

FEASIBILITY STUDY:

# SYSTEMATIC DISCLOSURES OF EITI DATA IN INDONESIA

**The World Bank**  
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# List of Abbreviations

<b>AHU</b>	<i>Administrasi Hukum Umum</i> General Law Administration	<b>ESDM</b>	<i>Energi dan Sumber Daya Mineral</i> Ministry of Energy and Mineral Resources
<b>AMDAL</b>	Analisis Mengenai Dampak Lingkungan <b>Environmental Impact Analysis</b>	<b>FQR</b>	Financial Quarterly Report
<b>APBN</b>	<i>Anggaran Penerimaan dan Belanja Negara</i> State Revenue and Expenditure Budget	<b>FTP</b>	First Tranche Petroleum
<b>APRI</b>	<i>Asosiasi Penambang Rakyat Indonesia</i> Association of Community Miners Indonesia	<b>FS</b>	Financial Statement
<b>ASM</b>	Artisanal and Small-Scale Mining	<b>FY</b>	Fiscal Year
<b>ASR</b>	Abandonment Site Restoration	<b>GDP</b>	Gross Domestic Product
<b>BBNKB</b>	<i>Biaya Balik Nama Kendaraan Bermotor</i> Motor Vehicle Transfer of Title Fee	<b>GOI</b>	Government of Indonesia
<b>BO</b>	Beneficial Ownership	<b>GIS</b>	Geographical Information System
<b>bopd</b>	<b>Barrels of Oil Per Day</b>	<b>IAI</b>	Indonesia Chartered Accountants
<b>BPH Migas</b>	<i>Badan Pengatur Hilir Minyak dan Gas Bumi</i> Governing Agency for Downstream Oil and Gas Business Activities	<b>IAP</b>	Indonesian Institute of Certified Public Accountants
<b>BP Migas</b>	<i>Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi</i> Implementing Agency for Upstream Oil and Gas Business Activities	<b>ICP</b>	Indonesia Crude Price
<b>BPK</b>	<i>Badan Pemeriksa Keuangan</i> Supreme Audit Board	<b>IFAC</b>	International Federation of Accountants
<b>BPKP</b>	<i>Badan Pengawasan Keuangan dan Pembangunan</i> National Government Internal Auditor	<b>INALUM</b>	Indonesia Asahan Aluminium
<b>BPS</b>	<i>Badan Pusat Statistik</i> National Statistics Office	<b>INTOSAI</b>	International Organisation of Supreme Audit Institutions
<b>CMEA</b>	Coordinating Ministry of Economic Affairs	<b>IPR</b>	<i>Izin Pertambangan Rakyat</i> People's Mining / Artisanal Small-Scale Mining License
<b>CMMAI</b>	Coordinating Ministry of Maritime Affairs and Investment	<b>ISA</b>	International Standard on Auditing
<b>CoW</b>	Contract of Work	<b>ISSAI</b>	International Standards of Supreme Audit Institutions
<b>CCoW</b>	Coal Contract of Work	<b>IUP</b>	<i>Izin Usaha Pertambangan</i> Mining Business License
<b>CSO</b>	Civil Society Organization	<b>JDIH</b>	Jaringan Dokumentasi dan Informasi Hukum
<b>CSR</b>	Corporate Social Responsibility	<b>Kepmen</b>	<i>Keputusan Menteri</i> Ministerial Decree
<b>DBH</b>	Revenue Sharing Fund	<b>KIP</b>	<i>Komisi Informasi Pusat</i> Central Information Commission
<b>DG</b>	Directorate General	<b>KUP</b>	<i>Ketentuan Umum Perpajakan</i> General Tax Provision
<b>DJPK</b>	<i>Direktorat Jenderal Perimbangan Keuangan</i> Directorate General of Fiscal Balance	<b>LKPP</b>	<i>Laporan Keuangan Pemerintah Pusat</i> Central Government Financial Report
<b>DMO</b>	Domestic Market Obligation	<b>MA</b>	<i>Mahkamah Agung</i> Supreme Court
<b>DPR</b>	Dewan Perwakilan Rakyat Parliament	<b>Migas</b>	Minyak dan Gas Oil and Gas
<b>EITI</b>	Extractive Industries Transparency Initiative	<b>Minerba</b>	Mineral dan Batubara Coal and Mining

<b>MODI</b>	Minerba One Data Indonesia	<b>PT KAI</b>	PT Kereta Api Indonesia
<b>MoEMR</b>	Ministry of Energy and Mineral Resources	<b>QFE</b>	Quasi Fiscal Expenditure
<b>MoF</b>	Ministry of Finance	<b>SE</b>	<i>Surat Edaran</i> Circular Letter
<b>MOMS</b>	Mineral Online Monitoring System	<b>SFAS</b>	Statement of Financial Accounting Standards
<b>MoL</b>	Ministry of Law and Human Rights	<b>SIKD</b>	<i>Sistem Informasi Keuangan Daerah</i> Regional Finance Information System
<b>MPN G2</b>	<i>Modul Penerimaan Negara Generasi 2</i> State Revenue Modul 2 <sup>nd</sup> Generation	<b>SIMAKDA</b>	<i>Sistem Informasi Manajemen Anggaran dan Akuntansi Keuangan Daerah</i> Regional Budget Management and Financial Accounting Information System
<b>MSG</b>	Multi Stakeholder Group	<b>SIMDA</b>	<i>Sistem Informasi Manajemen Daerah</i> Regional Management Information System
<b>NPWP</b>	<i>Nomor Pokok Wajib Pajak</i> Taxpayer Identification Number	<b>SIMPONI</b>	<i>Sistem Informasi PNBPN Online</i> Online Non-Tax State Revenue Information System
<b>PEFA</b>	Public Expenditure and Financial Accountability	<b>SIMTRAD4</b>	<i>Sistem Informasi Transfer ke Daerah dan Dana Desa</i> Subnational Transfer and Village Fund Information System
<b>PAD</b>	<i>Pendapatan Asli Daerah</i> Locally Generated Revenue	<b>SIPKD</b>	<i>Sistem Informasi Pengelolaan Keuangan Daerah</i> Regional Finance Management Information System
<b>PEP</b>	Politically Exposed People	<b>SOE</b>	State Owned Enterprise
<b>Perda</b>	<i>Peraturan Daerah</i> Regional Government Regulation	<b>SP3KTRA</b>	<i>Sistem Pengelolaan, Penatausahaan dan Pelaporan Keuangan Kota Tangerang</i> Tangerang City Management, Administration and Financial Reporting System
<b>Pergub</b>	<i>Peraturan Gubernur</i> Governor Regulation	<b>SPAN</b>	<i>Sistem Perbendaharaan dan Anggaran Negara</i> State Treasury and Budgeting System
<b>Permen</b>	<i>Peraturan Menteri</i> Ministerial Regulation	<b>SPAP</b>	Standar Profesi Akuntan Publik Indonesian Public Accountant Professional Standards
<b>Perpres</b>	<i>Peraturan Presiden</i> Presidential Regulation	<b>SKK Migas</b>	<i>Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi</i> Special Unit for Upstream Oil and Gas Business Activities
<b>Perpu</b>	<i>Peraturan Pemerintah Pengganti Undang-Undang</i> Government Regulation in Lieu of Law	<b>UU</b>	<i>Undang-Undang</i> Law
<b>PKP2B</b>	Perjanjian Karya Pengusahaan Pertambangan Batu Bara Coal Mining Exploitation Work Agreement	<b>WIUP</b>	<i>Wilayah Izin Usaha Pertambangan</i> Mining Business License Zone
<b>PMK</b>	<i>Peraturan Menteri Keuangan</i> Ministry of Finance Regulation	<b>WLKP</b>	<i>Wajib Laporan Ketenagakerjaan Perusahaan</i> Obligatory Report of Company Manpower
<b>PNBP</b>	<i>Penerimaan Negara Bukan Pajak</i> Non-Tax State Revenue	<b>WPR</b>	<i>Wilayah Pertambangan Rakyat</i> People's Mining / Artisanal Small-Scale Mining Area
<b>PP</b>	<i>Peraturan Pemerintah</i> Government Regulation		
<b>PPID</b>	<i>Pejabat Pengelola Informasi dan Dokumentasi</i> Information and Documentation Management Officer		
<b>PSC</b>	Production Sharing Contract		
<b>PT</b>	<i>Perseroan Terbatas</i> Limited Liability Company		
<b>PSAK</b>	<i>Pernyataan Standar Akuntansi Keuangan</i> Statement of Financial Accounting Standard		
<b>PT Pertagas</b>	PT Pertamina Gas		
<b>PT PGN</b>	PT Perusahaan Gas Negara		

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# 1. Summary

EITI Indonesia has commissioned the following assessment of routine online disclosures in Indonesia's extractive sector to examine the country's readiness to mainstream EITI implementation. The assessment follows the Terms of Reference for mainstreaming feasibility study<sup>1</sup> and reviews the extent to which there are: (1) routine disclosures of the data required by the EITI Standard in requisite detail, and (2) whether the financial data is subject to a credible, independent audit applying international standards. It is important to emphasize that this study is not a comprehensive assessment of all publicly available information about the extractive sector in Indonesia. Rather, the goal has been to identify any potential gaps that need to be addressed in order to ensure fully mainstreamed disclosures of the data that is required to be disclosed in accordance with the EITI Standard.

The key finding is that the majority of the information required by the 2019 EITI Standard, revenue as well as non-revenue information, is routinely disclosed. However, not all meets the dimension as required by EITI Standard, especially in regard to comprehensiveness such as level of disaggregation. The main areas to be addressed as part of the transition to mainstreaming are:

- (1) implementation of requirement #2.4 on contracts;
- (2) implementation of requirement #2.5 on beneficial ownership transparency;
- (3) improvement of the disclosure of State-Owned Enterprises (SOEs) as per Requirement 2.6 and 4.5 which include information on SOEs' subsidiaries and joint ventures;
- (4) establishment of a mechanism for government disclosures of taxes and other payments as per Requirement 4.1 and Requirement 4.9 to address the tax confidentiality issue;
- (5) establishment of a mechanism to facilitate company disclosures of taxes and other payments as per Requirement 4.1 and Requirement 4.9;
- (6) review and improvement of open data policies and practices of the companies and government agencies as the primary sources of data as per Requirement 7.2 to ensure that disclosure mechanism meet the mainstreaming principles; and
- (7) enhancement of the Indonesia EITI Data Portal to shift its function from a platform to re-publish EITI report data into a cross-governmental open data platform to collate and integrate data disclosures by government agencies, in order to make the information disclosed easier to find and can be linked to one another as per Requirement 7.2.

Some additional recommendations and considerations which could greatly improve the disclosures, such as publishing in an open data reusable format, are provided in this report. Section 2 provides a background on Indonesian EITI implementation to date. Section 3 presents the main findings concerning the disclosure gaps and recommendations to close the gaps. Section 4 concludes the assessment. Annex-I provides a summary to the assessment made in section 3. Annex-II presents' assessments for data disclosures per individual SOEs. Annex-III includes a proposed schedule for how these issues will be addressed.

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<sup>1</sup> EITI, Systematic Disclosure, accessed on: <https://eiti.org/systematic-disclosure>

## 2. Background

Indonesia commenced implementation of the EITI in 2010 and has produced to date seven EITI Reports covering nine fiscal years (2009-2017). The reporting requirements for companies and government agencies were passed into Presidential Regulation No.26/2010 on Transparency of National and Regional Revenues from the Extractive Industries signed by President Susilo Bambang Yudhoyono on April 23, 2010, pursuant to Law No.22/2001 on Oil & Gas and Law No.4/2009 on Mineral & Coal Mining. According to the regulation, the transparency team has the authority to request information on payments made to the state to companies operating in Indonesia, as well as information on revenues received by the state to key government agencies.

Over the nine fiscal years covered in EITI Indonesia Reports (2009 – 2017), discrepancies between payments made by companies and revenues received by the government were found to be immaterial and mainly due to erroneous reporting by companies. All discrepancies were successfully resolved each year, proving government reported revenues as consistently reliable. The government maintains a website called the Indonesia Extractives Industries Data Portal<sup>2</sup> which provides detailed and disaggregated data on production and revenues from the results of the EITI reporting.

In light of both the 2019 EITI Standard, as well as the Presidential Regulation on One Data Indonesia (Perpres No. 39/2019), it is widely acknowledged by all stakeholders that the current EITI Reporting should move toward systematic disclosure. Since 2018, together with the World Bank, EITI Indonesia has been focusing efforts to move toward mainstreaming to embed data disclosure into government processes and systems, and shift away from the annual data collection, reconciliation and publication process. The World Bank has conducted a feasibility study for mainstreaming to inform the Multi-Stakeholder Group (MSG). Complementary to this, user research was conducted to collect feedback for the improvement of the Extractives Data Portal to better reach and serve its targeted audience. As part of the mainstreaming agenda, enhancement of the Extractives Data Portal is also necessary to shift its function from a platform to re-publish EITI report data into a platform to integrate data disclosures by government agencies in the mainstreaming setting.

The recent change to the government structure poses a challenge to the sustainability of EITI participation of the country. Since Indonesia applied for candidacy to EITI in 2010, the Coordinating Ministry for Economic Affairs (CMEA) had served as the lead agency for EITI implementation and the host institution of the National Secretariat. However, with the formation of new cabinet and reorganization of functions among ministries at the end of 2019, the mandate for coordination of extractive sector policies shifted from CMEA to the Coordinating Ministry of Maritime Affairs and Investment (CMMAI). Then most recently, the Presidential Regulation on COVID-19 Response and National Economic Recovery (Perpres No. 82/2020) issued in July 2020 transferred the responsibility for coordinating EITI implementation to the Ministry of Energy and Mineral Resources (ESDM) and the Ministry of Finance (MOF). It has

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<sup>2</sup> Due to the transition process of EITI host institution in the country this portal is not yet accessible. Previously it was accessible through domain managed by Coordinating Ministry of Economic Affairs here: <http://portal-ekstraktif.ekon.go.id>. This would be moved to Ministry of Energy and Mineral Resources once the transition takes place.

now been confirmed that the ESDM shall take on the leadership role for EITI-Indonesia, and become the host institution for the National Secretariat under its Secretary General.

This also marks an opportunity for Indonesia to refresh its approach to EITI implementation, through reflecting upon the progress and the lessons learned to date, and align with its reform priorities going forward. The intention of Perpres No.82/2020 is also to mainstream the EITI implementation into the key responsible institutions, i.e., ESDM and MOF, and is broadly aligned with the direction of EITI globally to move towards systematic disclosures. ESDM is committed to following up on EITI implementation in Indonesia in the process of developing a legal umbrella through a draft Ministerial Regulation on Guidelines for the Implementation of Extractive Industries Transparency. The World Bank supports the transition process to renew the EITI in Indonesia to create greater impact for extractives sector governance reform and to ensure greater sustainability of transparency and accountability mechanisms through mainstreaming disclosures into government processes and systems.

This feasibility study seeks to assess the extent to which the disclosures required under Requirements 2-6 of the EITI Standard are already publicly available, and whether the disclosures are publicly accessible, comprehensive, disaggregated, and reliable.

### 3. Main Findings

This section presents disclosure gaps by grouping requirements requiring data disclosures into non-revenue and revenue data. Subsequently, data quality and timeliness, which applies to all of the requirements, are also discussed. In each of the requirements, recommendations will be formulated to close the gap which applies specifically to the context of the requirement being discussed. Recommendations that are relevant to the overall mainstreaming context are as follows:

- MSG has to define and publish materiality thresholds for each of the requirements and to check if the data is disclosed as required and is quality assured. Where disclosure is not possible, the MSG should document barriers to the disclosure.
- To improve on public accessibility and encourage data usage, relevant agencies/companies are encouraged to adopt publication in open data reusable format.
- Before the above recommendations are implemented, conventional EITI reporting of data that is not yet systematically disclosed would be needed to close gaps in disclosures as an interim measure.
- As disclosures are across several entities, ESDM through the National Secretariat support could collate the disclosures into the Indonesia Extractives Industries Data Portal as one-stop-shop to facilitate easy access for the public.



## 3.1 Non-Revenue Data

The majority of non-revenue (contextual) information in EITI Reports is partially mainstreamed with minor limitations. Out of 11 disclosure requirements, only two disclosure requirements are not mainstreamed due to significant limitations while two requirements are partially mainstreamed with major limitations (see Table 3-1).

Table 3-1 Contextual Information Mainstreaming Status

Requirement	Feasibility Study Finding	2018 Validation Result
2.1 Legal Framework and Fiscal Regime	Partially mainstreamed, minor limitations	Satisfactory
2.2 License Allocation	Partially mainstreamed, major limitations	Meaningful Progress
2.3 License Register	Partially mainstreamed, minor limitations	Meaningful Progress
2.4 Contract Disclosure	Significant legal and administrative limitations	Meaningful Progress
2.5 Beneficial Ownership	Significant legal and administrative limitations	
2.6 State Participation	Partially mainstreamed, major limitations	Meaningful Progress
3.1 Exploration	Partially mainstreamed, minor limitations	Satisfactory
3.2 Production Data	Partially mainstreamed, minor limitations	Meaningful Progress
3.3 Export Data	Partially mainstreamed, minor limitations	Meaningful Progress
5.1 Distribution of Revenues	Partially mainstreamed, minor limitations	Satisfactory
6.3 The contribution of the extractive sector to the economy	Partially mainstreamed, minor limitations	Satisfactory
6.4 Environmental Impact	Partially mainstreamed, major limitations (an encouragement)	

### Legal Framework and Fiscal Regime (#2.1)

#### Partially mainstreamed with minor limitations

**[Public Accessibility]** Extractive-specific legal framework and fiscal regime is publicly available in legal documents hosted in the Regulation Portal of Ministry of Energy and Mineral Resources<sup>3</sup> as well as Ministry of Finance<sup>4</sup>. Using the right keywords, the portal could filter the specific documents governing the extractive sector which are published in searchable pdf format. Additionally, technical working procedures for Oil & Gas operations are also available in Special Unit for Upstream Oil and Gas Business Activities (SKK Migas)<sup>5</sup>.

