

Initial comments on Indonesia's 2015 EITI Report and other requirements

The following action points should be addressed before Validation commences on 1 September 2018. Additional information should be disclosed in Indonesia's EITI website.

EITI Requirement	Comments	Action point/Agency in charge	Remarks
Government engagement	Self-assessment: MP	<ul style="list-style-type: none"> Revise Presidential Decree creating EITI (MENKO) Review who are/should be the government representatives in the MSG 	<ul style="list-style-type: none"> Presidential decree is being processed for revision, currently under review by Legal Bureau of Coord Ministry of Economic Affairs (CMEA) Other regulations have been revised are: <ul style="list-style-type: none"> Ministry decree concerning members of MSG from Sub National Government, Corporation, and CSO Ministry decree concerning secretariat Deputy Minister Decree concerning TOR MSG
Industry engagement	Self-assessment: MP	<ul style="list-style-type: none"> Engage IPA Written documentation of selection process of representatives (e.g. how selection is done, changes) Conduct more socialization with other companies 	<ul style="list-style-type: none"> IPA has been approached and they agree to continue become EITI Indonesia MSG member According to industry representative, process appointment of representative for MSG membership is by direct assignment from the chair of IMA

			<p>and APBI. There is no written formal SOP</p> <ul style="list-style-type: none"> • Socialization has been extended to other companies, e.g.: <ul style="list-style-type: none"> - Socialization of BO in Jkt and Bali - Socialization of DBH in Batam, etc
CSO engagement	Self-assessment: MP	<ul style="list-style-type: none"> • Improve monitoring of work plan and agreed plans • Written documentation of selection process of representatives (e.g. how selection is done, changes) 	<ul style="list-style-type: none"> • CSO has been actively monitored implementation of workplan through direct participation in meetings and events, individual inquiries to EITI Secretariat, or formal inquiries letters • Written documentation concerning selection process of representatives can be seen from their website: https://pwp-indonesia.org/en/activities/advocacy/extractive-industry-transparency-initiative-3/ and EITI Indonesia Website: http://eiti.ekon.go.id/en/seleksi-proses-perwakilan-cso/
MSG Functioning	<p>Self-assessment: SP/MP</p> <p>Comments from MSG during the workshop: ToR being revised Local govt reps should be more diverse (up to 5 members) Capacity – follow up should be improved when different members attend Decisions should not be delayed</p>	<ul style="list-style-type: none"> • Choose OG company to be represented in the MSG or re-engage IPA • MENKO should discuss issue regarding increasing government engagement • Socialization with other companies • Team building activity needed to build capacity 	<ul style="list-style-type: none"> • MSG members has agreed to extend number of member from each constituency (Sub National Gov, Reps of Industries, and CSOs), but its implementation is still postponed • Secretary of the MSG has sent letter to MSG members to remind them concerning validation process

	<p>No participation of oil and gas sector in the MSG</p> <p>Some government agencies not as engaged. Unclear who are the official government representatives</p> <p>Small companies not represented. Local governments should consider subnational EITI</p> <p>Need to engage parliaments more</p>	<p>The following should be added to the revised TOR:</p> <ol style="list-style-type: none"> 1. Responsibility of the MSG to build its capacity 2. Responsibility to approve APRs 3. Responsibility to engage in Validation 4. State that meetings are inclusive and any MSG member can suggest agenda 5. State per diems policy and publish 6. State process for changing MSG members 	<p>and active participation in the validation process</p> <ul style="list-style-type: none"> • Socialization has been extended • Team building activities: <ul style="list-style-type: none"> - Socialization of BO in Jkt and Bali - Socialization of DBH in Batam, etc - Workshop and portal data training - PWYP activity events (see their website) - Discussion with media (Kompas, Tempo) - Journalist workshop in Bogor • Suggestion to include some issues in the MSG TOR has been accomodated
Outcomes and Impact		<ul style="list-style-type: none"> • Finalize Impact Assessment • Compile proofs of publications/articles in newspapers related to EITI Indonesia 	<ul style="list-style-type: none"> • Impact assessment Study has been finalized by consultant • Publications related EITI have been uploaded in EITI website: <p>2018: http://eiti.ekon.go.id/en/liputan-tentang-eiti-di-media-massa-tahun-2018/ 2017: http://eiti.ekon.go.id/en/liputan-tentang-eiti-di-media-massa-tahun-2017/</p>
License allocations (#2.2)	<ul style="list-style-type: none"> • No information on the technical and financial criteria for license transfers 	<ul style="list-style-type: none"> • National Secretariat to request for the technical and 	<ul style="list-style-type: none"> • Technical and financial criterias for licence transfer of OG companies

