUMD's contribution to regional finances is very low and many of them are losing money. Based on the report of the Ministry of Home Affairs at the Directorate of Regional Development (200 1), the average contribution of BUMDs to total revenue in the district and city APBD is only 2.60%. The low contribution is due to the very small share of profits that are transferred to local governments, and in general, they always experience losses, especially the Regional Drinking Water Company.

There are several causes for the low performance of local companies, namely 1) the goods and services produced are not suitable to be managed as a company because they do not meet one of the conditions above, 2) the potential for the market is too small so that the private sector does not want to provide these goods/services if this is done by the company regions are certain to lose, 3) management is not managed professionally, 4) The gap between the purpose of seeking profit and providing services at the lowest possible cost, and 5) the existence of bureaucratic and political interference with regional companies.

The Ministry of Home Affairs notes that currently there are 1,097 BUMDs throughout Indonesia. The total assets of the 1,097 BUMDs reached Rp. 340,118 trillion, but the total profit generated was only Rp. 10 trillion. so compare the profit against new assets of around 3.05 per cent (<https://ekonomi.bisnis.com/read>). The poor performance of this BUMD is caused by many factors. Both from inside and from outside the BUMD itself. From within, BUMD is managed by people who are not competent enough. There have been many placements of directors and even less manpower based on professionalism, skills and competence considerations. Some placements in BUMD are used as "places of exile" for officials who have been displaced. This competency imbalance results in weak company management capabilities as well as weak service and marketing capabilities so that it is difficult to compete with purely privately managed companies. The number of unqualified employees is sufficient to provide a large burden on the *fixed operating head* company's balance sheet. The lack of specialization and main concentration in the business sector of regional companies also results in low efficiency and relatively higher operational costs.

Another internal factor is the lack of ability to maintain assets owned which results in low productivity, quality and accuracy of production. Unclear asset management and negative balance sheets have resulted in the inability of BUMDs to increase capital expenditures (provision of new tools, preventive and predictive maintenance, etc.). This results in the average condition of machines and equipment that are old and out of date compared to other similar businesses. An external factor that has a significant influence is the lack of coordination between BUMDs concerning the upstream and downstream industries.

Companies with BUMD status generally focus more on public service functions rather than pursuing profits in order to increase PAD. In fact, not a few continue to lose money but continue to run on the grounds of public service. The weak mentality of entrepreneurs and the managerial abilities of BUMD managers makes BUMDs generally not credible enough to manage professional businesses in partnership with mining companies that are generally of international class.

The regulation that regulates the 10% PI is a testament to the optimism of the Central Government towards regional capabilities as well as a challenge for regions to want to improve. The problem is, regions like Banggai Regency have not been solid and serious in welcoming this opportunity. This is evidenced by the absence of any RPJMD (Regional Long-Term Development Plan) and Banggai District Medium-Term Development Plan (RPJMD) documents that mention the 10% PI. In the Banggai Regency RPJPD 2005 - 2025. The provisions on the 10% PI came out in 2004, which means that the Banggai Regency Government is in the period of preparing the RPJPD. If the provisions of the 10% PI were responded quickly as part of a strategic issue, of course, the contents of the RPJMD would be different.

The response to the 10% PI is also not visible in the RPJMD of Banggai Regency in 2011 - 2016, even though this RPJMD was compiled 6 -7 years after the provision of the 10% PI stipulation. Actually, there is a collective awareness of the Banggai Regency Government that the BanggaiRegency area has abundant natural resource potential and requires the ability and skills of human resources to manage it so that it is expected to be

able to provide full economic benefits to the community and the region. However, attention to the opportunities to make it happen is still low.

The very low response or attention to opportunities in the form of a 10% PI reflects the ineffective institutional function of the Banggai Regency Government. This at the same time also reflects the not yet ready human resources of Banggai Regency as a producing region to welcome the 10% PI.

Various problems in Banggai Regency are related to the preparation of the 10% PI, namely: there is no BUMD that is focused and credible to participate in the 10% PI, the unavailability of human resources in the mining sector, and the ineffective function of government institutions. These three problems must be the main issues in formulating policies related to preparations for the implementation of the 10% PI in 2027 to come.