In the subnational level, local government regulations (*Perda*) public accessibility varies across regions as not all regions own and publish regulation on a publicly accessible website. A disclosure example would be the Gubernatorial Regulation (*Pergub*) of Nusa Tenggara Barat (NTB) Province No.24/2015 on the Implementation of Mineral & Coal Mining Business

<sup>3</sup> ESDM, Regulation Portal, accessed on <http://jdih.esdm.go.id/?page=home>

<sup>4</sup> MoF, Regulation Portal, accessed on <https://jdih.kemenkeu.go.id/#/home>

<sup>5</sup> SKK Migas, Work Procedures Guideline, accessed on <http://skkmigas.go.id/pedoman-tata-kerja>

Activities which is published on the website of their mining agency<sup>6</sup>. Alternatively, the Regulation Portal of the Supreme Audit Board (BPK)<sup>7</sup> also hosts a range of *Perda* including extractives.

**[Comprehensiveness]** In 2018 validation, Indonesia is said to have made Satisfactory progress on Requirement 2.1. Therefore, the coverage of the information in the EITI Reports to date could be used as a reference to assess the comprehensiveness of the information being disclosed. To date, all legal documents referenced in EITI Contextual Reports are publicly available.

However, while there are a considerable number of legal documents being disclosed, there is no single page that provides a summary description explaining how all of the regulations relate to one another in building the extractive sector governance including those in the subnational level.

**[Level of Disaggregation]** – does not apply.

**[Timeliness]** *Perpres* 33/2012 on National Network of Legal Documentation and Information regulates that the regulation portals are evaluated in 6 months period. Moreover, the latest legal documents available in the regulation portals are dated 2020 which indicates that the portals are regularly updated.

**[Reliability]** According to *Perpres* 33/2012 on National Network of Legal Documentation and Information, each government agencies should have regulation portal as an official place to host and publicize regulations issued by the institutions. Therefore, the information found in the portal is reliable.

## Recommendation

- i. Ensure that ESDM, SKK Migas, and/or MoF provide a description of the extractive-specific legal framework and fiscal regime on their website(s) reflecting on the coverage in EITI Reports to date.
- ii. Encourage ESDM, SKK Migas, and/or MoF to include sub national government regulation (*Perda*) pertaining to extractive legal framework and fiscal regime for each of the respective regions.
- iii. MSG should have a mechanism to ensure routine disclosure and regular update which would maintain the coverage and timeliness of the information including MSG's assessment of the status of implementation of ongoing reforms related to the extractive industries and public finance management.

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<sup>6</sup> Mining Agency of the NTB Province, Mining Licensing, accessed on <https://desdm.ntbprov.go.id/page/peijinan-tambang.html>

<sup>7</sup> BPK, Regulation Portal, accessed on <https://peraturan.bpk.go.id/>

## Contract and License Allocation (#2.2)

### Partially mainstreamed with major limitations

Indonesia has established systems for allocating licenses to explore and exploit oil, gas, and minerals. Table 3-2 demonstrates the summary assessments for each of the component constructing license allocation information as required by the Standard. It illustrates that most of the information have fulfilled the requirement.

Table 3-2 Disclosure Assessment on License Allocation Information

Components	Coal & Mining					Oil & Gas				
	A	C	L	T	R	A	C	L	T	R
Allocation Procedures	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Technical & Financial Criteria	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bidding Round	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
List of Bidder	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
Bid Winner	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
License Transfer	No	No	No	No	No	No	No	No	No	No

A: accessibility; C: comprehensiveness; L: level of disaggregation; T: timeliness; R: reliability

**[Public Accessibility]** For Coal & Mining, license allocation procedures including the technical and financial criteria are defined in Government Regulation 23 Year 2010 on The Implementation of Coal & Mining Business Activities (as amended several times) which is accessible in the ESDM regulation portal<sup>8</sup>. The legislation set out how and on what conditions companies are granted rights including license transfer. The regulation also provides information on which type of licenses will require bidding, appointment or applications. For mining areas under the authority of regional governments, allocation of contracts or licenses may be further regulated through regional government regulations. For example, the Gubernatorial Regulation (*Pergub*) of Nusa Tenggara Barat (NTB) Province No.24/2015 on the Implementation of Mineral and Coal Mining Business Activities regulates license allocation specific for NTB province, and is published on the website of their mining agency<sup>9</sup>. Alternatively, the Regulation Portal of the Supreme Audit Board (BPK)<sup>10</sup> also hosts a range of *Perda* regulating the extractive sectors.

However, with the passing of Law No 3 Year 2020 on Coal & Mining which amends Law No 4 Year 2009, the authority over Coal & Mining rest in the central government and no longer shared with the regional government (article 4). Article 169 A also regulates that the expiring contract are guaranteed continuing license for up to two times with a period of maximum 10 years for each extension.

For bidding, both central and regional governments are required to publicly announce the bidding round through the respective government office or their official website, and covered by at least one media, in accordance with *Permen ESDM* No.11/2018.

For the full list of bidders and the bid winners, both central and regional governments are required to announce the participants who passed the pre-qualification stage (not all applicants) as well as the bid winners in the respective government office or their official

<sup>8</sup> MoF, Regulation Portal, accessed on <https://jdih.kemenkeu.go.id/#/home>

<sup>9</sup> Mining Agency of the NTB Province, Mining Licensing, accessed on <https://desdm.ntbprov.go.id/page/perijinan-tambang.html>

<sup>10</sup> BPK, Regulation Portal, accessed on <https://peraturan.bpk.go.id/>

website in accordance with the ESDM Decree (*Kepmen ESDM*) No.1798 K/30/MEM/2018 on Implementing Guidelines on the Preparation, Establishment, and Provision of Mineral and Coal Mining Business Licensing Regions as amended by *Kepmen ESDM* No.24 K/MEM/2019.

On license transfer for mining, PP No.23/2010 stipulates the conditions in which transfer could take place. Furthermore, the aforementioned *Permen ESDM* No.11/2018 regulates that such transfer may only be conducted upon written approval from the Minister of ESDM or the relevant Provincial Governor. However, no regulations specify specific technical and financial criteria to be assessed for license transfer. The existence of criteria for awards but with lack of criteria for transfers may create the conditions for unqualified companies to be able to acquire a license from qualified company seeking to divest itself from a license.

For Oil and Gas, licenses could only be granted by the central government. The process of awarding licenses, including the technical and financial criteria, is regulated in *Permen ESDM* No.35/2008 on Procedures for Establishing and Offering Oil and Gas Working Area. The aforementioned regulation mandates that the bidding round must be announced. Information on the latest bidding rounds could be found in their online bidding platform i.e., e-wkmigas<sup>11</sup>. The platform also includes more detailed information on the technical as well as financial criteria in the bid documents which could be obtained with a fee. There is no requirement to disclose the bid participants, and full list of bidders for each license awarded are not publicly available. Information on the appointment of the bid winner is available in the JDIH ESDM portal in the form of ministerial decree (*Kepmen ESDM*).

Regarding license transfer for oil and gas, PP No.35/2004 on Oil and Gas Upstream Business Activity (as amended) article 33 requires the Minister's approval to transfer a PSC to a third party. However, the regulation does not stipulate further details about the transfer procedures. The history of transfer is available in EITI Reports sourced from DG Oil & Gas, but is not publicly available online.

**[Comprehensiveness]** For Coal & Mining sector, the disclosure of information on license allocation procedure for central government is comprehensive. However, for subnational government, the practice varies among regions. Information can be found in the regional government and/or BPK regulation portals. Meanwhile, only limited archive of past bidding announcements can be found in the news section of DG Coal and Mining website<sup>12</sup>. Similarly, there are no provisions in the implementing regulations regarding how long the announcement must be made publicly available. No archive is found for the past bidding processes that includes the announcements, applicants and winners, and there are no ongoing bidding processes that can be found in the ESDM website. In addition, there are no clear requirements or procedures outlined in the regulation as to whether the recipients of the transfer should be publicly announced once the transfer takes place. Information on such transfers is not publicly available.

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<sup>11</sup> DG Oil and Gas, e-wkmigas, accessed on <https://e-wkmigas.esdm.go.id/>

<sup>12</sup> DG Coal and Mining, News Section, accessed on <https://www.minerba.esdm.go.id/berita/minerba/detil/20190723-pengumuman-rencana-lelang-wilayah-izin-usaha-pertambangan>

The situation is also similar for Oil & Gas sector, no archive of past announcements can be found on the platform and only limited information can be found in the news section of DG Oil & Gas website<sup>13</sup>.

**[Level of Disaggregation]** – Information on license allocation procedures and standard, technical as well as financial criteria available as general information as stipulated in the related laws and regulations as previously explained. For Oil & Gas, a more elaborate information for a specific bidding round is available in the Bid Documents prepared for each bidding round.

Information on license award is available as a Ministerial Decree (*Kepmen*) for each of bidding round for both sectors. However, no information on license transfer is available at all.

**[Timeliness]** *Perpres* 33/2012 mandates the publication of legal documents in each of agency regulation portal (JDIH). Therefore, the publicly available regulation pertaining to license allocation should be up to date. In the Coal & Mining sector, the publication of bidding round, bid participants, and bid winner are mandated by regulation with a clear deadline. However, as past publications are not archived, evaluation cannot be performed to assess the timeliness of the publications. The situation is similar in the Oil & Gas sector except that bid participants are not required to be publicised.

**[Reliability]** All of the information disclosed for license allocation is published in official government website. Therefore, the information should be reliable.

## Recommendation

- i. Ensure that ESDM organizes license allocation related information in a centralized location for each sector through the existing government website(s) in a timely manner.
- ii. Ensure that DG Coal and Mining publishes bidding rounds on behalf of subnational governments including other information required for subnational license allocation, such as process, technical and financial criteria, bidding round announcement, as well as participants, and the bid winner in a timely manner.
- iii. Ensure that ESDM provides further details on the process for license transfer including technical and financial criteria as the basis of approval of the transfer and make the transfer history publicly available.
- iv. In addition to the above recommendations, the MSG is encouraged to comment on the efficiency and effectiveness of the licensing procedures in their annual review and reporting.
- v. To enable the public use of data, ESDM should consider publishing data and information in searchable tabular formats. This includes historical data, especially for past bidding rounds where possible.

## License Register (#2.3)

**Partially mainstreamed with minor limitations**

<sup>13</sup> DG Oil and Gas, News Section, accessed on <https://migas.esdm.go.id/post/category/berita>

**[Public Accessibility]** License register is available in ESDM geoportal i.e., ESDM One Map<sup>14</sup>. The system presents cadastre information as a map with other details in tabular format. However, there is no download feature available.

**[Comprehensiveness]** Most of the required information is provided in the portal except date of application. Date of application is available in the license application documents and is not currently recorded in the ESDM One Map system<sup>15</sup>. Therefore, although technically possible, to include the date of application would require a decision and additional effort by ESDM to change the recording process. However, online bidding system is currently under development for Coal and Mining sector<sup>16</sup> which should allow easier tracking of date of application.

**[Level of Disaggregation]** – The register presents license information per individual license/block granted to company.

**[Timeliness]** The system is reported to be updated immediately whenever new license information is received by the administrator. However, there might be a lag between the date of issuance and publication in the system.

**[Reliability]** License register is managed by ESDM. Therefore, it is a reliable source of disclosure.

**[Interoperability]** License data in ESDM One Map is not yet integrated with other types of extractive data, such as Beneficial Owner, production and revenue data. ESDM is currently seeking to integrate their existing systems across the ministry to build an integrated system referred to ESDM Data Enterprise, which might also include some reform on how they manage license data.

## Recommendation

- i. Ensure that ESDM includes the date of application in ESDM One Map and make sure the dates of award and expiry are complete.
- ii. Ensure that ESDM establishes assurance procedures to maintain reliability, comprehensiveness, and timeliness of the license information in ESDM One Map.
- iii. Encourage ESDM to explore the possibility of linking license data in ESDM One Map to other requirements, such as project-level payments and/or contracts, production, exports, etc.
- iv. Encourage ESDM to streamline the ESDM Data Enterprise projects with systematic disclosure agenda.

## Contracts (#2.4)

### ***Significant legal and administrative limitations***

There are no active contracts made publicly available by the government for both sectors. Therefore, the assessment below would explain the barrier to disclosure for both sectors.

<sup>14</sup> ESDM, ESDM One Map Geoportal, accessed on <https://geoportal.esdm.go.id/>

<sup>15</sup> Meeting with ESDM during EITI International mission in 4-8 November 2019

<sup>16</sup> ESDM, Coal & Mining Online Bidding System, accessed on <https://wilayah-minerba.esdm.go.id>



**[Coal & Mining]** For the mining sector, in 2011, a dispute between a CSO and ESDM had resulted in the decision of the Central Information Commission (KIP) that the mining contracts requested by the plaintiff are public information in their entirety, through its Decision No.197/VI/KIP-PS-M-A/2011. These included three Contracts-of-Work (CoWs), namely PT. Freeport Indonesia, PT. Kalimantan Timur Prima Coal, and PT. Newmont Mining Corporation. However, the KIP Decision on contract disclosure is applicable only to the specific companies requested.

Therefore, the current disclosure regime is on a case-by-case basis by request and not open by default. Even then, to date, the aforementioned contracts cannot yet be disclosed because the Public Information Officer (PPID) of ESDM must coordinate with other related parties. Furthermore, according to DG Mineral & Coal, these contracts cannot be disclosed due to the civil aspect in the contract<sup>17</sup>.

At the time being only a portion of information in contract document are publicly available through MODI i.e., company profile, company address, shareholders, board of directors, company tax identification numbers, activity stages, mining locations, time period, commodity, and area.

**[Oil & Gas]** For the oil and gas sector, in 2011, the Decision of KIP No.356/IX/KIP-PS-M-A/2011 stated that a PSC document is classified as partially open information in which the full text of contracts are not open at all, KIP decision only covers a limited amount of contractual information: the date of the contract, the contract period, the number of firm commitments, and general provisions. However, The Implementing Agency for Upstream Oil and Gas Business Activities (then BP Migas, now SKK Migas) appealed the decision to be cancelled by the District Court of South Jakarta which was granted, and strengthened by the Decision of the Supreme Court (MA) which rejected the appeal from KIP. One of the considerations of the Supreme Court was that BP Migas was not a public agency as per the definition of Law No.14/2008 (Freedom of Information Act).

Similarly, in 2020, the Decision of KIP of Riau Province (No.020/KIP-R/PS-A-M-A/IX/2018) which states that PSCs are public information is cancelled by the Decision of MA (211 K/Pdt.Sus-KIP/2020). While in the latter case, BP Migas had transformed into SKK Migas which is a public entity. The Decision of MA states that the requested information which includes the PSCs documents for all PSCs operating in Riau province in the year 2016 to 2018 is not public information. However, three PSCs and one old concession could be found in the NRGi website<sup>18</sup>.

Discussions are in progress within ESDM to adopt a transparency policy which could provide an opportunity to push for public disclosure of contract transparency. The Ministry is also currently conducting a risk and public interest assessment on making contracts publicly available. Therefore, legal basis might be necessary to expand KIP decree towards all extractive sector contracts, licenses, and associated documentation. Once the policy is in place, the relevant license registry should incorporate any agreements and associated documentation in them, to facilitate contract disclosure.

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<sup>17</sup> EITI Contextual Report 2016

<sup>18</sup> NRGi, Resource Contract, assessed on <https://www.resourcecontracts.org/search/group?q=indonesia>

## Recommendation

- i. PPID of ESDM to disclose documents of contracts and licenses in accordance with the KIP's Decision No.197/VI/KIP-PS-M-A/2011
- ii. PPID of ESDM to complete the risk and public interest assessment on making contracts publicly available for the extractive sector as the effort to expand the scope of KIP decision for opening contracts and licenses.
- iii. ESDM to provide supporting legal basis in addition to KIP decree in opening contract documents and disclose all contracts executed after 1 January 2021 accordingly
- iv. ESDM or SKK Migas to disclose a list of all active contracts in accordance with EITI requirements for both Coal & Mining as well as Oil & Gas contracts.
- v. ESDM to develop a system for tracking amendments to contracts.
- vi. Encourage ESDM to disclose model contract/license which demonstrates the structure of a contract/license for both Coal & Mining as well as Oil & Gas, including different generation of contracts for each sector.
- vii. Encourage company to voluntarily disclose their contract(s).
- viii. The MSG should identify low hanging fruits e.g., contracts that can be disclosed without barriers and contracts that could be voluntarily disclosed despite barriers.
- ix. The MSG should agree and publish a work plan with clear steps and responsibilities to ensure continuous progress towards contract transparency which includes documenting contract to be revised or published from 1 January 2021 onwards.