	<ul style="list-style-type: none"> No statement on whether there were any non-trivial deviations in the transfers of participating interest in 18 oil and gas working areas in 2015 No information on whether there were any transfers of mining licenses (IUPs) in 2015 and on the existence of any non-trivial deviations in the transfer of IUPs in 2015 No information about license allocations happening prior to the fiscal year covered by the EITI Report (2015) 	<p>financial criteria for license transfers from DG Migas.</p> <ul style="list-style-type: none"> National Secretariat to get information on license allocations prior to FY 2015 from SKK Migas. National secretariat to upload all missing information on their website. 	<p>can be reviewed in contextual report pp 67-80</p> <p>http://eiti.ekon.go.id/en/lisensi-alokasi-kriteria-financial-dan-teknikal/</p> <ul style="list-style-type: none"> Information on license allocations prior to FY 2015 has been uploaded in EITI Indonesia website: <p>http://eiti.ekon.go.id/en/lisensi-alokasi-dan-register-data-pi-transfer-dan-psc-migas/</p> <ul style="list-style-type: none"> Other information: <ul style="list-style-type: none"> Licence for exploration and production in contextual report pp 70-72 Procurement/bidding process in pp 73-74
License registers (#2.3)	<ul style="list-style-type: none"> Clarification as to what information required by the EITI Standard is disclosed on the website referred to in the report (http://geoportal.esdm.go.id/peng_umum/) 	<ul style="list-style-type: none"> National Secretariat to coordinate with ESDM to determine whether the requirements under 2.3 of the EITI Standard are in the MOMI. For information that are not publicly available, the 	<ul style="list-style-type: none"> Information concerning licence registers can be accessed freely through ESDM One Map Indonesia: <p>http://geoportal.esdm.go.id/peng_umum/</p>