## **B. Inhibiting Factors for Policy Formulation**

### **1. Absence of Specific Strategic Policies Related to Oil and Gas Mining The**

the commitment of the Banggai District Government to manage oil and gas mining is still low or even invisible. This can be seen from the absence of a specific policy that emphasizes the importance of the 10% PI. The results of tracing the RPJPD and RPJMD documents of Banggai Regency, there is not a single sentence that expresses the attitude of the Banggai Regency Government towards the 10% PI plan. This means that the policy formulation for the formation of a mining-specific BUMD is not based on the RPJMD.

The establishment of a mining-specific BUMD must refer to the RPJMD and RPJPD documents, which until now have not explicitly indicated the importance of BUMD specifically for mining to face the 10% PI. One thing that appears is that the Regent's statement is still in the form of a desire and discourse, not yet leading to a policy.

### **2. Lack of Regional Commitment to Manage Oil and Gas Mining The**

RPJMD 2011-2016 and 2017-2022 RPJMD do not indicate the attitude of the Banggai Regency government towards the 10% PI. The 10% PI policy has been discussed since 2001. Law of the Republic of Indonesia Number 22 of 2001 concerning Oil and Gas Article 9 paragraph (1) states that Upstream Business Activities and Downstream Business Activities can be carried out by BUMN, BUMD, Cooperatives and Companies. Private. Then in Government Regulation Number 35 the Year 2004 concerning Upstream Oil and Gas Business Activities Article 34 it is stated that since the approval of the field development plan which will be produced for the first time from a Work Area, the Contractor is obliged to offer a participating interest of 10% (ten per cent) to the Business Entity. Regional Owned. This means that the 10% PI policy by the Central Government has been established so that it can become a reference for oil and gas producing regions to respond with regional policies that are in line with these laws and regulations. The 10% PI is an opportunity for Regions from the start to prepare themselves, and even proactively push for the realization of the PP. In fact. The Banggai Regency Government did not respond. This can be seen in the Banggai Regency Long Term Development Plan (RPJPD) 2005-2025, which does not mention the 10% PI.

After the Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia Number 37 of 2016 concerning Provisions for the Offer of 10% (Ten Percent) Participating Interest in the Oil and Gas Working Area, the Banggai Regency RPJMD also did not mention any plans to prepare a 10% PI. The Ministerial Regulation provides detailed guidance on how the Oil and Gas producing regions should prepare BUMDs to meet the requirements stipulated by laws and regulations. The only response was shown by a meeting related to the 10% PI was also carried out by the Banggai Regent along with several regents / regional heads from oil and gas producing areas with the ESDM minister on January 26, 2017, in Jakarta. The follow-up from this meeting up to the time this research was conducted was not clear.

### **3. Inconsistent Development Planning The**

making of a policy must be integrated from the Central to the Regions. To be integrated, policy-making in the regions must be guided by the development Plan Term National Long-(RPJPN), the National Medium-Term Development Plan (RPJMN). Provincial Long-Term Development Plan (RPJP), Provincial RPJMD, Banggai Regency RPJP, and Banggai Regency RPJM. Thus, the formulation of the Banggai Regency policy to prepare itself to participate in the 10% PI should have a strong planning basis, which is based on the RPJP and RPJM.

Development planning uses four approaches, one of which is a political approach in which the vision and mission of the regional head are spelt out in the RPJMD. In this case, the Banggai district head has the task of compiling and submitting a draft Perda on RPJPD and a draft Perda on RPJMD to DPRD to be discussed with DPRD, as well as compiling and stipulating RKPDP; compile and submit a draft Perda on APBD, a draft Perda on amendments to the APBD, and a draft Perda on accountability for APBD implementation to the DPRD for joint discussion.