## Beneficial Ownership (#2.5)

### Significant legal and administrative limitations

Beneficial Ownership (BO) information for extractive companies is not yet publicly available. The Beneficial Ownership Roadmap<sup>19</sup> was jointly produced by EITI-Indonesia National Secretariat with related agencies to meet the EITI requirement for public disclosure of BO information by January 2020. However, despite the on-going efforts, disclosing BO data still have significant limitations.

In March 2018, the government issued Presidential Regulation (*Perpres*) No.13/2018 concerning the Principles of Recognizing Beneficial Owners of Corporations in the Context of Prevention and Eradication of Money Laundering and Terrorism Crimes. The regulation mandates that corporations must identify and disclose their beneficial owners. Key provisions include the definition of beneficial owner, corporate obligations, reporting procedures and the required information to be reported, see Table 3-3.

Table 3-3 Provisions of *Perpres* 13/2018

Topic	Provision
Definition of Beneficial Owner	<ul style="list-style-type: none"> <li>▪ Having capital, both in the form of money / shares / other assets that are worth more than 25%</li> <li>▪ Receiving gains or profits of more than 25%</li> <li>▪ Having more than 25% voting rights</li> <li>▪ Having the authority to appoint, replace or dismiss members of the board of directors and board of commissioners</li> <li>▪ Having the authority or power to influence or control the corporation without having to get authorization from any party</li> <li>▪ Receiving benefits from the corporation</li> </ul>

<sup>19</sup> Indonesia EITI, A Roadmap of Beneficial Ownership Transparency in The Extractive Industries in Indonesia, accessed on [https://eiti.org/files/documents/final-bo\\_roadmap\\_eiti\\_indonesia.pdf](https://eiti.org/files/documents/final-bo_roadmap_eiti_indonesia.pdf)



	<ul style="list-style-type: none"> <li>▪ Being the actual owner of funds for paid-up capital / share ownership (Article 4-10)</li> </ul>	
Corporate Obligations	<ul style="list-style-type: none"> <li>▪ Determining the beneficial owners from various information and documents (Articles 3 and 11)</li> <li>▪ Establishing categories of beneficial owners i) identified; ii) has not been identified; iii) not yet verified (Article 12)</li> <li>▪ Applying the principle of recognizing the beneficial owners and appointing officials and employees to apply the principle and providing information about the beneficial owners (Articles 14-22)</li> <li>▪ Providing correct information about the beneficial owners (Article 18)</li> <li>▪ Providing updated information on beneficial owners every one year (Article 21)</li> </ul>	
Beneficial Owner Reporting Procedure	<ul style="list-style-type: none"> <li>▪ Information on the beneficial owner is submitted by the founder / management / notary / other party authorized by the competent agency (Article 18)</li> <li>▪ The application of the principle of recognizing the beneficial owner is carried out when: i) the application for the establishment, registration, approval, approval or licensing of a corporate business; ii) the corporation carries on its business or activity (Article 15)</li> </ul>	
Information on Beneficial Owner	<ul style="list-style-type: none"> <li>▪ Full name</li> <li>▪ Identity number, driving license or passport</li> <li>▪ Place and data of birth</li> <li>▪ Citizenship</li> <li>▪ Residential address listed on the identity card</li> </ul>	<ul style="list-style-type: none"> <li>▪ Address in country of origin, in the case of foreign nationals</li> <li>▪ NPWP or similar tax identification number</li> <li>▪ Relationship between corporation and beneficial owners</li> </ul>

source: *Perpres 13/2018*

In 2018, EITI Indonesia implemented Pilot Scheme to collect BO through EITI Report. There are 62 out of 80 participating Coal & Mining companies and 46 out of 70 PSCs who had submitted BO data. The collected BO is published in the Annex of EITI Report 2016. BO data continue to be collected in EITI Report 2017 as found in its Annex which includes 72 out of 77 PSCs and 76 out of 122 participating Coal & Mining companies. As noted in the 2016 EITI Contextual Report, in the process, the person in charge of the reporting company is still having difficulties in reporting the beneficial owner, i.e.:

- The process of obtaining information on beneficial owners requires special expertise in determining the level of ownership of the company
- Authorities in the company do not have access to parent company's documents
- In several companies, no shareholder has 25% or more of shares and the authorities cannot determine the beneficial owner by using a qualitative definition

Therefore, the reporting company mostly can only report direct shareholder of the company and most of them are corporations instead of individual owner.

To implement *Perpres 13/2018*, ESDM issued the Decision of the Minister of Energy and Mineral Resources (*Kepmen* ESDM) No. 1796 K / 30 / MEM / 2018 which stipulates that as a requirement for issuing licenses, business entities must provide information on the register of shareholders up to the individual of final beneficial owner. Previously, ESDM has initiated efforts to collect BO data for licensing purposes in 2017, as regulated by its Ministerial Decree (*Permen* ESDM 48/2017) on Concession Supervision in the Energy and Mineral Resources Sector. DG Coal & Mining issued Circular Letter (SE) No. 16.E/30/DJB/2017 concerning Licensing Service Requirements to obtain complete information on the final beneficial owner from licensing applicants in the Coal & Mining sector and the compliance with tax regulations. Currently, ESDM is developing an online licensing system which would facilitate BO data collection. However, BO data collected by ESDM is not publicly available by default. Based on ESDM risk assessment, BO data could be disclosed to a certain level by request which require prior agreement between the recipient and BO data provider.

To implement Perpres 13/2018, MoL issued Ministerial Decree (*Permenkumham* 15/2019) on Implementation Procedures for the Application of Principles of Recognizing the Beneficial Owners of Corporations. The company's notary public/legal counsel has the obligation to update company information every year in the Company Registry maintained by the Ministry of Law and Human Rights (MoL) i.e., AHU Online<sup>20</sup>. BO information must be updated as soon as the counsel obtains knowledge of changes in ownership.

However, one of the challenges with the BO disclosure in Indonesia is the means of verification. According to Perpres 13/2018, verification is the obligation of the corporation by matching BO information with supporting documents. Whenever necessary, authorized agencies could perform further verification. However, neither MoL nor ESDM has sufficient instrument to double-check if the information about BO provided by the notary is correct.

Furthermore, the already collected BO information is not yet publicly available. BO data can only be accessed by limited circle including five ministries i.e., Ministry of Finance, Ministry of Energy and Mineral Resources, Ministry of Agriculture, Ministry of Cooperatives and Small & Medium Enterprises, and Ministry of Agrarian Affairs and Spatial Planning<sup>21</sup>.

*Table 3-4 BO Data Sources*

Scheme	Responsible Institution	Coverage	Mechanism	Public Accessibility
<ul style="list-style-type: none"> <li>Perpres No. 13 Year 2018</li> <li>Permenkumham No. 15 Year 2019</li> </ul>	MoL	BO information from all companies operated in Indonesia	Company Registration System	Not Accessible
<ul style="list-style-type: none"> <li><i>Kepmen</i> ESDM No. 1796 K / 30 / MEM / 2018</li> <li>SE No. 16.E/30/DJB/2017</li> </ul>	ESDM	BO information from all extractive industry companies operated in Indonesia	Licensing process in ESDM	Not Accessible
<ul style="list-style-type: none"> <li>BO Roadmap for Indonesia EITI</li> <li>EITI Standard</li> </ul>	EITI Secretariat	BO information from extractive companies that are required to report through the EITI Report	EITI Report	Accessible

In summary, there are three BO data sources (see Table 3-4). Only BO data from EITI Report is publicly accessible and the other two, sourced from MoL and ESDM, are not yet publicly accessible.

## Recommendation

- i. Ensure that both MoL and ESDM either jointly or separately makes the BO registry publicly accessible in open data format, or at minimum tabular format with the level of detail as required by the EITI Standard for BO disclosures.
- ii. MSG should develop a procedure for annually confirming BO data verification has taken place for material companies based on the agreed method for data verification of BO information.
- iii. MSG should document MoL's plan on BO disclosure and encourage MoL to consider data interfacing with other datasets e.g., tax collection, Politically Exposed People (PEP) asset disclosures.
- iv. MSG is encouraged to document ESDM's plan to collect data on beneficial owner in their under-development online licensing system, and if there are plans to make the

<sup>20</sup> AHU Online, <https://ahu.go.id/>

<sup>21</sup> PPATK, FGD Beneficial Ownership 15 November 2019, accessed on <https://jdih.ppatk.go.id/wp-content/uploads/2019/11/FGD-BO-15-NOVEMBER-2019.pdf>

information public thereafter as an alternative to BO disclosure by MoL, ESDM to work with MoL on interfacing BO data collected by ESDM for licensing purposes and MoL's BO data.

- v. MSG should regularly assess gaps or weaknesses in disclosure of beneficial ownership information, including an assessment of the materiality of omissions and the reliability of beneficial information (Requirement 2.5 c).

## State Participations (#2.6)

### ***Partially mainstreamed with major limitations***

**[Reporting SOEs]** In 2017, PT Indonesia Asahan Alumunium (INALUM) becomes the holding of SOE in the Coal & Mining sector. With the formation of the holding, PT Aneka Tambang, PT Bukit Asam, and PT Timah, which were previously an SOE in the Coal & Mining sector become its subsidiaries and no longer considered as an SOE as per the definition in UU 19 Year 2003 on SOE. Therefore, PT INALUM has become the only SOE in the Coal & Mining Sector. Similarly, with the acquisition of PT PGN in 2018, PT Pertamina becomes the only SOE in the Oil & Gas Sector. PT PGN becomes its gas sub holding to which PT Pertagas ownership is transferred from PT Pertamina to PT PGN.

**[Public Accessibility]** An explanation of the role of state-owned enterprises (SOEs) in the sector and prevailing rules and practices regarding the financial relationship between the government and SOEs is available in the EITI Contextual Reports. The description is based on regulations which are available in the Ministry of SOEs<sup>22</sup> and Ministry of Finance<sup>23</sup> Regulation Portal. Both SOEs publish annual reports, audited financial statements, and corporate governance information in their websites in a searchable pdf format.

**[Comprehensiveness & Level of Disaggregation]** Most of the required information is either available in the Annual Report and/or the Financial Statement of both SOEs. A more detailed assessment of the comprehensiveness and level of disaggregation for the disclosure practice for each requirement can be found in Annex II.

**[Timeliness]** The publication is timely with less than Y+2 gap. In November 2020, PT Pertamina has published 2019 audited financial statement while PT INALUM has published 2018 audited financial statement.

**[Reliability]** The Financial Statements (FS) are audited by independent auditor as mandated by the SOE Act (UU 19/2003) and Limited Liability Company Act (UU 40/2007). Refer to section 3.3 on Data Quality, Public Accountant who performs audit in Indonesia follows the Indonesian accounting standard, namely the Statement of Financial Accounting Standards (SFAS) which conform to the International Standard on Accounting (ISA).

**[Further Review on Financial Information]** To understand the current disclosure practice of financial information (Req. 2.6 a. i & ii), preliminary review is performed to each SOEs and a sample of five of its subsidiaries (see Table 3-5). For PT INALUM, five is the number of all subsidiaries it owns. As for PT Pertamina, the selection was made based on the highest asset

<sup>22</sup> Ministry of SOEs, Regulation Portal, accessed on <http://jdih.bumn.go.id/>

<sup>23</sup> MoF, Regulation Portal, accessed on <https://jdih.kemenkeu.go.id/#/home>

value in FY 2019. The FS reviewed is for FY 2019 for all the companies except PT INALUM which uses FY 2018 due to the absence of FY 2019 disclosure.

*Table 3-5 SOE and Its Subsidiaries/Joint Ventures Financial Statements (FS) Disclosure*

SOE and Subsidiaries/Joint Venture		Percentage of Ownership	Type of Company	FS Disclosure
<b>Coal &amp; Mining SOE: PT INALUM</b>		100% GoI	SOE	Available
	PT Antam	65%	Publicly Listed	Available
	PT Bukit Asam	65.93%	Publicly Listed	Available
	PT Timah	20%	Publicly Listed	Available
	PT Freeport Indonesia	65%	Privately Owned	None
	PT Vale Indonesia	51.24%	Publicly Listed	Available
<b>Oil &amp; Gas SOE: PT Pertamina</b>		100% GoI	SOE	Available
	PT Pertamina EP*	100%	Privately Owned	None
	PT PGN*	56.96%	Publicly Listed	Available
	PT Pertamina Internasional EP*	100%	Privately Owned	None
	PT Pertamina Hulu Energi*	100%	Privately Owned	None
	PT Pertamina EP Cepu*	100%	Privately Owned	None

\*top 5 subsidiaries of PT Pertamina with highest asset value in FY 2019

Table 3-5 illustrated that PT INALUM and PT Pertamina publishes their FS. Even though they are not a publicly listed company, disclosure of audited financial report is mandatory for an SOE. However, not all subsidiaries publish their FS online. Those who publish are a publicly listed company which has to disclose information publicly including Audited Financial Statements, Annual Reports, and Sustainability Reports.

According to the review, for those who publishes the Audited FS, the required information from SOE and its subsidiaries/joint ventures are mostly available in their respective Financial Statements (see **Error! Reference source not found.**).

Company accounting practice follows accounting standard set by IAI (i.e., PSAK) which adopt international accounting standard (i.e., IFRS). Most of the information required by requirement 2.6 on state participation are regulated in those standards. All of the material companies participated in the EITI reporting in the past are audited using International Auditing Standards which ensure the compliance to the aforementioned accounting standard.

The Indonesian Institute of Certified Public Accountants (IAPI) and Indonesia Chartered Accountants (IAI) are members of the International Federation of Accountants (IFAC). IAPI has direct responsibility for setting auditing standards in Indonesia<sup>24</sup> and has adopted the Indonesian Public Accountant Professional Standards (SPAPs). From 2014 onwards, International Standard on Auditing (ISAs) were adopted as SPAPs for all companies which are subject to external audits.

<sup>24</sup> Public Accountants Act of 2011

*Table 3-6 Financial Statement for FY 2019 Content Analysis Mapping to Req 2.6 a)*

Company	Requirement 2.6 a) i)				Requirement 2.6 a) ii)				
	Transfer	Retained Earnings	Reinvestment	3 <sup>rd</sup> Party Financing	Level of Ownership		Change of Ownership		Loan/Loan Guarantee
					Terms of Equity	Level of Responsibility	Terms of Transaction	Valuation & Revenues	
PT INALUM	✓	✓	✓	✓	✓	N/A	Business Combination	Business Combination	✓
- PT Antam	✓	✓	✓	✓	✓	N/A	Business Combination	Business Combination	
- PT Bukit Asam	✓	✓	✓	✓	✓	N/A	N/A	N/A	
- PT Timah	✓	✓	✓	✓	✓	N/A	N/A	N/A	
- PT Vale Indonesia	✓	✓	N/A	N/A	✓	N/A	N/A	N/A	
PT Pertamina	✓	✓	✓	✓	✓	N/A	Acquisition	Acquisition	✓
- PT PGN	✓	✓	✓	✓	✓	N/A	Acquisition	Acquisition	

**Error! Reference source not found.** demonstrate disclosure for items required in Requirement 2.6 a) point (i) and (ii) regarding financial information on state participation. Most of the required information for point (i) are commonly disclosed in an audited FS<sup>25</sup>. Therefore, when the information is missing (e.g., information on reinvestment and 3<sup>rd</sup> party financing for PT Vale Indonesia), it could be assumed that there is no such type of transaction in the FY covered.

Meanwhile, variety shown for the disclosure of information required for point (ii). Point (ii) requires information on Level of Ownership which includes Terms of Equity and Level of Responsibility attached to the terms. If not specifically mentioned, Terms of Equity could be represented by information regarding percentage of ownership. PSAK 15 (Investment on Associates and Join Ventures) regulates default terms which applies if a company owns a particular percentage of other company. If the practice is deviating to the default terms, the company is required to make a specific mention in their FS. In the reviewed FS, there is no specific mention found. Therefore, the terms should follow the default terms according to the percentage of ownership as regulated by PSAK 15.

Information on the Level of Responsibility for covering expenses at various phases of the project cycle could not be found in the FS. This is due to the nature of the participation of SOEs and its subsidiaries/joint ventures in the extractive industry which do not directly involved in the extraction or exploitation activity. Such information would be available in contract and license documents for each concession which are assigned to entities under the reviewed companies. The implementation of the responsibility would be reported through the operational report to the regulator such i.e., monthly and quarterly report<sup>26</sup> for Coal & Mining companies and Financial Quarterly Report (FQR)<sup>27</sup> for Oil & Gas companies. Therefore, one

<sup>25</sup> Information required by point (i) Req. 2.6 a are regulated in PSAK 65 on Consolidated Financial Statement, PSAK 15 on Investment on Associated Entities and Joint Ventures, PSAK 71 on Financial Instrument.

<sup>26</sup> Permen ESDM 7 Year 2020 on Procedures for Granting Areas, Licensing, and Reporting on Mineral and Coal Mining Business Activities

<sup>27</sup> SKK Migas Standard Operating Procedures PTK-066/SKKMA0000/2019/S0 on Preparation and Reporting of Upstream Oil and Gas Business Activities with a Gross Split Scheme

of the means to disclose detailed information on Level of Responsibility could be for the SOE to prepare and publish separate notes to specifically explain such information. The notes would elaborate Level of Responsibility for entities which are directly or indirectly associated with an SOE. Alternatively, this information could also be included as a section in the SOE's Annual Report.