	<ul style="list-style-type: none"> • Clarification as to whether the following information are included in the register: <ul style="list-style-type: none"> ✓ Name of the license holder(s) ✓ Coordinates of the license area. If coordinates are not provided, can stakeholders access these from the relevant government office without unreasonable fees or other restrictions? ✓ Date of application, award and duration of the license/contract ✓ Commodity being produced • Confirmation whether all mining licenses are covered is needed • Clarification as to whether licenses held by companies not covered by the EITI reporting process are included in the register. If not, does the EITI Report explain the gaps in publicly available information, barriers to provision of this information and the government's plans to overcome these barriers? 	<p>National Secretariat will disclose in their website as required by the Standard,</p> <ul style="list-style-type: none"> • National Secretariat to also check if the required information are available in the website of SKK Migas. • National secretariat to upload all missing information on their website 	<ul style="list-style-type: none"> • Additional information concerning mineral and coal companies can be accessed through Minerba One Data Indonesia (MODI): https://modi.minerba.esdm.go.id/portal/dataPerusahaan • And for information concerning oil and gas companies can be accessed through Dashboard Lifting Kontraktor Kontrak Kerjasama Migas (Dashboard Lifting of KKKS) https://lifting.skkmigas.go.id/tab/lifting2/index.php# • All above information concerning licence registers has also been uploaded in EITI Indonesia website: http://eiti.ekon.go.id/en/informasi-portal-esdm/
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State participation (#2.6)	<ul style="list-style-type: none"> • <u>No information on third-party financing</u> 	<p>All covered SOEs stated that information on third-party financing are in their annual reports that are publicly accessible in the company's website. National Secretariat to confirm whether the annual reports indeed have the information and secure copies of the said reports and upload or provide the link in their website. If it's not in the annual reports, the national secretariat shall get the information from the SOE and upload the information on their website.</p>	<ul style="list-style-type: none"> • Information on third party financing are available in company annual reports. They have been uploaded on EITI Indonesia website: <p>http://eiti.ekon.go.id/en/laporan-keuangan-dan-csr-pada-bumn/</p>
Production data (#3.2)	<ul style="list-style-type: none"> • Production values for all commodities (Oil, gas, coal, minerals) are missing. • Data for volume is not disaggregated by region 	<p>National Secretariat to provide computation of production values for all commodities.</p> <p>National Secretariat to confirm if disaggregated production volume are available in the Minerba One Data Indonesia (MODI).</p>	<ul style="list-style-type: none"> • Information on value of production for oil and gas, and mineral and coal have been uploaded on EITI Indonesia website: <p>http://eiti.ekon.go.id/en/data-nilai-produksi-komoditas/</p> <ul style="list-style-type: none"> • Disaggregated production volume are available in Contextual Report pp 84-85.
Export data (#3.3)	<ul style="list-style-type: none"> • Data is not disaggregated by state/region 	<p>National Secretariat to double check if BPS and/or ESDM have export data disaggregated per region. If they do,</p>	<ul style="list-style-type: none"> • Disaggregated export data per region (province) are available in Contextual Report pp 87. We do

		the information should be disclosed in the Indonesia EITI website.	not find export data per region in BPS website
Materiality (#4.1)	<p>Why are license fees not included? Is there evidence that the MSG discussed its exclusion?</p> <p>The assessment of omission of non-reporting entities from companies seems incomplete, e.g assessed only against lifting and non-tax revenues. Also, no assessment on the level of completion of the submitted templates</p> <p>No assessment regarding the level of completion of the submitted templates by government</p> <p>No quantitative threshold for material oil companies</p>	<p>IA to provide clarification on the assessment of omission of non-reporting entities, i.e. why as it assessed only against lifting and tax revenues and what are the implications of this manner of assessment on the comprehensiveness of the report?(See page 26 of the reconciliation report).</p> <p>IA to provide an assessment on the level of completion of reporting templates from both companies and government agencies—whether there were items in the template that were left blank. What are the implications of these omissions in the template on the comprehensiveness of the report?</p> <p>The IA should provide these clarifications to the national secretariat for uploading on their website.</p>	<ul style="list-style-type: none"> • In Indonesia, licence fees are not applicable so that MSG excluded it in the report. The assessment only for lifting and tax revenues • In association with the comment from the Validator related to the quality of data, IA's reply is as follow: <ol style="list-style-type: none"> a. Assessment of omission of non reporting entities only against lifting and taxes because both are the largest components of state revenue (refer to pg.31, oil & gas tax and non tax revenue cover 92.65% of oil & gas revenue, not including property tax. Property tax is excluded because it is non-reconciled information according to the assume and discharge concept). Hence, both components are sufficient to represent reconciled state revenue. b. Reporting templates that are not completely filled out by the reporting entities do exist and all

			of them have been followed up to ensure their accuracy via email and telephone to the respondents.
In-kind revenues (#4.2)	Oil and gas: <ul style="list-style-type: none"> • Volumes sold and the proceeds of sales are not disclosed • Buyers of the government's oil/gas shares are not disclosed • Information on gas lifting is not included in the report 	<p>SKK Migas and Pertamina confirmed that Annex 2.15 refers to value of oil sold and Annex 2.9A refers to volume sold.</p> <p>SKK Migas to provide a written clarification of this to the national secretariat.</p> <p>SKK Migas to provide written explanation why names of buyers cannot be disclosed.</p>	<ul style="list-style-type: none"> • Deputy Chair of SKK has explained in meeting in their office dated August 6, 2018, that it is true that Annex 2.15 refers to value of oil sold and Annex 2.9A refers to volume sold. This clarification has been repeated from explanation of SKK Migas officials in MSG Meeting. • SKK Migas has also confirmed in the meeting that Pertamina is an independent entity that has authority to decide whether they can disclose or not disclose concerning information of buyers. In this regard, Pertamina is depended on the contract agreement with their buyers. SKK Migas does not have authority to disclose the information • From Pertamina, EITI Secretariat only received information of buyers as follows:

			http://eiti.ekon.go.id/en/data-volume-dan-nilai-dari-pembeli-minyak-dan-gas/
SOE transactions (#4.5)	<ul style="list-style-type: none"> No complete list of revenues collected by SOEs on behalf of the government No complete list of SOEs collecting revenues on behalf of government 	<p>SOEs in the mineral sector to submit written confirmation to the National Secretariat that they are not collecting revenues on behalf of the government.</p> <p>SOEs to also provide the National Secretariat with a complete list of payments that they made to the government regardless of materiality.</p> <p>Pertamina to provide complete list of revenues that they collect on behalf of the government (i.e. government share, pipeline fees)</p>	<ul style="list-style-type: none"> Statement from SOE that they are not collecting revenues on behalf of the government is as follows: Complete list of payments from SOE to government can be accessed through Annual Report and Audited Financial Report as follows: http://eiti.ekon.go.id/en/laporan-keuangan-dan-csr-pada-bumn/ Data concerning state revenues received by Pertamina has been uploaded in EITI website as follows: http://eiti.ekon.go.id/en/formulir-pelaporan-eiti-2015-pt-pertamina/
Direct subnational payments (#4.6)	<ul style="list-style-type: none"> There seems to be a number of omissions on the direct payments from Mineral and Coal Mining Companies to Local Governments in 2015 (Table 16). 	National Secretariat to get the list of direct subnational payments (table 16 of the reconciliation report) from the mining companies and upload the information on their website.	<ul style="list-style-type: none"> Information concerning direct subnational payments and PDRD have been uploaded on EITI Indonesia website:

	<ul style="list-style-type: none"> • Direct subnational payments made by oil and gas companies are not included, though the report says they are calculated as cost recovery. • List of mining and oil and gas companies making direct subnational payments are not included 	<p>For oil and gas companies, the IA should provide a written clarification that direct payments made by OG companies in the form of local tax and retribution (PDRD) which is cost recoverable were not included in the scope of the report because they are below materiality threshold. The IA should provide the basis for this statement.</p> <p>National secretariat to upload the information on their website.</p>	<p>Link: http://eiti.ekon.go.id/en/data-revenue-eiti-tahun-2015/ Link/URL: http://eiti.ekon.go.id/en/pembayaran-langsung-ke-daerah/</p> <ul style="list-style-type: none"> • In association with the comment from the Validator related to the quality of data, IA's reply is as follow: <ul style="list-style-type: none"> - Local tax and retribution (PDRB) on oil and gas borne by the central government to be paid to the local government, as a deduction factor for oil and gas non tax revenue, so the information is not reconciled. In other words, PDRB is not reconciled because PDRB has been included in the state revenue from oil and gas in the form of government lifting. - Other information concerning PDRD are available in Reconciliation Report page 66 and also in Annex (book 4)
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<p>Data quality (#4.9 and TOR for IA)</p>	<p>We did not see a categorical assessment on comprehensiveness. There is also no categorical assessment on reliability of data.</p> <p>There is no list of companies that did not provide data assurances.</p> <p>Also no commentary on the percentage of revenues reported that have no data assurance.</p> <p>No categorical statement that FS of companies are audited annually</p>	<p>IA to provide categorical assessment on data reliability explaining that all data are quality assured because unsigned templates were excluded from the scope of the report.</p> <p>National secretariat to upload this explanation on their website.</p>	<ul style="list-style-type: none"> • In association with the comment from the Validator related to the quality of data, IA's reply is as follow: <ol style="list-style-type: none"> 1. The categorization of the number of companies required to report is covered in chapter 2.2, which explains the number of oil and gas and coal companies are covered in the reconciliation process. 2. Chapter 3.2 explains the methodology used in the reconciliation process, which includes procedures to ensure the completeness of the results of the reconciliation process. 3. chapter 3.2 described procedures that need to be conducted by IA when the data received is incomplete. 4. Tables 22 and 23 also explains the contribution of both oil & gas and mineral & coal companies to the total revenue received from oil & gas and mineral & coal sectors 5. Chapter 3.2.4 explained the IA's level of confidence on the report 6. Chapter 6 explained specifically the data assurance
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			<p>of reconciliation information. This chapter explained the assurance of the data received by IA and the conclusions of the information received.</p> <ul style="list-style-type: none"> Statement concerning data quality assurance has been uploaded in EITI website as follows: <p>http://eiti.ekon.go.id/en/lembar-pernyataan-perusahaan-migas-minerba-2015/</p>
Social expenditures (#6.1)	<ul style="list-style-type: none"> No disaggregated information for each project under social project categories No clarity as to whether the social expenditures are paid in cash to recipients or are delivered in-kind No information regarding the beneficiaries of social projects No clarity as to which social projects are voluntary or mandatory 	<p>National Secretariat to check whether the content of the company report on social expenditures adhere to the data disaggregation required by the Standard. Each project should have information on the following:</p> <ul style="list-style-type: none"> -beneficiaries of the project -statement whether it was paid in cash or delivered in-kind -statement whether the project is voluntary or mandatory <p>If disaggregated data are not in the company reports, national secretariat will get these information from the companies and provide the links to these reports as well as the</p>	<ul style="list-style-type: none"> Complete information concerning social expenditures of companies have been uploaded in EITI Indonesia website as follows: <p>http://eiti.ekon.go.id/en/data-csr-dan-penerima-dari-perusahaan-migas-dan-minerba-tahun-2015/</p>

		disaggregated information on their website.	
Quasi-fiscal expenditures (#6.2)	<ul style="list-style-type: none"> • Social projects of Pertamina, PT Antam (p.101), Pt Bukit Asam (p.102) , PT Timah (p. 104) including type and amount are on p. 99 but it is not clear whether they are on-budget or off-budget (p.99). • No information on the beneficiaries; no disaggregation by beneficiary and by social project • No clarity as to whether the amount disclosed were given as cash or in-kind • No explanation on fuel subsidies which could be QFEs 	<p>SOEs in the mineral sector to submit written confirmation to the National Secretariat that all social projects are off budget.</p> <p>All other data are available in the annual report of companies that can be accessed in their website. National Secretariat to check whether the content of the annual report on QFEs adhere to the levels required by the Standard. If not, national secretariat will get the disaggregated information from SOEs and provide the links to these reports as well as the disaggregated information on their website.</p> <p>SKK Migas to provide the required information on QFEs of Pertamina and its subsidiaries to the National Secretariat before September 1.—CSR projects in 2015 are QFEs because these were not considered as cost recoverable by SKK Migas.</p> <p>Table 34 in the contextual information shows data on fuel subsidies. Mislabelled table (wrong translation</p>	<ul style="list-style-type: none"> • Statement from SOE concerning status of their social expenditures have been uploaded on EITI Indonesia website as follows: http://eiti.ekon.go.id/en/pengeluaran-kuasi-fiskal-untuk-bumn/ • Data concerning QFEs of SOE are as follows: http://eiti.ekon.go.id/en/laporan-keuangan-dan-csr-pada-bumn/ • Information on QFEs of Pertamina are as follows: http://eiti.ekon.go.id/en/pengeluaran-kuasi-fiskal-untuk-bumn/ • Table 34 of Reconciliation Report has been revised and uploaded as follows:

		according to the IA). National secretariat to correct this mislabelling.	http://eiti.ekon.go.id/en/laporan-eiti-indonesia-2015/
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