The problem that becomes an obstacle in formulating the 10% PI policy lies in the ambiguity of mining development in the RPJPD and RPJMD of Banggai Regency. Implicitly or implicitly, mining development has

long been an inseparable part of the RPJPD or RPJMD of the Banggai Regency. The problem is, policies need a basis for argumentation and clarity of policy consistency. When the policy for implementing the 10% PI preparation appeared, there should be an explicit sentence stating the need to prepare for interest participation. Facts in the form of RPJPD and RPJMD documents of Banggai Regency that do not explicitly mention the preparation of the 10% PI show that the formulation of the 10% PI preparation policy is more of a breakthrough by the Regional Government. The facts above show that there is inconsistent development planning so that juridically and politically, the 10% PI preparation policy is seen as only in the interests of some parties. This is due to the lack of placement of the community in participating in the preparation and supervision of the development planning determination process, so that community needs are often ignored.

Consistency of planning is influenced by factors of political interest as explained by Kaunang (2013), also factors of regional government strategic policies, regional financial capacity, lack of quality planning officials and low commitment to maintaining consistency in planning and budgeting. At the normal formalistic level, development planning has been participatory. Participatory development, as a development model that applies the concept of participation, namely a development pattern that involves all parties (actors) in the decision-making process that directly affects those affected by development. This means that development involves all players in an equal position to formulate needs, goals and objectives, steps and roles and responsibilities of each in development. Community participation is a process of consultation and community involvement in agenda setting, decision making and shaping policy activities of institutions responsible for policy development. Community participation is one of the prerequisites for implementing the concept of *good governance*.

Community involvement is a very important element in the development process. After a long time the development policy process has been carried out in a manner *top-down*, the determination of development policies comes from above (authorized officials) without involving the community and *stakeholders* other, as a result, many people do not own and cannot benefit from ongoing development activities. 10

#### IV. CONCLUSION

The Banggai District government policy formulation model. The choice to form BUMD specifically for mining was followed up by drafting a regional regulation as a plan to legitimize BUMD specifically for mining. For this reason, a needs analysis, business feasibility analysis, preparation of academic papers to study the philosophical, sociological and juridical aspects of establishing BUMDs specifically for addition, and compile the scope, direction of regulation, and scope of the content of regional regulations

#### REFERENCES

- [1]. Umboh, E. (2017). Batna's Strategy (Best Alternative to a Negotiated Agreement) in Overcoming Conflicts in Environmental Management in Mining. *Journal of Green Growth and Environmental Management*, 6(2), 1-15.
- [2]. Sarifudin, R. (2019). The Authority of Local Governments to Manage Interest Participation (PI) in the Oil and Gas Sector. *Journal of Socio-Science*, 5(2), 128-139.
- [3]. Setiawan, JA, (2016) *Participating Interest* in the Masela Work Area (Block), *Journal of Legal Communication* Volume 2, Number 2, August, 188-210
- [4]. Putuhena, MIF (2015). Legal Politics of Participating Interest in Oil and Gas Management (Approach to Article 33 of the 1945 Constitution of the Republic of Indonesia). *Journal of Law and Business (Selisik)*, 1(2), 66-81.
- [5]. Grindle, Merilee S. (ed.) 1997. *Getting Good Government, Capacity Building in the Public Sectors of Developing Countries*. Harvard Institute for International Development: Harvard University
- [6]. Hamid, ES (1999). The role and intervention of government in the economy. *Economic Journal of Emerging Markets*, 4(1), 41-58.
- [7]. Yani, TA (2012). The Role of Regional Owned Enterprises in Improving Community Welfare (Study on the Establishment of Regional Companies in Aceh). *Kanun Journal of Legal Studies*, 14(1), 119-137.
- [8]. Resen, MGSK, & Muryanto, YT (2014). Juridical Implications The Enactment of Law No. 23/2014 on Regional Government on Regulating Regional-Owned Enterprises in Indonesia. *Yustisia Jurnal Hukum*, 3(3), 127-136.
- [9]. Erwinsyahbana, T. (2017). The Board of Directors' Juridical Accountability for the Risk of Regional Financial Loss on Regional Owned Enterprises. *DE LEGA LATA: Journal of Legal Studies*, 2(1), 183-212.
- [10]. Imtihan, H., & Wahyunadi, F. (2017). The Role of Government and Community Participation in Regional Development Planning. *Neo-Bis*, 11(1), 28-40