Furthermore, point (ii) of Requirement 2.6 a) requires information on Change of Ownership which is regulated in PSAK 15 (Investment in Associated Entities and Joint Ventures) and PSAK 22 (Business Combination). Therefore, in cases where this information is not available in some of the reviewed FS, this might be due to the absence of the transaction in the FY reviewed.

## Recommendation

- i. Encourage the Ministry of SOEs to tap into existing summary descriptions of financial relationships between SOE/government from EITI Reports and publish such summaries on their website.
- ii. MSG to consider materiality for disclosure of Requirement 2.6 at the level of the subsidiary given their significance in the context of Indonesia.
- iii. Encourage SOEs to improve their disclosures according to the gap identified in Annex II and Table 3-6 including publishing financial data with downloadable excel/csv formats and necessary details from SOEs' subsidiaries and joint ventures. Information required from subsidiaries could be included in the SOEs' consolidated AFS and or in separate notes prepared by the SOE published through the website and or Annual Report.
- iv. Encourage SOEs to join the EITI's SOE transparency network, to engage with other extractive SOEs in EITI implementing countries and help shape emerging best practice.

## Exploration (#3.1)

### ***Partially mainstreamed with minor limitations***

**[Public Accessibility]** Oil & Gas exploration data can be found in the SKK Migas Annual Reports while Coal & Mining exploration data is available in the Geology Agency website as a table in the Mineral Balance Sheet<sup>28</sup> and as a Geology Resource web-GIS<sup>29</sup>. Exploration activities for a particular year could be found in Geology Agency annual performance report<sup>30</sup>. However, the data is not presented in open data format, thus cannot be easily reused for further analysis.

**[Comprehensiveness]** Nevertheless, requirement 3.1 is noted as Satisfactory in the 2018 validation report against the EITI Reports which cited information that is publicly available as mentioned earlier.

<sup>28</sup> Geology Agency of ESDM, Strategic Metal Mineral based on Administrative Boundaries, accessed on <http://webmap.psdq.bgl.esdm.go.id/geosain/neraca-mineral-strategis.php?mode=administrasi>

<sup>29</sup> Geology Agency of ESDM, Geology Resource web-GIS, accessed on: <http://webmap.psdq.bgl.esdm.go.id/>

<sup>30</sup> Geology Agency of ESDM, Performance Report, accessed on: <https://geologi.esdm.go.id/id/publikasi/laporan-kinerja>



**[Level of Disaggregation]** – does not apply.

**[Timeliness]** SKK Migas annual report is regularly published annually with a lag of less than 1 year. Similarly, Geology Agency publishes annual performance report regularly.

**[Reliability]** Information is published by government agencies and therefore should be a reliable information.

### Recommendation

- i. Encourage SKK Migas and Geology Agency of ESDM to publish exploration data in an open data format.
- ii. To ensure continuous comprehensiveness and assurance of the information, MSG is encouraged to develop procedures to check and document the comprehensiveness, reliability, disaggregation, and timeliness of data.

## Production Data (#3.2)

### *Partially mainstreamed with minor limitations*

**[Public Accessibility]** For Oil & Gas, production data is collected by SKK Migas and is disclosed online in Lifting Monitoring Dashboard<sup>31</sup>. For Coal & Mining, production data is collected by DG Coal & Mining and is disclosed in Minerba One Data Indonesia (MODI) website<sup>32</sup>. However, while the dashboard provides interactivity, both websites do not feature download function to obtain the data in open data format.

**[Comprehensiveness]** The Lifting Monitoring Dashboard includes data on lifting volumes disaggregated by company/project with no information on values. Moreover, there is no further explanation on the methods for calculating production volumes on the website. Publication by value is not a common practice in the country as the value can only be calculated after the realization of sales. However, Indonesia Crude Price (ICP) is published as a Ministerial Decree on a monthly basis and is publicly available in ESDM website<sup>33</sup>.

Similarly, MODI includes data on volumes disaggregated by commodity, but does not include production values. MODI also does not provide disaggregation by region as well as project. Furthermore, no information on the sources and the methods for calculating production volumes is available on MODI alike. However, pricing reference for Coal & Mining commodity is published as Ministerial Decree on a monthly basis in ESDM website<sup>34</sup>. Within ESDM, in the Coal sector, only production volume (tonnage) is being recorded. The value of production is currently unrecorded due to difference in the quality of coal produced and coal sold (as a result of mixing). Besides, the published index price is the price at the coal delivery point, not the production price at the mine.

**[Level of Disaggregation]** The Lifting Monitoring Dashboard presents the data disaggregated by company/project while MODI only provides disaggregation by commodity. However, for

<sup>31</sup> SKK Migas, Lifting Monitoring Dashboard, accessed on <https://lifting.skkmigas.go.id/tab/lifting2/index.php>

<sup>32</sup> DG Coal & Mining, Minerba One Data Indonesia, accessed on <https://modi.minerba.esdm.go.id/pimpinan>

<sup>33</sup> DG Oil & Gas, Indonesia Crude Price, accessed on <https://migas.esdm.go.id/post/read/harga-minyak-mentah>

<sup>34</sup> DG Coal & Mining, Coal & Mining Pricing Reference, accessed on [https://www.minerba.esdm.go.id/harga\\_acuan](https://www.minerba.esdm.go.id/harga_acuan)

coal, information on production volume disaggregated per company can be found in the annual performance report of DG Coal & Mining.

**[Timeliness]** The data in Lifting Monitoring Dashboard are sourced from the daily lifting data reported by PSCs to SKK Migas, which are reconciled per 30-day period. Meanwhile, MODI is regularly updated using data sourced from Mineral Online Monitoring System (MOMS).

**[Reliability]** The data is published in official government agencies with a disclaimer that the data is a temporary figure. The final figure is released in the annual performance report of each of the government agencies as an aggregate value.

#### Recommendation

- i. SKK Migas and DG Coal & Mining should publish information on production values, in addition to volumes. Alternative approach could be for MSG to continue providing value information by calculating production values (as it did for validation) to be confirmed by SKK Migas and DG Coal & Mining.
- ii. Encourage SKK Migas and DG Coal & Mining that the published data is further disaggregated by company, region and project, and include a description of the methods for calculating production volumes and values.
- iii. Encourage SKK Migas and DG Coal & Mining to publish in reusable/ open formats.
- iv. Encourage disclosing entities to ensure and MSG to check data timeliness, comprehensiveness, and quality.

### Export Data (#3.3)

#### *Partially mainstreamed with minor limitations*

**[Public Accessibility]** Export data are collected by DG Custom and Excise (Ministry of Finance) and disclosed by BPS in their Export & Import page<sup>35</sup> which allows data to be downloaded as xls files.

**[Comprehensiveness]** The publication includes both values and volumes. The BPS website includes a summary description of data collection methods, but it does not provide information on how volumes and values are calculated<sup>36</sup>. In the Coal and Mining sector, export values refer to the Surveyor's Report. Currently, export volumes are reported by business entities through MOMS.

**[Level of Disaggregation]** The data is presented per sector and per specific commodity based on international classifications (i.e., 10-digit HS code), but is not disaggregated by company.

**[Timeliness]** The data is regularly updated in a monthly basis.

**[Reliability]** The data is sourced from DG Custom and Excise and is published in the official BPS website which is reliable.

#### Recommendation

<sup>35</sup> BPS, Export and Import, accessed on <https://www.bps.go.id/exim/>

<sup>36</sup> BPS, Export and Import Data Collection Methodology, accessed on <https://www.bps.go.id/subject/8/ekspor-import.html#subjekViewTab2>



- i. Encourage DG Custom and Excise to publish export data for extractive commodities per company basis.
- ii. Encourage BPS to provide a comprehensive list of all HS codes for extractive commodity exports.
- iii. Encourage BPS to include a summary of the methods for calculating export volumes and values under the methodology section of its website.

## Distribution of Revenue (#5.1)

### ***Partially mainstreamed with minor limitations***

**[Public Accessibility]** Natural resource revenues go straight to the state budget which is published annually in the Central Government Financial Statement (LKPP)<sup>37</sup> in June. Revenue classification system can be found in the Standard Chart of Accounts published by MoF<sup>38</sup>. The account names can indicate the types of revenues from extractive sectors. However, there is no specific earmarking for extractive revenue once it enters the state budget except that some portion of the revenues go to the revenue sharing fund which is calculated by DG Fiscal Balance by drawing information from DG Budget, ESDM, and SKK Migas. Further information on revenue sharing fund would be discussed for requirement 5.2 on subnational transfer.

**[Comprehensiveness]** Requirement 5.1 is noted as Satisfactory progress in the 2018 validation report. Therefore, the coverage in the EITI Reports to date could be used as a reference to update and routinely disclose the information on the related agencies websites/portals.

**[Level of Disaggregation]** – does not apply.

**[Timeliness]** LKPP is regularly published annually on June Y+1.

**[Reliability]** The data is audited by the Supreme Audit Board and therefore is a reliable information.

### **Recommendation**

- i. ESDM, SKK Migas and/or MoF should provide a description of the distribution of revenues from the extractive industries in their website(s) reflecting on the coverage on the current EITI contextual report.
- ii. MSG is encouraged to ensure continuous comprehensiveness and assurance of the information by developing procedures to check and document the comprehensiveness and timeliness of data.

## Contribution to The Economy (#6.3)

### ***Partially mainstreamed with minor limitations***

<sup>37</sup> MoF, Central Government Financial Statement (LKPP), accessed on <https://www.kemenkeu.go.id/publikasi/laporan/laporan-keuangan-pemerintah-pusat/>

<sup>38</sup> MoF, Standard Chart of Accounts, accessed on <https://hai.kemenkeu.go.id/downloads/files/kep-211-pb-2018-tentang-kodefikasi-segmen-akun-pada-bas/download>

The five data items required to demonstrate extractive contribution to economy are managed by different agencies. Below is the explanation based on each of the data items.

## GDP

The size of the extractive industries in absolute terms and as a percentage of GDP can be found in BPS's publication of quarterly GDP by sector<sup>39</sup>, which also includes the methodology on how these are calculated. The data is available for download in xls format.

## Artisanal and Small-Scale Mining (ASM)

Artisanal small-scale mining (*Pertambangan Rakyat*) is regulated in Law No 4 Year 2009 on Coal & Mining (as amended by Law No 3 Year 2020) which covers area of 1-10 ha<sup>40</sup>. The license for artisanal and small-scale mining (Izin Pertambangan Rakyat) is granted by regent/mayor (*bupati/walikota*)<sup>41</sup>. The holder of IPR has to periodically report to regent/mayor which in turn should periodically report to the Minister<sup>42</sup>. However, the implementation of the regulation still has many problems especially on artisanal small-scale gold mining. In fact, majority of artisanal gold mining in Indonesia are not yet legal.

Public ASM-related data is available on varied platforms that are owned by different government institutions; updated and maintained separately. For instance, there are multiple maps of ASM locations. First, information on licensed ASM could be found in the ESDM's license register<sup>43</sup> although very limited<sup>44</sup>. Second, Ministry of Environment and Forestry geoportal also provide a map which focuses artisanal small-scale gold mining activities, irrespective of their legal status<sup>45</sup>.

According to the Indonesia Country Profile on the Global Platform for Artisanal & Small-Scale Mining Data<sup>46</sup>, ASM employment in the country is estimated to be 3,600,000 in 2020 according to calculation by Head of Association of Community Miners Indonesia (APRI); 247.5% compared to employment to the mining sector in 2018. Although still new, the Delve's platform could be the potential alternative for a unified ASM related information which is planned to be updated yearly or bi-annually<sup>47</sup>.

In Oil & Gas sector, illegal drilling where individuals siphon oil from long-distance pipelines has been reported in many regions including Riau, Kalimantan, Java and Papua. Based on SKK Migas estimation, the theft constitutes between 10.000 to 15.000 barrels of oil per day (bopd) which equals to less than 2 percent of Indonesia's oil production in 2019, i.e., 746,222 bopd<sup>48</sup>. There is limited information on illegal drilling from official sources.

## Government revenue

<sup>39</sup> BPS, Produk Domestik Bruto Lapangan Usaha, accessed on <https://www.bps.go.id/subject/11/produk-domestik-bruto--lapangan-usaha-.html#subjekViewTab1>

<sup>40</sup> Article 68 of Law No 4 Year 2009 on Coal & Mining (as amended by Law No 3 Year 2020)

<sup>41</sup> Article 67 of Law No 4 Year 2009 on Coal & Mining (as amended by Law No 3 Year 2020)

<sup>42</sup> Article 70 of Law No 4 Year 2009 on Coal & Mining (as amended by Law No 3 Year 2020)

<sup>43</sup> ESDM, ESDM One Map Geoportal, accessed on <https://geoportal.esdm.go.id/>

<sup>44</sup> per 17 March 2021, there are 19 IPR listed in the register

<sup>45</sup> Ministry of Environment and Forestry, Geoportal on Artisanal Small-Scale Gold Mining – Mercury, accessed on <https://sitkb3.menlhk.go.id/mercuri/index.php>

<sup>46</sup> DELVE, Country Profile: Indonesia Artisanal and Small-Scale Mining Sector, accessed on [https://delvedatabase.org/uploads/resources/Delve-Country-Profile-Indonesia\\_2.pdf](https://delvedatabase.org/uploads/resources/Delve-Country-Profile-Indonesia_2.pdf)

<sup>47</sup> DELVE, Data Standards, accessed on <https://delvedatabase.org/contribute/data-standards>

<sup>48</sup> Harsono, 2020, Indonesia loses up to 15,000 barrels of oil daily from illegal drilling, The Jakarta Post, accessed on: <https://www.thejakartapost.com/news/2020/07/22/indonesia-loses-up-to-15000-barrels-of-oil-daily-from-illegal-drilling.html>

The value of tax and non-tax government revenues are available as aggregate numbers in the Gol Financial Statement (LKPP). Therefore, the relative contribution of extractive revenues to total revenue can be calculated using the available data. However, the data disclosed on government revenues in LKPP is not in open data formats.

## Exports

Exports from the extractive industries in absolute terms and as a percentage of total exports can be calculated using the data from the BPS' monthly publication of Foreign Trade Statistics Bulletin. However, the bulletin is not published in open data formats.

## Gender-disaggregated employment data

Employment data are reported by extractive companies to ESDM through their annual Work Plan & Budget. For both Coal & Mining<sup>49</sup> and Oil & Gas<sup>50</sup>, the employment data include details on occupational level and citizenship status but does not cover gender aspect.

Alternatively, gender and employment data are also collected by the Ministry of Manpower in sufficient details as required by the EITI Standard through their online company employment reporting platform (WLKP)<sup>51</sup>. However, as the platform is relatively new (i.e., established in 2018), the information might not be comprehensive. In 2017 the number of medium and big enterprises according to BPS is 33.577<sup>52</sup>. Meanwhile, per 16 November 2020, WLKP records 35.671 medium and 15.695 big enterprises. However, it needs to be confirmed if BPS and WLKP share the same definition of medium and big enterprises. More importantly, Ministry of Manpower should also confirm if EITI reporting entities are among the reported numbers. Currently, while the data are collected per company which include gender disaggregation, these data are disclosed as an aggregate value and neither disaggregated by gender nor companies.

## Key regions

Key regions could be identified by ranking subnational transfer values for each producing regions of the commodity as it is proportional to the production. Subnational transfer data is available in SIMTRAD4<sup>53</sup> maintained by DG Fiscal Balance (MOF), which is elaborated further under the section on requirement 5.2. The data is disaggregated by province down to regency (district / municipality) level.

## Recommendation

- i. MSG to consider whether artisanal and small-scale mining as well as illegal drilling would be a priority to be included in the systematic disclosure scope.
- ii. Encourage BPS to include an estimate of the informal sector activity.
- iii. Encourage MoF (Social and Public Relations Division) to disclose Central Government Financial Statement (LKPP) data in or with downloadable reusable data files.

<sup>49</sup>Kepmen ESDM 1806 K/30/MEM/2018 on Implementation Guidelines on The Preparation, Evaluation, and Approval of Work Plan and Budget

<sup>50</sup>SKK Migas Working Procedures PTK-018/SKKMA0000/2018/SO on PSC Human Resource Management

<sup>51</sup>Ministry of Manpower, Wajib Laporkan, accessed on <https://wajiblaporkan.kemnaker.go.id/>

<sup>52</sup>BPS, Total of Big and Medium Enterprises in 2015-2017, Accessed on <https://www.bps.go.id/indicator/9/200/1/jumlah-perusahaan-ibs-kbli-2009-.html>

<sup>53</sup>DG Fiscal Balance, Sistem Informasi Transfer ke Daerah dan Dana Desa, accessed on <http://dipk.depkeu.go.id/simtrada/>

- iv. Encourage BPS to publish the Foreign Trade Statistics Bulletin in or with downloadable reusable data files.
- v. Encourage ESDM and SKK Migas to include details on gender in their Work Plan and Budget reporting requirement for extractive companies. Alternatively, encourage the Data and Information Division (PPID) of the Ministry of Manpower to publish employment data disaggregated by gender, and when available by occupational level and by company for the extractive sectors.
- vi. Encourage ESDM and SKK Migas to publish data on key producing regions.

## Environmental Impact (#6.4)

### ***Partially mainstreamed with major limitations***

**[Public Accessibility]** For the Oil & Gas sector, environmental impacts of the extractive industries are monitored and managed by SKK Migas, and this information is available in the annual sustainability report<sup>54</sup> published by SKK Migas on their website.

For the Coal & Mining sector, monitoring and managing environmental impacts are the responsibility of DG Coal & Mining. Reclamation information is available in their annual performance report<sup>55</sup>. DG Coal & Mining also has an Environment Management Information System<sup>56</sup> to collect quarterly progress reports on reclamation activities. It has a publicly accessible dashboard which provides information on the progress of reclamation.

Considering only minimum companies have website, disclosure of the approved Environmental Impacts Analysis (AMDAL) by company are very unlikely to be found. Per company publication of approved AMDAL from the government side, also seems to be unavailable.

**[Comprehensiveness]** However, the comprehensiveness and the regularity of the update need to be confirmed.

**[Level of Disaggregation]** The data are presented as aggregate values.

**[Timeliness]** SKK Migas Sustainability Report and DG Coal & Mining Annual Performance Report are both published annually.

**[Reliability]** The data are disclosed in the official website of the government and therefore is reliable.

### **Recommendation**

- i. Encourage ESDM to establish a centralised publicly-accessible register of approved Environmental Impact Analysis (AMDAL).
- ii. SKK Migas should maintain the regularity of publishing their sustainability report on an annual basis as the medium to disclose environmental impact of the Oil & Gas industry.

<sup>54</sup>SKK Migas, Sustainability Report, accessed on: <https://www.skkmigas.go.id/publikasi/sustainability-report>

<sup>55</sup> DG Coal & Mining, Performance Report, accessed on:  
[https://www.minerba.esdm.go.id/show/show\\_pdf?link\\_file=95](https://www.minerba.esdm.go.id/show/show_pdf?link_file=95)

<sup>56</sup>DG Coal & Mining, Environment Management Information System, accessed on:  
<http://simlingkungan.minerba.esdm.go.id/sim/>

- iii. Encourage ESDM to maintain the regularity of publishing their performance report on an annual basis as the medium to disclose environmental impact of the Coal & Mining industry. Alternatively, ESDM could also improve the comprehensiveness and the regularity of the data update in the Environment Management Information System.

## 3.2 Revenue Data

The majority of revenue information in EITI Reports are partially mainstreamed with some limitations. The significant limitations are mainly about data disaggregation and tax confidentiality issues (see Table 3-7).

Table 3-7 Revenue Information Mainstreaming Status

Requirement	Finding	2018 Validation Results
4.1 Comprehensive Disclosure of Taxes and Revenues	Significant legal and administrative limitations	Inadequate
4.2 Sale of The State's Share	Significant legal and administrative limitations	Meaningful Progress
4.3 Infrastructure Provision and Barter Arrangement	Partially mainstreamed, minor limitations	N/A
4.4 Transportation Revenue	Fully mainstreamed	Satisfactory
4.5 Transactions Related to SOEs	Partially mainstreamed, major limitations	Meaningful Progress
4.6 Subnational Payments	Partially mainstreamed, major limitations	N/A
4.9 Data Quality	Partially mainstreamed, minor limitations	Inadequate
5.2 Subnational Transfer	Partially mainstreamed, minor limitations	Meaningful Progress
5.3 Revenue Management and Expenditure	Partially mainstreamed, minor limitations (an encouragement)	
6.1 Social and Environmental Expenditure	Partially mainstreamed, major limitations	Meaningful Progress
6.2 Quasi-fiscal Expenditure	Partially mainstreamed, minor limitations	Inadequate

### Comprehensive Disclosure of Taxes and Revenues (#4.1)

#### Significant legal and administrative limitations

**[Public Accessibility]** From the perspective of government side data, both tax and non-tax revenue data are disclosed in the audited GoI Financial Statement (LKPP)<sup>57</sup> as well as the monthly publication by MoF (i.e., APBN Kita). The reports are published in a searchable PDF format. Additionally, for Coal & Mining sector, non-tax revenue data is also regularly updated in the publicly available MODI dashboard<sup>58</sup> by ESDM. However, this system does not allow download in an open data format.

From the perspective of company side data, the disclosure practices differ for the two sectors. In the Oil & Gas sector, data disclosures are only made by either SKK Migas and/or ESDM as

<sup>57</sup> Ministry of Finance, Central Government Financial Statement (LKPP), accessed on: <https://www.kemenkeu.go.id/publikasi/laporan/laporan-keuangan-pemerintah-pusat/>

<sup>58</sup> DG Coal and Mining, Minerba One Data Indonesia, accessed on: <https://modi.minerba.esdm.go.id/pimpinan>

PSC holders are bounded by confidentiality agreement in the PSC. Table 3-8 demonstrate the profiles of 71 reporting companies for Oil & Gas sector in the 2016 EITI Report. Only 2 companies publishes Financial Statements in their website and the majority does not own a website.

*Table 3-8 Oil & Gas Companies' Profile in the 2016 EITI Report*

Website Ownership	Legal Entity	Association Membership
<ul style="list-style-type: none"> <li>- 18% have <ul style="list-style-type: none"> <li>- 2 websites with FS</li> <li>- 11 websites with no FS</li> </ul> </li> <li>- 82% have not <ul style="list-style-type: none"> <li>- 25 is a subsidiary of a company which has a website</li> <li>- 56 no website whatsoever</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Public Limited Company (Listed in the Indonesian Stock Exchange): 0</li> <li>- Private Limited Company: 71 (7 of them is a subsidiary of Company Listed in the Indonesian Stock Exchange)</li> <li>- Others: 0</li> </ul>	<ul style="list-style-type: none"> <li>- Only 20% is members (14 out of 71 coal companies) of the Indonesia Petroleum Association (IPA)</li> <li>- 45% is a subsidiary of an IPA member (32 out of 71)</li> <li>- 35% is not a member (25 out of 71)</li> </ul>

In the Coal & Mining, Table 3-9 illustrates the profiles of 112 reporting companies for Coal & Mining sector in the 2016 EITI Report. The table reveals that only 10 companies publish Financial Statements in their website. Moreover, the majority of the companies do not have websites and not all that do publish financial statements. Therefore, it would be a challenge to expect all companies to disclose their financial reports in their own platform. Moreover, only 34% of the reporting companies are members of industry associations which will make outreach and push for disclosure a challenge.

*Table 3-9 Coal & Mining Companies' Profile in the 2016 EITI Report*

Website Ownership	Legal Entity	Association Membership
<ul style="list-style-type: none"> <li>- 28% have <ul style="list-style-type: none"> <li>- 10 websites with FS</li> <li>- 21 websites with no FS</li> </ul> </li> <li>- 72% have not <ul style="list-style-type: none"> <li>- 58 is a subsidiary of a company which has a website</li> <li>- 5 no website whatsoever</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Public Limited Company (Listed in the Indonesian Stock Exchange): 7</li> <li>- Private Limited Company: 100 (22 of them is a subsidiary of Company Listed in the Indonesian Stock Exchange)</li> <li>- Others: 5</li> </ul>	<ul style="list-style-type: none"> <li>- Only 34% is members (31 out of 91 coal companies) of the Indonesia Coal Mining Association (ICMA)</li> <li>- Only 16% is members (15 out of 91) of the Indonesia Mining Association (IMA)</li> <li>- 8 companies are both member of ICMA and IMA</li> </ul>

According to Resource Project Portal developed by NRG<sup>59</sup>, there are 25 extractive companies domiciled in the EU or Canada operating in Indonesia. Based on the review of 2016 reporting companies, there are 14 out of 71 PSC holders associated with 7 of those companies. The reconciled revenues of these 14 PSC holders constitute 40,93% of the total reconciled revenue of the Oil & Gas sector. Meanwhile, there are only 4 out of 112 mining companies associated with 3 of the companies identified in the Portal. However, the 4 companies compose 22,35% of the total reconciled revenue for the Coal & Mining sector.

Below, the assessment would be continued to evaluate government side disclosure only.

<sup>59</sup> NRG, Resource Project Portal Indonesia, accessed on: <https://resourceprojects.org/country/Indonesia>



**[Comprehensiveness]** Revenue data are disclosed as an aggregate value with the numbers represents total value for all companies/projects and is therefore comprehensive.

**[Level of Disaggregation]** GoI Financial Statement and APBN Kita disaggregate data based on the government revenue classification system as defined in the Standard Chart of Accounts published by MoF<sup>60</sup>. The account names can indicate the types of revenues from extractive sectors including tax revenue e.g., Land and Building Tax for Mineral and Coal Sector. Similarly, revenue data disclosed in MODI for Coal & Mining is also presented by revenue streams.

**[Timeliness]** GoI Financial Statements is published annually on June while APBN Kita is released monthly. On the other hand, MODI data points are also regularly updated with different frequency for each, meaning that the date of the latest update for each data points could be different. The frequency is relatively high which in some cases could be several times a month.

**[Reliability]** Data in the GoI Financial Statements is audited while the others are temporary figures.

**[Overview of Treasury System]** All state revenues are recorded in the State Revenue Modul (MPN G2) as part of the bigger State Treasury and Budgeting System (SPAN) managed by DG Treasury, MoF. Tax payments are made through billing system operated by DG Tax (E-Billing)<sup>61</sup> while non-tax state revenues are paid through billing system operated by DG Budget (SIMPONI)<sup>62</sup>. However, for Coal & Mining sector, companies access e-PNBP which is integrated to SIMPONI. e-PNBP provide additional interface to capture more details on non-tax revenue payment for the sector. These systems demonstrate that state treasury in the country is systematically managed electronically. However, the disclosure of tax payment for both sectors will be subject to tax confidentiality as regulated under article 34 of the General Taxation Law (UU KUP) which will not allow disaggregation by company/project.

**[Non-Tax Revenue – Oil & Gas]** The billing system for Oil & Gas's PNBP called SIMPONI is managed by DG Budget. Some PNBP, e.g., signature bonus, is paid through SIMPONI. However, revenues that are subject to cost recovery scheme (e.g., government lifting) go into a transitory account first. Deductions are applied to the fund by DG Budget (e.g., VAT reimbursement), before it finally enters the state treasury. It is not yet known if the transaction in the transitory account is systematically recorded in an information system. However, PNBP information is available and the details of the transaction can be traced down to company/project level<sup>63</sup>. Therefore, disclosing this information is technically possible. Depending on how this information is stored, it would need a certain level of effort to make the data publicly available. However, as in the Oil & Gas sector one legal entity can only correlate with one PSC<sup>64</sup>, the information should already be collected and stored per project basis.

**[Non-Tax Revenue – Coal & Mining]** For PNBP in the Coal & Mining sector, payments are made through e-PNBP, a billing system managed by DG Coal & Mining. e-PNBP and

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<sup>60</sup> Ministry of Finance, Standard Chart of Account, accessed on: <https://hai.kemenkeu.go.id/downloads/files/kep-211-pb-2018-tentang-kodefikasi-segmen-akun-pada-bas/download>

<sup>61</sup> DJ Tax, E-Billing, accessed on: <https://pajak.go.id/e-billing>

<sup>62</sup> DJ Budget, SIMPONI, accessed on: <https://www.simoni.kemenkeu.go.id/welcome/login>

<sup>63</sup> Meeting with MoF during EITI International mission in 4-8 November 2019

<sup>64</sup> Act 22 Year 2001 on Oil & Gas, article 13.

SIMPONI systems interface with one another. Payments data recorded in e-PNBP is also recorded in SIMPONI, with e-PNBP storing more technical and sector-specific details. e-PNBP requires details up to project level in the payments as in the Coal & Mining sectors a company might have multiple licenses (IUP). A company can only be granted one Mining Business License Zone (WIUP) unless it is a publicly listed company in the stock exchange. However, in a single WIUP, one or more licenses can be granted<sup>65</sup>. The number of licenses that each of the companies have, is publicly available in the license register as previously explained under Requirement 2.3.

## Recommendation

- i. For tax revenue, MSG has to develop a company waiver system specifically for systematic disclosures, as currently done for EITI reporting which then be used as the basis for DG Treasury or DG Tax to disclose disaggregated data. MSG could consider including the blanket waiver clause in the EITI Perpres revision.
- ii. For non-tax revenue, ensure DG Treasury to disclose non-tax revenue recorded in MPN G2 for extractive sectors disaggregated by company/project. DG Budget, SKK Migas and/or DG Coal & Mining could be the alternative to disclose the data.
- iii. In regards to company disclosure, there are two stages to move toward systematic disclosure as follows:
  - a) In the long run, every material companies are required to publish information as required by Requirement 4.1 in their own websites.
  - b) In the interim, on the companies' behalf, ESDM and SKK Migas could disclose information which has been routinely submitted by the extractive companies to them using their existing reporting mechanism. SKK Migas could publish relevant information in the FQR reported by PSC holders while DG Coal & Mining disclosing for Coal & Mining companies using information reported to them. The existing reporting mechanism should be improved to accommodate the mandatory details which are not yet covered.

## Sale of The State's Share of Production (#4.2)

### **Significant legal and administrative limitations**

**[Applicability]** Sharing mechanism with the states only applies to the Oil and Gas sector.

**[Public Accessibility]** Sale of the state's share of production can be found in SKK Migas Annual Reports which are not disclosed in open data format.

**[Comprehensiveness]** SKK Migas' Annual Reports provide details of the volumes of government liftings of aggregated non-tax revenues, volumes sold, and proceeds of those sales.

**[Level of Disaggregation]** State's share of production as known as government liftings consists of three revenue streams, i.e., First Tranche Petroleum (FTP), Domestic Market Obligation (DMO) and equity oil. SKK Migas do not calculate FTP, DMO and equity oil separately but they could disclose the calculation of FTP and equity oil for tax purposes, which

<sup>65</sup> Government Regulation 23 Year 2010 on Implementation of Coal & Mining Business Activities, article 6,7 and 9.



could be used as proxy data for disaggregated revenues<sup>66</sup>. This information was submitted in annex to the MSG's second letter to the Validation Committee on 27 November 2019, although it has not yet been published on the EITI Indonesia website<sup>67</sup>. It is expected that this disaggregated data will be published in future EITI related disclosures.

Besides, information on oil and gas sales is not disaggregated by buyers. According to the Indonesia commodity trading report<sup>68</sup>, only the information on the destination without buyer information is available from SKK Migas. Buyer information is available in the B/L which is tedious to extract. It will therefore be challenging to mainstream buyer information.

**[Timeliness]** SKK Migas as a government body is bounded by Freedom of Information Act (UU KIP) and therefore has to publish performance report (i.e., Annual Report) at least once in a year.

**[Reliability]** SKK Migas Annual Report is based on audited Financial Report.

### Recommendation

- i. SKK Migas to disclose volumes and values of both oil and gas material in-kind sales per #4.2. This includes the volumes received and sold by the state, the revenues received from the sale, and the revenues transferred to the state from the proceeds of oil, gas, and minerals sold. The data should also be disaggregated by individual buying companies.
- ii. SKK to disclose disaggregated revenue for government lifting, i.e., the calculation of FTP, DMO and equity oil.
- iii. SKK Migas should consider improving the administrative system for easy matching of B/L numbers with individual buyers to allow easy disclosure of the required disaggregation levels.
- iv. The data should be published in open data reusable format based on threshold agreed by the MSG.

### Infrastructure Provision and Barter Arrangement (#4.3)

#### ***Partially mainstreamed, minor limitations***

**[Applicability]** In principle, extractive industry in Indonesia does not apply barter arrangement. As for contractual provision which may be relevant for this requirement regarding infrastructure are considered immaterial (less than 1% of state revenue). Therefore, in the 2018 validation<sup>69</sup>, requirement 4.3 is noted as not applicable in the country. Nevertheless, information on infrastructure provision is available in the EITI Reports for both sectors.

<sup>66</sup> EITI Board, 2019, Board Decision on The Validation of Indonesia, accessed on <https://eiti.org/board-decision/2019-74>

<sup>67</sup> Coordinating Ministry of Economic Affairs, 2019, MSG's Second Letter to the Validation Committee, accessed on [https://eiti.org/files/documents/additional\\_validation\\_documents\\_submitted\\_by\\_msg\\_on\\_27.11.2019.pdf](https://eiti.org/files/documents/additional_validation_documents_submitted_by_msg_on_27.11.2019.pdf)

<sup>68</sup> Open Oil, 2018, EITI Commodity Trading in Indonesia, accessed on <https://eiti.org/document/commodity-trading-in-indonesia>

<sup>69</sup> EITI (2019), Board Decision on The Validation of Indonesia, 24 December 2019, accessed on: <https://eiti.org/board-decision/2019-74>

In the Oil & Gas sector, the production sharing contract regulates that all assets of PSC holders in Indonesia used in operational activities owned by state, including infrastructure to support operations. Even though the infrastructural investment to support extraction are considered as part of project cost, this is not equivalent to infrastructural development in exchange for rights to operate. Nevertheless, this information is available in the EITI Reports (see Table 3-10).

For the Coal & Mining sector, the infrastructure provision fits the definition of requirement 4.3. However, the provisions are case by case basis; depend on the agreements between the company and the government for specific contract. EITI Reports also include this information; demonstrating that the value is not material for the fiscal year covered (see Table 3-10). Therefore, the applicability of Infrastructure Provision & Barter arrangement in the context of Indonesia should be revisited and agreed frequently.

**[Public Accessibility]** Outside of the EITI Reports, information for the Oil & Gas - the value of PSCs operations' infrastructures - is available in the audited GoI Financial Report (LKPP) which is published in searchable pdf format. For Coal & Mining sector, the data disclosed in the EITI Reports (see Table 3-10) are currently not systematically disclosed elsewhere.

*Table 3-10 Infrastructure Provision Information*

Year	Oil & Gas	Coal & Mining
2009	PSC's operations infrastructures are owned by the state. This information is available on GoI Financial Report	Not yet included in the reporting template*
2010 – 2011		Not yet included in the reporting template*
2012 – 2013		PT Adimitra Baratama Nusantara constructed underpass with project value amounting to IDR 18 billion in 2012 and IDR 24 billion in 2013
2014		None
2015		None
2016		PT Kaltim Prima Coal: USD 3,7 million
2017		PT Aneka Tambang Tbk IDR 26 billion PT Arutmin Indonesia USD 2,76 million

source: compiled from Indonesia EITI Reports

\*There is no information on infrastructure provision and barter arrangement in both the Indonesia EITI Scoping Notes as well as Report for FY 2009 and 2010-2011.

**[Comprehensiveness & Level of Disaggregation]** For Oil & Gas, the information as noted above is comprehensively available in the LKPP; includes all PSCs. The value is presented as an aggregate in the balance sheet, listed as *aset lain-lain* (other assets) with more details available in the notes to the financial report, amounting to IDR 314 trillion in 2018 (see Table 3-11). On the other hand, for Coal & Mining, as noted above, no information is publicly available other than what is reported by companies in the EITI Reports.

*Table 3-11 PSCs Assets per 31 December 2018 and 31 December 2017 in the Notes to The Financial Report of the 2018 LKPP*

Aset KKKS	31 Desember 2018 (Audited)	31 Desember 2017 (Audited)
a) Aset Tanah	22.365.774.965.994	22.028.148.948.127
b) Aset NonTanah	469.236.643.866.872	467.480.510.143.557
1. HBM	443.187.162.878.817	442.731.782.028.218
2. HBI	97.017.511.748	70.785.280.181
3. Material Persediaan	25.952.463.476.307	24.677.942.835.158
<b>Jumlah Bruto</b>	<b>491.602.418.832.866</b>	<b>489.508.659.091.684</b>
Akumulasi Penyusutan	(177.629.405.691.706)	(162.493.375.705.530)
<b>Jumlah Neto</b>	<b>313.973.013.141.158</b>	<b>327.015.283.386.154</b>

**[Timeliness & Reliability]** Information in LKPP is timely as it is published annually on June Y+1 and is an official audited financial statement from the Gol.

Therefore, especially for Coal & Mining, to disclose if there are any material agreements involving provision of infrastructure would require the MSG to frequently revisit the applicability and materiality of such arrangement in the extractive contractual provisions.

### Recommendation

- i. MSG has to develop and make public a definition of materiality with regards to infrastructure provisions and barter arrangements as per Requirement 4.3. MSG must document if there has been any material infrastructure agreements or barter arrangements for the disclosed fiscal year. Thus, whenever applicable and material, the MSG has to ensure that this information must be disclosed;
- ii. For Oil and Gas, where applicable and material, MSG has to ensure information the Gol Financial Report (LKPP) is sufficient. If necessary, SKK Migas should also provide the complementary information;
- iii. For Coal and Mining, where applicable and material, both ESDM and relevant companies have to disclose the provision of infrastructure that are made in full or partial exchange for extractive rights or delivery of extractive commodities as per Requirement 4.3 with a level of detail and disaggregation commensurate with the other payments and revenue streams, in their respective websites in a timely manner; and
- iv. ESDM and SKK Migas to include details on infrastructure provision in their company reporting mechanism.
- v. Encourage disclosures in open data reusable format.

### Transportation Revenues (#4.4)

#### Fully Mainstreamed

**[Applicability]** In the 2018 validation results, requirement 4.4 is noted as satisfactory which confirm the quality of information disclosed in the EITI Reports. There are two SOEs involved in the transportation of extractive commodities, i.e., PT Pertamina and PT KAI.

PT Pertamina through its subsidiaries provide natural gas transmission to connect the source location of the natural gas to the location of the natural gas end users through transmission pipelines. In 2018, PT PGN has become the subsidiary of PT Pertamina while PT Pertagas which was previously PT Pertamina's subsidiary has become the subsidiary of PT PGN. PT KAI collects mineral commodity transport revenues from PT Bukit Asam's use of two of its railway lines.

**[Public Accessibility]** Information on transportation revenue is publicly accessible in the Annual Reports of the respective SOEs.

**[Comprehensiveness]** To go beyond what is mandatory, the coverage in the EITI Reports to date could be used as a reference to update and routinely disclose the information on the SOEs' websites/portals.

**[Level of Disaggregation]** PT Pertamina and PT KAI each publishes annual report independently. PT Pertamina 2019 Annual Report provides revenues information from its subsidiary including PT PGN which originates from its services including transportation service. Information regarding the routes and the consumer of each routes is available in PT Pertagas website<sup>70</sup> while the calculation of tariffs is regulated by Downstream Oil and Gas Regulatory Agency (BPH Migas) which is available in their Regulation Portal<sup>71</sup>.

PT KAI collects mineral commodity transport revenues from PT Bukit Asam's use of two of its railway lines. This information is disclosed in PT KAI annual report.

**[Timeliness]** The annual reports are published annually.

**[Reliability]** The annual reports are based on audited financial statements.

#### **Recommendation**

- i. The MSG is encouraged to agree a procedure to address data quality and assurance of information on transportation revenues, in accordance with Requirement 4.9

### **Transaction Related to State Owned Enterprises (#4.5)**

#### ***Partially mainstreamed with major limitations***

**[Reporting SOEs]** In 2017, PT Indonesia Asahan Aluminium (INALUM) becomes the holding of SOEs in the Coal & Mining sector. With the formation of the holding, PT Aneka Tambang, PT Bukit Asam, and PT Timah, the previous SOEs in the Coal & Mining sector has become its subsidiaries and no longer considered as an SOE as per the definition in UU 19 Year 2003 on SOE. Therefore, PT INALUM has become the only SOE in the Coal & Mining Sector. Its subsidiaries are publicly listed companies (including PT Freeport Indonesia) in which each has to disclose information publicly which includes Audited Financial Statements, Annual Reports, and Sustainability Reports.

Similarly, with the acquisition of PT PGN in 2018, PT Pertamina becomes the only SOE in the Oil & Gas sector. PT PGN becomes its gas sub holding to which PT Pertagas ownership is transferred from PT Pertamina to PT PGN. PT PGN is also a publicly listed company which makes disclosure of audited financial report a mandatory.

**[Public Accessibility]** Both SOEs publish audited financial statements in their websites in a search-able pdf format. The financial statements are a consolidated statement of its subsidiaries using accrual basis except for cash flow and specific accounts explicitly mentioned in its accounting policies.

**[Comprehensiveness & Level of Disaggregation]** While it is a consolidated statement, for some accounts, the Notes to the Financial Statements provide information disaggregated by

<sup>70</sup> PT Pertagas, Gas Transportation, accessed on <http://www.pertagas.pertamina.com/gas-transportationid-ID>

<sup>71</sup> BPH Migas, Regulation Portal, accessed on <http://idih.bphmigas.go.id/>

subsidiaries. For example, in PT Pertamina FS for FY 2019, due to the government is disaggregated by payment type and subsidiaries (e.g., overlifting, dividend, and loan instalments). It also provides information on government payment to PT Pertamina (e.g., subsidy reimbursement). Similarly, PT INALUM provides information for dividend payment and retained earnings.

**[Timeliness]** The publication is timely with less than Y+2 gap. In November 2020, PT Pertamina has published 2019 audited financial statement while PT INALUM has published 2018 audited financial statement.

**[Reliability]** The financial statements are audited by independent auditor as mandated by the SOE Act (UU 19/2003) and Limited Liability Company Act (UU 40/2007). Refer to section 3.3 on Data Quality, Public Accountant who performs audit in Indonesia follows the Indonesian accounting standard, namely the Statement of Financial Accounting Standards (SFAS) which conform to the International Standard on Accounting (ISA).

A more detailed assessment of each of the individual SOE disclosures per Requirement could be found in Annex-II.

## Recommendation

- i. Encourage MSG to document if the transactions between SOEs are material.
- ii. MSG to consider materiality for disclosure of Requirement 4.5 at the level of the subsidiary given their significance in the context of Indonesia.
- iii. Ensure that SOEs include payments by companies to SOEs and transfers between SOEs and government in financial statements and to disclose such information with downloadable and reusable formats, refer to Annex II for a more detailed gap assessed for each SOEs.
- iv. Encourage that details of the transactions are made available disaggregated by subsidiaries.

## Subnational Payments (#4.6)

### **Partially mainstreamed with major limitations**

**[Applicability]** Requirement 4.6 of 2016 EITI Standard requires disclosures of direct payments to the local government. In the 2018 validation<sup>72</sup>, requirement 4.6 is noted as not applicable in Indonesia, due to the immateriality of the value. Direct payments from companies to local governments are based on local regulations (*Perda*) and based on commitments between companies and local governments. In the published EITI Report, this revenue is considered immaterial and therefore not reconciled. To provide an overview of the value range of the revenue, Table 3-12 illustrates subnational payment data in the past 3 EITI Reports, showing the fluctuating number for each FY with only few companies involved.

*Table 3-12 Subnational Payment Information in EITI Reports*

Year	Oil & Gas	Coal & Mining
2015	N/A	- IDR 437 billion & USD 1.8 million from 11 companies
2016	- DG Budget to Local Government: IDR 48 billion	- IDR 287 billion from 13 companies

<sup>72</sup> EITI (2019), Board Decision on The Validation of Indonesia, 24 December 2019, accessed on: <https://eiti.org/board-decision/2019-74>

	- PSCs to Local Government: IDR 3.4 billion	
2017	- DG Budget to Local Government: IDR 115 billion - PSCs to Local Government: IDR 6.3 billion	- IDR 593 billion & USD 14.33 million based on <i>Perda</i> - IDR 393 billion & USD 1 billion from 16 companies

source: compiled from EITI Reconciliation Reports

Complementary data is also collected from the side of provincial government representatives. Table 3-13 demonstrates example of the data for two provinces. Some of the number fluctuate quite drastically (refer to Tax for East Kalimantan in 2015). Table 3-14 illustrates that the components collected for each FY on direct subnational payments varied. Therefore, the total values are not comparable. The disaggregated data by each of the revenue type as shown in Table 3-14 is available in the Annex of EITI Reports for each reporting regions.

*Table 3-13 Data on Direct Subnational Payments for Two Reporting Regions in the last 3 FY (in billion IDR)*

Year	East Kalimantan Province			South Sumatera Province		
	Tax	Retribution	Others	Tax	Retribution	Others
<b>Oil &amp; Gas</b>						
2015	12,497	176	-	Not reported	Not reported	Not reported
2016	1,355	32	882	1,077	18	149
2017	1,439	17	1.067	1,646	15	181
<b>Coal &amp; Mining</b>						
2015	-	-	-	Not reported	Not reported	Not reported
2016	-	-	-	817	18	107
2017	-	-	-	618	15	180

source: compiled from EITI Reconciliation Reports

*Table 3-14 Regions and Components Reported for Direct Subnational Payment in EITI Reports*

	2015	2016	2017
<b>Regions</b>	Riau, East Kalimantan, East Java	Riau, East Kalimantan, East Java, South Kalimantan, South Sumatera	Riau, East Kalimantan, East Java, South Kalimantan, South Sumatera
<b>Components</b>	<b>Locally Generated Revenue (PAD)</b> <b>Regional Tax:</b> <ul style="list-style-type: none"> <li>- Motor Vehicle Tax</li> <li>- Motor Vehicle Fuel Tax</li> <li>- Surface Water Tax</li> <li>- Cigarette Tax</li> <li>- Motor Vehicle Transfer of Title Tax (BBNKB)</li> </ul> <b>Regional Retribution:</b> <ul style="list-style-type: none"> <li>- General Service Fee</li> <li>- Business Service Fee</li> <li>- Specific Permits Fee</li> </ul> <b>Others:</b> <ul style="list-style-type: none"> <li>- Proceeds from the Separated Regional Assets Management</li> <li>- Other legitimate PAD</li> </ul>	<b>Locally Generated Revenue (PAD)</b> <b>Regional Tax:</b> <ul style="list-style-type: none"> <li>- Motor Vehicle Tax</li> <li>- Motor Vehicle Fuel Tax</li> <li>- Surface Water Tax</li> <li>- Cigarette Tax</li> <li>- Motor Vehicle Transfer of Title Tax (BBNKB)</li> </ul> <b>Regional Retribution:</b> <ul style="list-style-type: none"> <li>- General Service Fee</li> <li>- Business Service Fee</li> <li>- Specific Permits Fee</li> </ul> <b>Others:</b> <ul style="list-style-type: none"> <li>- Proceeds from the Separated Regional Assets Management</li> <li>- Other legitimate PAD</li> </ul>	<b>Locally Generated Revenue (PAD)</b> <b>Regional Tax:</b> <ul style="list-style-type: none"> <li>- Surface Water Tax</li> <li>- Underground Water Tax</li> <li>- Heavy Equipment Tax</li> <li>- Motor Vehicle Transfer of Title Tax (BBNKB)</li> </ul> <b>Regional Retribution:</b> <ul style="list-style-type: none"> <li>- General Service Fee</li> <li>- Business Service Fee</li> <li>- Specific Permits Fee</li> </ul> <b>Others:</b> <ul style="list-style-type: none"> <li>- Proceeds from the Separated Regional Assets Management</li> <li>- Other legitimate PAD</li> </ul>

source: compiled from EITI Reporting Templates

**[Public Accessibility]** Outside of the EITI Reports, DG Fiscal Balance, MoF collects this information through the Regional Finance Information System (SIKD) and discloses the data in xls format in their website<sup>73</sup>. SIKD covers all regional government including provinces and districts in Indonesia. The system retrieves and integrates financial information from different Financial Information System used by regional government<sup>74</sup> such as SIMDA, SIPKD, Sp3ktra, SIMAKDA.

<sup>73</sup> DG Fiscal Balance, Regional Government Budget and Realization, accessed on <http://www.djpk.kemenkeu.go.id/?p=5412>

<sup>74</sup> DG Fiscal Balance, SIKD Client Developer Guide, accessed on [http://www.djpk.kemenkeu.go.id/sikd/files/materi/dev\\_guide-sikd1.pdf](http://www.djpk.kemenkeu.go.id/sikd/files/materi/dev_guide-sikd1.pdf)



**[Comprehensiveness]** The disclosed data includes data for all provinces as well as regencies.

**[Level of Disaggregation]** The disclosure disaggregates the data by regions and revenue types. However, it does not distinguish payments from extractive companies. Thus, the value is an aggregate from other sectors. As the standard chart of accounts for subnational governments also do not specifically distinguish types of extractive revenues<sup>75</sup>, there would be significant issues to monitor these totals for each region. For example, retribution that might come from extractive sector would be coded similarly with retribution from other sectors.

**[Timeliness]** The data is published quarterly.

**[Reliability]** The data is not audited as it is an ongoing data collected from regional government by DG Fiscal Balance.

### Recommendation

- i. Encourage MoF to improve the standard chart of accounts for subnational governments to include necessary details for subnational payments as required by the EITI Standard.
- ii. Encourage DG Fiscal Balance to disclose subnational payments data with the necessary details as required by the EITI Standard on behalf of subnational government.
- iii. Encourage ESDM and SKK Migas to include details on subnational payments on their company reporting mechanism.
- iv. Encourage companies to unilaterally disclosed subnational payments.

### Subnational Transfer (#5.2)

#### ***Partially mainstreamed with minor limitations***

**[Public Accessibility]** DG Fiscal Balance, MoF calculates the share of revenue sharing fund (DBH) from natural resource revenues by drawing information from DG Budget, ESDM, and SKK Migas. The formula used in the calculation is available in DJPK website<sup>76</sup>. DBH data is publicly available in SIMTRAD4<sup>77</sup> but not in an open data format. SIMTRAD4 is a system which is developed to facilitate the confirmation of DBH transfer by regional government to DG Fiscal Balance. The list of producing regions along with the production forecast are stipulated every year in a Ministerial Decree separately for Oil & Gas<sup>78</sup> and Coal & Mining<sup>79</sup> Sector.

**[Comprehensiveness & Level of Disaggregation]** SIMTRAD4 provides different sets of information according to the type of users. The data disclosed to the general public includes

<sup>75</sup> MoF, Standard Chart of Account, accessed on

<https://jdih.kemenkeu.go.id/fullText/2011/238~PMK.05~2011PerLamp.pdf>

<sup>76</sup> DG Fiscal Balance, Handbook on Natural Resources' Revenue Sharing Fund Allocation, accessed on <http://www.djpk.kemenkeu.go.id/wp-content/uploads/2017/06/Buku-Pegangan-Perhitungan-Alokasi-DBH-SDA.pdf>

<sup>77</sup> DG Fiscal Balance, SIMTRAD4, accessed on <http://www.djpk.depkeu.go.id/simtrada/>

<sup>78</sup> Ministerial Decree of ESDM No.200 K/80/MEM/2019 on The Determination of Producing Regions and Basis for Calculating Revenue Sharing Fund of the Oil & Gas Natural Resource Year 2020

<sup>79</sup> Ministerial Decree of ESDM No.201 K/80/MEM/2019 on The Determination of Producing Regions and Basis for Calculating Revenue Sharing Fund of the Coal & Mining Natural Resource Year 2020

projected (allocation) figures based on formula and actual payments (realization) for each relevant subnational entity (i.e., provinces and districts) (see Table 3-15).

The formula consists of two things; the revenue to be shared and sharing ratios which applies across regions. Therefore, the allocation figures can be easily calculated using the formula and production forecast available in the annually published Ministerial Decree on producing regions. However, the disclosed actual payments (realization) number include the reconciliation of under/over transfer of the previous FY due to the differences in the realization of productions. Both value of the realization of revenue to be shared and the value of under/over transfers are not disclosed for the public. However, these values are available for user with the role as regional government to the system<sup>80</sup>.

*Table 3-15 Subnational Transfer Disclosure based on Components and Audience*

DBH Information	Component	Accessibility to Regional Gov		Accessibility to Public	
		Channel	Disaggregation	Channel	Disaggregation
Allocation	- Amount	SIMTRAD4	Per Region	- Presidential Regulation on State Budget (Perpres APBN) - Presidential Regulation on the Revision of State Budget (Perpres APBN P) - Minister of Finance Regulation (PMK)	Per Province
	- Formula	<b>Oil &amp; Gas</b> Minister of Finance Regulation No. 48 Year 2016 (as amended) <b>Coal &amp; Mining</b> Government Regulation No 55 Year 2005	-	<b>Oil &amp; Gas</b> Minister of Finance Regulation No. 48 Year 2016 (as amended) <b>Coal &amp; Mining</b> Government Regulation No 55 Year 2005	-
	- Variable				
	a) Projected Revenue	ESDM Ministerial Decree	Per Region	ESDM Ministerial Decree	Per Region
	b) Sharing Ratios	<b>Oil &amp; Gas</b> Minister of Finance Regulation No. 48 Year 2016 (as amended) <b>Coal &amp; Mining</b> Government Regulation No 55 Year 2005	-	<b>Oil &amp; Gas</b> Minister of Finance Regulation No. 48 Year 2016 (as amended) <b>Coal &amp; Mining</b> Government Regulation No 55 Year 2005	-
Realization	- Amount	SIMTRAD4	Per Region	SIMTRAD4	Per Province
	- Formula	<b>Oil &amp; Gas</b> Minister of Finance Regulation No. 48 Year 2016 (as amended) <b>Coal &amp; Mining</b> Government Regulation No 55 Year 2005	-	<b>Oil &amp; Gas</b> Minister of Finance Regulation No. 48 Year 2016 (as amended) <b>Coal &amp; Mining</b> Government Regulation No 55 Year 2005	-
	- Variable				
	a) Actual Revenue	Gol FS	Aggregate	Gol FS	Aggregate
	b) Sharing Ratios	<b>Oil &amp; Gas</b> Minister of Finance Regulation No. 48 Year 2016 (as amended) <b>Coal &amp; Mining</b> Government Regulation No 55 Year 2005	-	<b>Oil &amp; Gas</b> Minister of Finance Regulation No. 48 Year 2016 (as amended) <b>Coal &amp; Mining</b> Government Regulation No 55 Year 2005	-

<sup>80</sup> DG Fiscal Balance, SIMTRAD4 User Guide, accessed on <http://www.djpk.kemenkeu.go.id/simtrada/petunjuk%20penggunaan.pdf;jsessionid=2302f39996bd4c92fb2312755974>



	c) Over/Under Payments	SIMTRAD4	Per Region	- Minister of Finance Regulation	Aggregate
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OG: Oil & Gas; CM: Coal & Mining

**[Timeliness]** Distributions of funds go to both producing and non-producing regions. 80% of disbursement is usually done by November each year according to ministerial regulations (PMK) on the change of allocation based on realization prognosis of DBH for the year. SIMTRAD4 updates the figure according to the progress of the transfer of the fund along the year.

**[Reliability]** Data in SIMTRAD4 is updated based on transaction data in DG Fiscal Balance. DBH data can also be found in the GoI audited Financial Statement.

### Recommendation

- i. Encourage DG Fiscal Balance to disclose the variables used in calculating the formula, i.e., the value of the revenue to be shared, and over/under transfer for previous FY disaggregated per regions.
- ii. Encourage DG Fiscal Balance to disclose data in SIMTRAD4 in open data reusable format.

## Revenue Management and Expenditures (#5.3)

### Partially mainstreamed with minor limitations

**[Applicability]** Natural resource revenues go to the state budget. There is no earmarking for spending on specific programmes. However, special autonomy regions are entitled to higher portion of revenue sharing fund (DBH), i.e., Papua, Papua Barat, and Aceh. These revenues are further earmarked for specific programmes in each of the provinces. Article 7 of Law No.18/2001 on Special Autonomy in Aceh Province mandates that 20% of revenue sharing funds from extractives must be earmarked for education. Similarly, article 36 of Law No.21/2001 on Special Autonomy in Papua stipulates that 30% of revenue sharing funds from extractives must be earmarked for education and 15% for health and nutrition improvements in Papua Province. Through *Perpu* No.1/2008, this also applies to Papua Barat Province.

**[Public Accessibility]** Provincial budget and realization data are available in the DG Fiscal Balance website<sup>81</sup>. Information on budgeting and auditing processes is available on MoF's website. Update on government budget realization and expenditures are available in the monthly APBN Kita publications<sup>82</sup>. Revenue sustainability can be inferred from the medium-term income projections (3 years) which are available in the GOI Financial Note.<sup>83</sup>

**[Comprehensiveness]** The description of earmarking for extractive revenues can be found in the aforementioned laws including the method to ensure accountability and efficiency in their use.

<sup>81</sup> DG Fiscal Balance, Regional Government Budget & Realization, accessed on <http://www.djpk.kemenkeu.go.id/portal/data/apbd>

<sup>82</sup> MoF, Monthly APBN Kita, accessed on <https://www.kemenkeu.go.id/publikasi/apbn-kita/>

<sup>83</sup> MoF, GoI Financial Note, accessed on <https://www.kemenkeu.go.id/informasi-publik/uu-apbn-dan-nota-keuangan/>

**[Level of Disaggregation]** The information on provincial budget and realization is disaggregated by province.

**[Timeliness]** The budget and realization for provincial government are updated on a quarterly basis while central government budget and realization are updated monthly. GoI Financial Note is published annually.

**[Reliability]** The information is in temporary numbers. The final number for central government is available in the GoI Financial Statement. For Aceh, the audited financial statement is available in the Supreme Audit Board website<sup>84</sup>. Papua and Papua Barat audited financial statement is not available online.

## Recommendation

- i. Encourage MoF to disclose their financial report in open data reusable format.

## Social and Environmental Expenditures (#6.1)

### Partially mainstreamed with major limitations

**[Applicability]** There is legal obligation that extractive companies are required to administer a community development program (see Table 3-16). However, the law as well as its implementing regulations do not state the amount/value of the CSR that the respective companies must provide. Basis to determine the amount for CSR fund is only available for SOEs; maximum 4% of profit of the previous year. For both sectors, the proposed program should be included in the annual Work Plan and Budget, and subject to evaluation and approval from DG Coal & Mining and SKK Migas respectively.

Table 3-16 CSR Related Regulations

Regulation	Details on CSR Obligation
Law 22 Year 2001 on Oil & Gas	PSC must include CSR components (Article 11) and PSC holders are responsible to the development of the local community (Article 40).
Law 4 Year 2009 on Coal & Mining (as amended by Law 3 Year 2020)	License holders are obliged to administer a community development program (Article 108).
Law 40 Year 2007 on Limited Liability Company	Limited liability companies are obliged to implement Social and Environmental Responsibilities for the Company that runs its business activities in the field of and/or related to natural resources (Article 74).
Law 25 Year 2007 on Capital Investment	Investors are obliged to administer CSR (Article 15 b) and preserving the environment (Article 16 d).
Government Regulation 23 Year 2010 on Implementation of Coal & Mining Business Activity (as amended several times)	License holders are obliged to administer community development programs (Article 106) proposed annually as part of the annual Work Plan and Budget to the respective authority for approval (Article 107).
Minister of SOE Regulation PER-09/MBU/07/2015 on Partnership and Community Development Program (as amended several times)	Allocation of CSR fund for SOEs is maximum 4% of profit of the previous year (Article 8).

Regarding environmental expenditures, mineral and coal mining companies with IUP and IUPK are required to provide two types of guarantees: reclamation (exploration and production operation) and post-mining guarantees<sup>85</sup>. In the Oil & Gas sector, environmental payment is in the form of *Dana Kegiatan Pasca Operasi* (Abandonment Site Restoration/ASR) which is

<sup>84</sup> BPK RI, Aceh Province Financial Statement, accessed on <https://bandaaceh.bpk.go.id/lkpd-provinsi-aceh/>

<sup>85</sup> Permen ESDM 26 Year 2018 on Implementation of Good Mining Principles and Supervision of Mineral and Coal Mining

intended to fund restoration project<sup>86</sup>. The value of the fund is subject to approval by SKK Migas according to the restoration plan.

**[Public Accessibility]** For Coal & Mining, social and environmental expenditure data, i.e., CSR and reclamation fund, is disclosed in ESDM Annual Performance Report<sup>87</sup>. For Oil & Gas, these data (i.e., CSR and ASR Fund) is disclosed in the SKK Migas' annual Sustainability Report<sup>88</sup>. Additionally, SOEs' CSR information can be found in the Ministry of SoE website<sup>89</sup>.

**[Comprehensiveness]** However, the disclosure is not comprehensive. Names of beneficiaries and nature of projects are not commonly described in detail. SKK Migas Sustainability Report only highlights the priority programmes.

**[Level of Disaggregation]** Disclosure of this information comes in aggregate values for both sectors. To date, the most disaggregated disclosure is in the EITI Report and EITI Website. For example, EITI 2016 report disaggregate CSR data for Oil & Gas sector by the type of the expenditure, i.e., public relation, community service, community empowerment, infrastructure and environmental. For Coal & Mining, EITI 2016 report disaggregate CSR data by whether the expenditure was paid in cash or in kind. None of the reviewed disclosure provide details up to individual beneficiaries.

**[Timeliness & Reliability]** The aforementioned documents are published annually, based on audited financial statement.

*Table 3-17 Amount of CSR Reported in The Past EITI Reports*

Year	Coal & Mining		Oil & Gas		Total IDR*
	IDR (in million)	USD (in thousand)	IDR (in million)	USD (in thousand)	
2015	508,718	104,609	224,276	16,747	734,632,306,000
2016	362,821	94,570	10,320	17,415	374,652,797,500
2017	436,693	93,850	143,579	4,329	581,597,416,500

\*1 USD = 13.500 IDR; source: compiled from EITI Reports

**[Opportunity]** Based on past EITI Reports the value of CSR is not material and therefore not reconciled (see Table 3-17). Nonetheless, disaggregation and further details of CSR disclosure as per Requirement 6.1 a would help beneficiaries to understand details of expenditures undertaken by extractive companies in their communities. SKK Migas and ESDM has the authority to disclose company data submitted by companies and can disclose relevant aspects of Work Plan and Budget and/or Financial Quarterly Reports (FQRs) to demonstrate disaggregated data by companies along with other information as required by the Standard.

## Recommendation

- i. Encourage ESDM to enhance the existing company reporting system to capture the necessary details for social and environmental expenditure as required by the Standard, as follows:
  - a) The nature of the expenditure -- Whether this expenditure (CSR) is an environmental project or a social project and what kind, e.g., scholarship, infrastructure works, food subsidy, etc.

<sup>86</sup> Permen ESDM 15 Year 2018 on Post-Operation Activities

<sup>87</sup> ESDM, Annual Performance Report, accessed on <https://www.esdm.go.id/id/publikasi/lakip>

<sup>88</sup> SKK Migas, Sustainability Report, accessed on <https://www.skkmigas.go.id/publikasi/sustainability-report>

<sup>89</sup> Ministry of SoE, Partnership Program and Community Development, accessed on <http://infopkbl.bumn.go.id/>

- b) Whether the expenditure was paid in cash to the beneficiaries or in kind. If in-kind, disclose the nature of the in-kind expenditure e.g., construction of training centre and the deemed value in cash.
- c) The actual beneficiary e.g., a government (local or provincial) or a third party (non-government, such as a NGO, school, or community). The identity of actual beneficiary should be specific, e.g., residents of certain town in certain province.
- ii. Encourage SKK Migas and ESDM to publish mandatory social and environmental expenditures as per Requirement 6.1.
- iii. Encourage companies to publish mandatory social and environmental expenditures as per Requirement 6.1 a.
- iv. Encourage the MSG to agree on a procedure to address data quality and assurance of information on social and environmental expenditures, in accordance with Requirement 4.9.

## Quasi Fiscal Expenditures (#6.2)

### Partially mainstreamed with minor limitations

**[Applicability]** Quasi-fiscal expenditures by state-owned enterprises in the extractive industries have never been mandated specifically by the government. However, as discussed multiple times in the MSG meetings, DMO by SOEs in the extractive sector are considered as quasi-fiscal expenditures in accordance with the EITI Standard<sup>90</sup>. Other mandated expenditures for SOEs by the government is the *Program Kemitraan dan Bina Lingkungan* (Partnership and Community Development Program), which is considered as Corporate Social Responsibility expenditures in the EITI implementation context.

EITI Indonesia conducted a focus-group discussion on the Coal DMO topic in 2018<sup>91</sup> in which the MSG considers Domestic Market Obligation (DMO) of coal by the SOE for supplying the public power plant generation to be a form of quasi-fiscal expenditure. DMO of coal is sold using prices equal to or below market value.

On the other hand, DMO for oil is compensated with DMO Fee, in which the amount of such DMO Fee is normally less than the market value of DMO. Hence, the difference between Market Value and DMO Fee corresponding to DMO of oil surrendered by SOE company can be considered to be quasi-fiscal expenditure.

**[Public Accessibility]** Each of the 5 extractives SOEs' respective websites provide access to annual reports and audited financial statements, although these do not highlight any quasi-fiscal expenditures. Meanwhile, aggregated DMO Fee information is available in the Central Government Financial Statement (LKPP), while aggregated information for DMO of Coal is available in the ESDM Annual Performance Report<sup>92</sup>.

<sup>90</sup> CMEA (2019) MSG's Second Letter to the Validation Committee, accessed on [https://eiti.org/files/documents/additional\\_validation\\_documents\\_submitted\\_by\\_msg\\_on\\_27.11.2019.pdf](https://eiti.org/files/documents/additional_validation_documents_submitted_by_msg_on_27.11.2019.pdf)

<sup>91</sup> CMEA (2018), Minutes of Public Discussion Forum on Coal's Domestic Market Obligation (DMO) Policy and Its Implications, 26 September 2018, accessed on <https://eiti.esdm.go.id/v2/wp-content/uploads/2019/11/Notulensi-FGD-DMO-Batubara.pdf>

<sup>92</sup> ESDM, Annual Performance Report, accessed on <https://www.esdm.go.id/id/publikasi/lakip>

**[Comprehensiveness & Level of Disaggregation]** – Even though the values are presented as an aggregate, the aggregate values represent total for DMO from all companies and are therefore comprehensive.

**[Timeliness & Reliability]** Audited financial reports are published annually by SOEs and government agencies along with annual reports.

### Recommendation

- i. Encourage the MSG to undertake a comprehensive review of all expenditures undertaken by extractives SOEs that can be considered quasi-fiscal.
- ii. Encourage the MSG to develop a reporting process for quasi-fiscal expenditures with a view to achieving a level of transparency commensurate with other payments and revenue streams.
- iii. Encourage ESDM to publish its calculation on Coal DMO and Oil DMO Fee, to quantify quasi-fiscal expenditures by the SOEs with disaggregation level as required by the EITI standard and SOEs (i.e., PT Pertamina and PT Inalum) to publish the actual payment of DMO which is considered as quasi-fiscal expenditures.
- iv. National Secretariat to ensure that the MSG documents its discussions on QFEs

## 3.3 Requirement Related to Data Quality Dimension

### Level of Disaggregation (#4.7)

**[Number of Licenses/Contract per Company]** In regards to project level reporting, in the Oil & Gas Sector, one PSC is to be held by one legal entity<sup>93</sup>. Therefore, report by company as a PSC holder will represent one project. On the other hand, in the Coal & Mining sector, contract (granted in the past) and Mining Business Licenses (IUP) are granted under the area of Mining Business License Zone (WIUP)<sup>94</sup>. In the same period, one company can only have one Mining Business License Zone (WIUP) unless it is a publicly listed company. However, one company could have multiple contracts and/or IUPs.

**[Reporting]** As noted above, for Oil & Gas, one company can only have one PSC which represents one project. Thus, PSC holder would always report on both company as well as project level basis for all type of activities and payments.

Differently, Coal & Mining companies might have multiple licenses/contracts. Nevertheless, non-tax payments are reported by each company in project/license level basis through the e-PNBP system<sup>95</sup>. Meanwhile, tax payments are reported through the e-Billing system which require details per company basis.

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<sup>93</sup> Article 13 of UU 22 Year 2001 on Oil & Gas

<sup>94</sup> Article 6 and 9 of PP 23 Year 2010 on the Implementation of Coal & Mining Business Activities

<sup>95</sup> DG Coal & Mining (2018), E-PNBP User Manual for Coal & Mining, accessed on:  
<https://drive.esdm.go.id/wl/?id=evseA1buVaWBYrzJMNdbZfPP02hNzka3>

Table 3-18 summarize types of revenue streams along with the level of disaggregation on how each is reported. It demonstrates that while disclosure not yet feature data disaggregated by project, most of the data are reported to the government on a project level basis.

Table 3-18 Reporting Disaggregation per Revenue Stream

Revenue Stream	Level of Disaggregation	
	By Project	By Company
<b>Non-Tax Revenue</b>		
<b>Coal &amp; Mining</b>		
Royalty	V	
Land/Dead Rent	V	
Sales Revenue Share	V	
Forestry Fee		V
<b>Oil &amp; Gas</b>		
Government Lifting Oil	V	
Government Lifting Gas	V	
Domestic Market Obligation	V	
Total Lifting Oil	V	
Total Lifting Gas	V	
Domestic Market Obligation Fees	V	
Over/Under Lifting Oil	V	
Over/Under Lifting Gas	V	
Signature Bonus	V	
Production Bonus	V	
<b>Tax Revenue</b>		
<b>Both Sector</b>		
Corporate and Dividend Tax		V
Land and Building Tax		V
VAT Reimbursement	V	
Local Tax and Levy	V	
Dividend Tax		V
<b>Production &amp; Export</b>		
Coal & Mining Production		V
Export Selling		V
<b>Social &amp; Environmental Expenditure</b>		
<b>Both Sector</b>		
Corporate Social Responsibility		V
<b>Oil &amp; Gas</b>		
Abandonment Site Restoration	V	
<b>Coal &amp; Mining</b>		
Post-Mining Fund		V
Reclamation Guarantee Fund		V

## Recommendation

- i. Each of the related agencies to disclose required information disaggregated by project/by company as explained in the previous discussion section of each requirements.

## Data Timeliness (#4.8)

As noted above, data on revenues collected by the government as presented in the audited central government financial statement (LKPP) will be available by June every year. It will therefore be possible to publish revenue data on either government websites or the Extractive Industries Data Portal well within the timeframes stipulated by EITI requirement 4.8. With



regards to retention of data, LKPP is available on the MoF website since fiscal year of 2004. There is no known regulation, which stipulates how long the historical data must remain accessible by the public.

However, for other dataset than financial data, the disclosure frequency varies. For example, data on production for Oil & Gas is collected in a daily basis while production for Coal & Mining are less frequently reported.

## Recommendation

- i. MSG to agree on disclosure calendar with related agencies for each required dataset which include not only revenue data.

## Data Quality and Assurance (#4.9)

**[Compliance Audit]** On the government side, the internal auditor (the Financial and Development Supervisory Agency – BPKP) has been following the EITI process closely, while the supreme audit institution (the Audit Board – BPK) has not yet been part of the process. Due to capacity constraints, the two agencies share the burden of compliance audits of extractive sector companies' payments to the government.

**[Government - Financial Audit]** The audit report from Supreme Audit Board (BPK) is prepared and made public annually. The reports are published on the BPK website<sup>96</sup>, as well as on the MoF website<sup>97</sup>. The Ministry of Finance submits the central government financial report (LKPP) to BPK at the latest 3 months after the fiscal year ends<sup>98</sup>. BPK then has 2 months to audit the report before it goes to the Parliament (DPR). The BPK audits the State's accounts and all annual accounts by State organizations and other governmental bodies that have to present annual accounts. The audit is performed in accordance with the law and regulations for BPK and by the standards and guidelines of BPK.

BPK participates in the International Organisation of Supreme Audit Institutions (INTOSAI) and follows the International Standards of Supreme Audit Institutions (ISSAI). In the 2018 PEFA (Public Expenditure and Financial Accountability) assessment<sup>99</sup>, Indonesia scores A for audit coverage and standard dimension. It is reported that financial reports of all central government entities are audited using national audit standards consistent with ISSAIs. While for independence dimension Indonesia scores B based on observation that BPK operates independently of the executive and has access to most of the audited entities except for some restrictions regarding tax and fraud data.

**[Company – Financial Audit]** Most material companies are in the form of Limited Liability Company which are subject to regular external audits<sup>100</sup>. For example, in 2016, only 5 out of

<sup>96</sup> BPK, Audit Reports of Central Government Financial Statement (LKPP), <https://www.bpk.go.id/lkpp>

<sup>97</sup> MoF, Central Government Financial Statement (LKPP), accessed on <https://www.kemenkeu.go.id/publikasi/laporan/laporan-keuangan-pemerintah-pusat/>

<sup>98</sup> UU No 1 Year 2004 on State Treasury

<sup>99</sup> PEFA, Indonesia 2018 Assessment Summary, accessed on <https://www.pefa.org/assessments/summary/546>

<sup>100</sup> According to the Limited Liability Company Law No. 40 of 2007, Indonesian companies that collect or manage public funds, issue debt-acknowledgements to the public, public companies, state-owned enterprises, companies with assets exceeding RP 50 billion, and other companies obliged by certain legislative regulations are subject to audits.

112 reporting companies for Coal & Mining sectors are not in the form of Limited Liability Company. Moreover, in the EITI reporting template 2015, the attestation is written as follows:

*"I declare that the contents of the above submission are true, complete, and can be reconciled referring to financial statements that have been audited by a public accounting firm or an independent auditor."*

Based on the statement, all reporting companies who submitted the template confirmed that they are audited by independent auditor.

The Indonesian Institute of Certified Public Accountants (IAPI) and Indonesia Chartered Accountants (IAI) are members of the International Federation of Accountants (IFAC). IAPI has direct responsibility for setting auditing standards in Indonesia<sup>101</sup> and has adopted the Indonesian Public Accountant Professional Standards (SPAPs). From 2014 onwards, International Standard on Auditing (ISAs) were adopted as SPAPs for all companies which are subject to external audits.

As previously discussed in Requirement 4.1 not all reporting companies publish their Financial Statement in the public domain (see Table 3-9).

### **Recommendation**

- i. SKK Migas to require regular quarterly filings (FQRs) to be accompanied by publication or attachments of audited financial statements of companies, alongside the filing of payments to government.
- ii. MSG to provide a combination of publication or references to the final audit reports, with a specific focus on opinions/results for the extractive sector ministries and agencies covered.
- iii. In regards to company financial audit, similar approach could be proposed as to what is recommended in Requirement 4.1 for company disclosure which includes information on audited financial information.

### **Data Accessibility and Open Data (#7.2)**

**[As-Is]** Since 2016, Indonesia has been publishing EITI data in open formats to enable broader use and analysis of the information through the Indonesia EITI's data portal. By means of the portal, past efforts had focused on how to make data in EITI Reports more accessible. In mainstreamed setting however, it is expected that the open data policies and practices of the companies and government agencies that are the primary sources of data are reviewed and improved. Improving reporting entities' open data policies would increase lasting public access to data.

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<sup>101</sup> Public Accountants Act of 2011

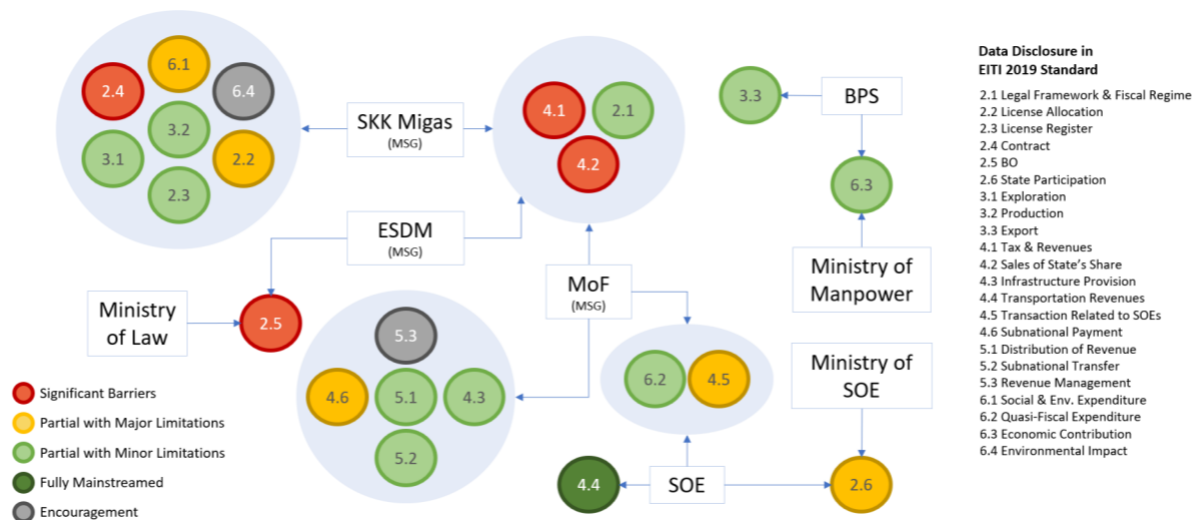


Figure 3-1 Assessment Result and Provider of Government Side Data

This study has found that most of the required information by the EITI Standard is already available in the public domain, although not in requisite details (see Figure 3-1). Open Government Initiative along with One Data Indonesia agenda has encouraged government agencies to develop numerous outwards facing data portal for public access to information. For example, the Minerba One Data (MODI) of the extractive sector regulator which is linked to their internal reporting system such as Minerba Online Monitoring System (MOMS). Within ESDM itself, multiple platforms are developed to serve different purposes. MODI provides coal & mining statistics while cadastre information is published through the ESDM Geoportal. Although managed under one ministry, these systems not yet speak to one another. Not to mention other system and publications which spreads across different agencies, such as Lifting Dashboard in SKK Migas, the monthly publication of state revenue and subnational transfer by Ministry of Finance. The mapping of identified Data Dashboard and Reporting System in ESDM, SKK Migas and MoF could be seen in Figure 3-2.

Consequently, finding the information might not be easy for the general public. It requires certain degree of familiarities to understand which agencies would be the producer of which information. Not only that the disclosures are made through multiple platforms, the data are also not always published in open data format.

**[To-Be]** For that reason, as part of the mainstreaming agenda, enhancement of the Indonesia EITI Data Portal is also necessary to shift its function from a platform to re-publish EITI report data into a platform to collate and integrate data disclosures by government agencies in the mainstreaming setting. Disclosing EITI data in open formats ensure users have the best access to that information. By publishing it in cross-governmental open data portal tailored specifically for extractive information, the disclosed information would be easier to find and can be linked to one another.

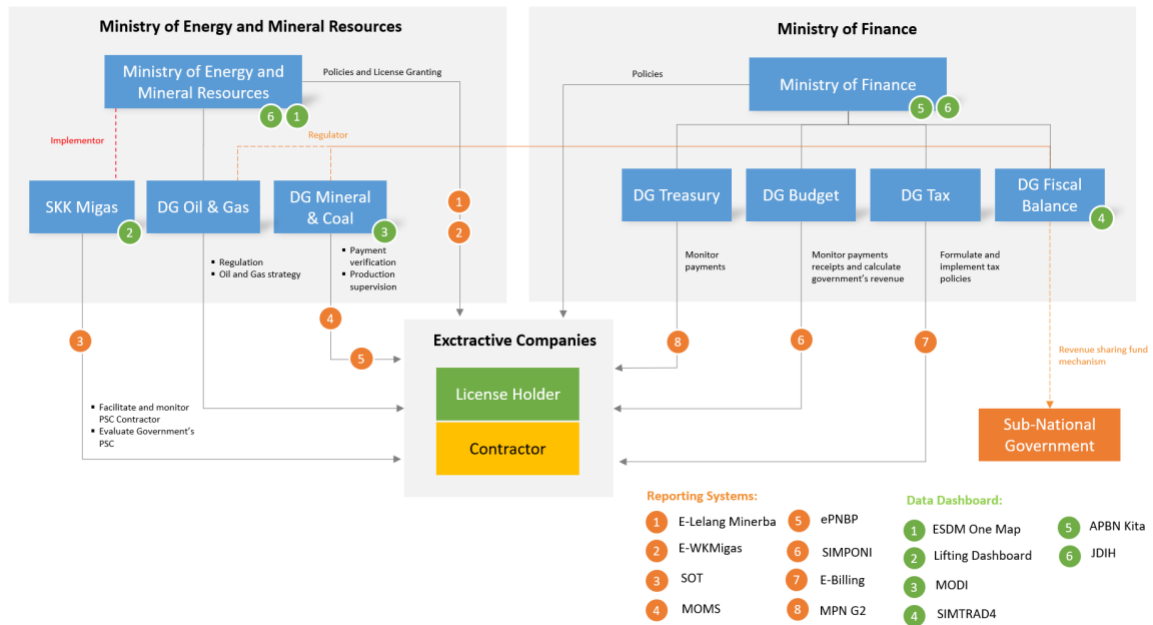


Figure 3-2 Data Dashboard and Reporting System in ESDM, MoF and SKK Migas

Therefore, the previous Indonesia EITI's Data Portal is expected to be transformed into a cross-governmental platform housing extractive related information from relevant agencies. To do that, first, the open data policies and practices of the companies and government agencies as the primary sources of data should be reviewed and improved to ensure the disclosure mechanism to meet the mainstreaming principles. Improvement made in the data source policies and practice is paramount to safeguard lasting public access to data. Second, improvement needs to be made in the EITI Indonesia Data Portal to gather and accommodate information in-flows, made by linking the disclosure mechanism from each primary data provider.

In such setting, the envisioned Extractives Data Portal should not be developed independently of core administrative information management systems which could lead to duplication and decreasing focus on systems as the primary source and guarantor of reliable data. The disclosure in the portal should not be a separate effort. Instead, it should be an extension to the disclosure practice made by each of the government agencies. Figure 3-3 shows the positioning of the Extractive Data Portal which would draw information from existing sources as previously identified in Figure 3-2. However, in cases where the government agencies have no platform to disclose the data on their own, the portal could also provide the public facing medium to publish the data.

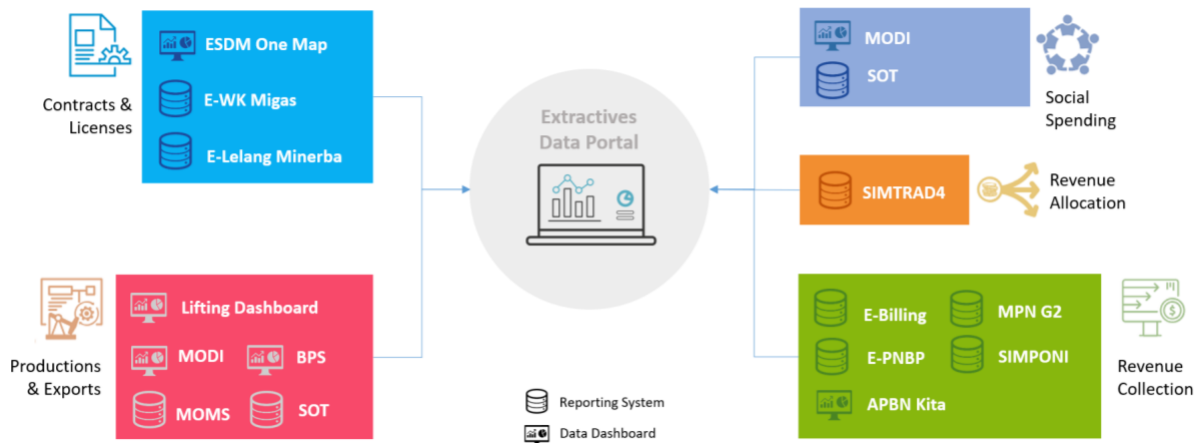


Figure 3-3 Extractives Data Portal Data Source Diagram

In mainstreamed setting, EITI Reports would be used to provide additional context, collating sources where systematic disclosures can be found, and address any gaps and concerns about data quality. With a cross-governmental open data portal, the collation of information could also be facilitated in the platform either by connecting to the internal government data system or by linking reference to publicly available information. Therefore, the data portal could help as a live EITI report. Less resource-intensive data collection will also allow EITI implementation to be more effective and focus more on use and the analysis of data, and support of future policy-development in the sector.

## Recommendation

- i. MSG to improve reporting entities' open data policies to increase lasting public access to data.
- ii. MSG to agree on a clear open data policy on the access, release and re-use of EITI data to make users aware that information can be reused without prior consent.
- iii. ESDM to enhance the existing Extractive Data Portal by referencing and or integrating information from existing government data dashboard and reporting system.
- iv. ESDM to enhance the visualization in the Extractive Data Portal for easy understanding by the general public.

## 4. Conclusion

Based on the assessment, Indonesia has shown numerous practices of partial mainstreaming in most of the EITI requirements. Most of the challenges are mainly administrative. However, there are also significant legal barriers for issues such as Beneficial Ownership, contract transparency, and tax confidentiality.

The study has identified the gaps and formulate recommendation in closing the gaps. Annex III will provide the timeline for each of the proposed recommendation which could be the basis to formulate action item to include in the annual National Secretariat workplan. If properly implemented, systematic disclosures would bring Indonesia into the new era of extractive transparency.

Annex I – Summary Table

Annex II – SOE Disclosure

Annex III – Mainstreaming Roadmap