



FEASIBILITY STUDY:

SYSTEMATIC DISCLOSURES OF EITI DATA IN INDONESIA

The World Bank

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Overview

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Feasibility Study Overview

Goal:

to examine the country's readiness to mainstream EITI implementation based on EITI 2019 Standard.

Assessment:

- (1) reviews the extent to which there is routine disclosure of the data required by the EITI Standard in requisite detail, and
- (2) whether the financial data is subject to credible, independent audit, applying international standards

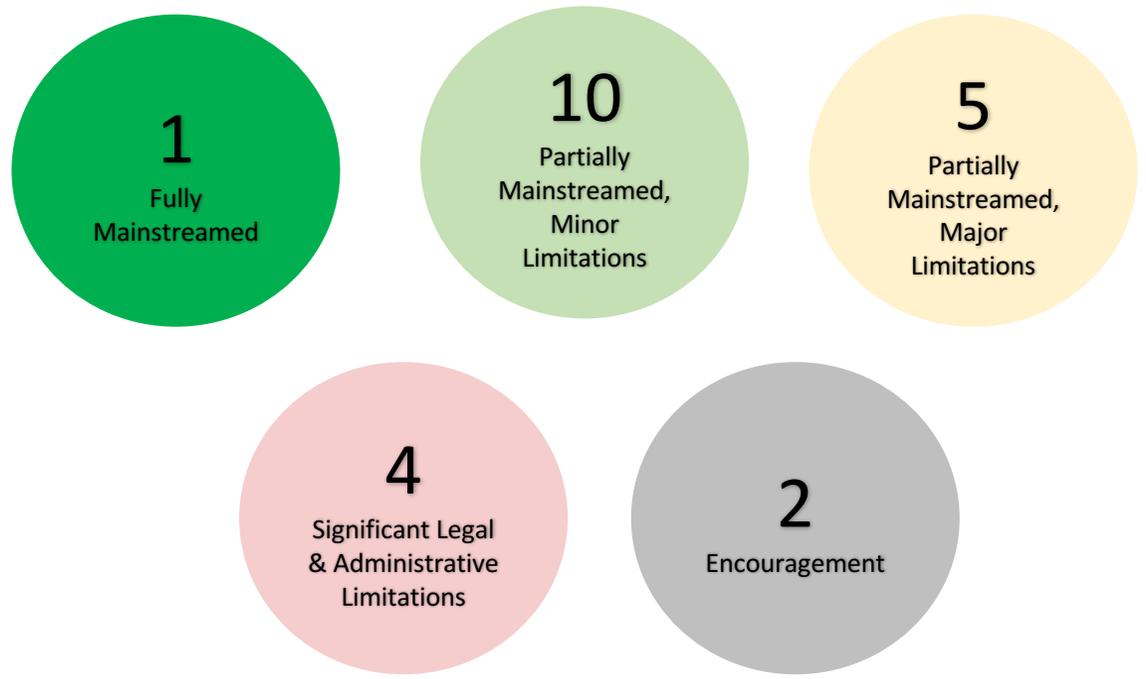
Data Quality Dimensions Assessed:

- 1) Accessibility
- 2) Comprehensiveness
- 3) Level-of Disaggregation
- 4) Timeliness
- 5) Reliability

Assessment Result

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 regards to comprehensiveness such as level of disaggregation.

Out of 22 Requirements requiring data disclosure:



Assessment Result

Non Revenue Data

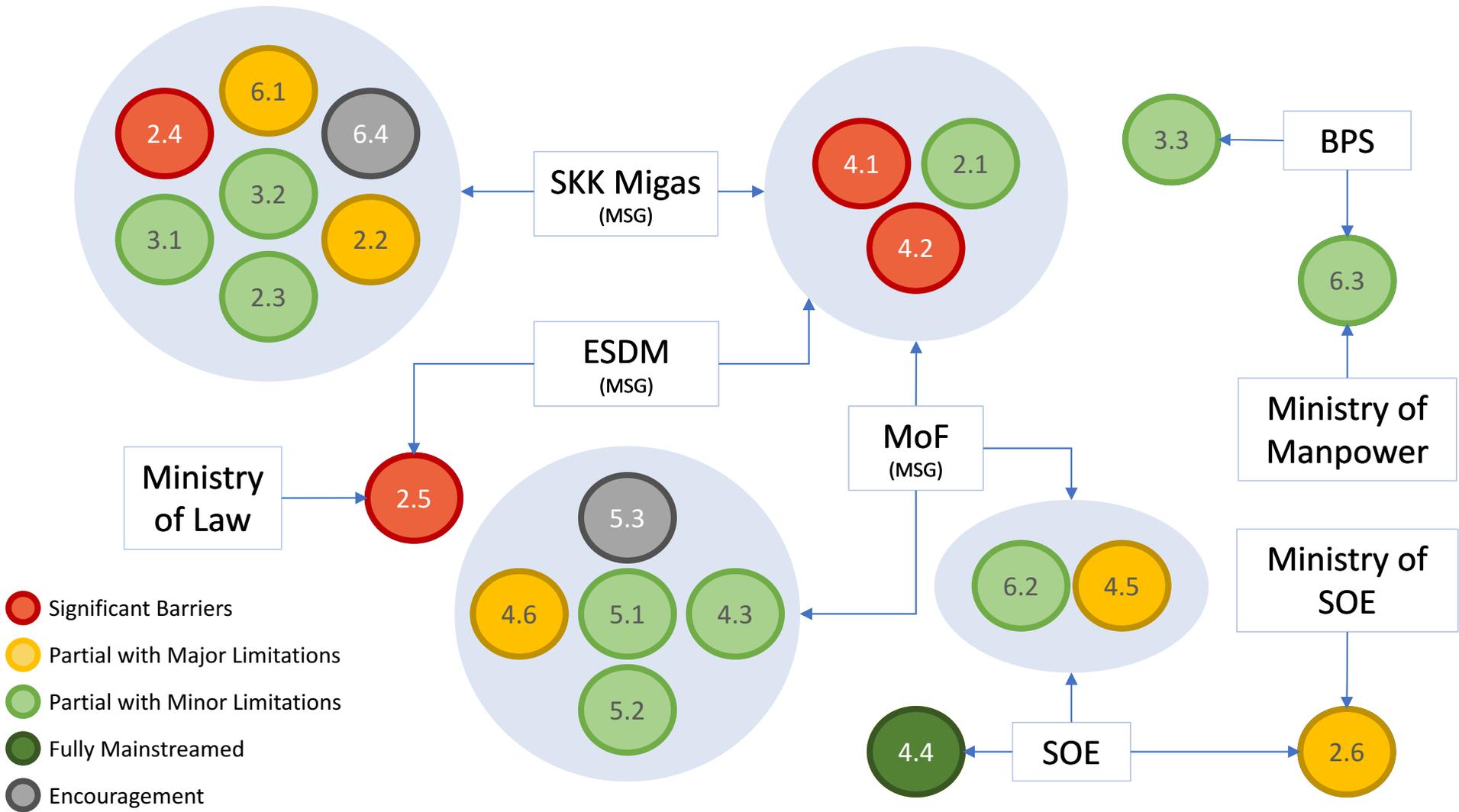
Requirement	Feasibility Study Finding	2018 Validation Result
2.1 Legal Framework and Fiscal Regime	Partially mainstreamed, minor limitations	Satisfactory
2.2 License Allocation	Partially mainstreamed, major limitations	Meaningful Progress
2.3 License Register	Partially mainstreamed, minor limitations	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)	

Revenue Data

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
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

Stakeholders – Government-Side Data Pro

Type Result



Data Disclosure in EITI 2019 Standard

- 2.1 Legal Framework & Fiscal Regime
- 2.2 License Allocation
- 2.3 License Register
- 2.4 Contract
- 2.5 BO
- 2.6 State Participation
- 3.1 Exploration
- 3.2 Production
- 3.3 Export
- 4.1 Tax & Revenues
- 4.2 Sales of State's Share
- 4.3 Infrastructure Provision
- 4.4 Transportation Revenues
- 4.5 Transaction Related to SOEs
- 4.6 Subnational Payment
- 5.1 Distribution of Revenue
- 5.2 Subnational Transfer
- 5.3 Revenue Management
- 6.1 Social & Env. Expenditure
- 6.2 Quasi-Fiscal Expenditure
- 6.3 Economic Contribution
- 6.4 Environmental Impact

Recommendations

The following summary are meant to highlight points to be discussed. For a more comprehensive assessment results please refer to the Mainstreaming Feasibility Study.

Summary of the Assessment Criteria of The Gap

1) Stakeholders Involved

The number of entities involved and whether the entities are within direct or indirect control of ESDM.

2) Types of Barriers

Whether the nature of the barriers are administrative and or legal.

3) Scale of Barrier

The scope of change required to address the barriers, minor vs major.

4) Strategic Issues

If the issues reflects current pressing National as well as International Issues.

5) Availability of Resource

Political and Management Support, Commitment, Human Resource, Financial Resource, Time.

Technical & Administrative Gap Improvement

- **Additional details to disclosure with data already internally available**
 - a) Full Contract Documents (2.4)
 - b) SOEs Participation including Subsidiary and Joint Ventures (2.6)
 - c) Tax and Non-Tax Revenue Disaggregated by Payer (4.1)
 - d) Transaction Related to SOE (4.5)
 - e) Formula and Variables for Subnational Transfer by region (5.2)
 - f) Quasi Fiscal Expenditure (6.2)
- **Additional details to disclosure which require improvement on data collection (reporting mechanism)**
 - a) License's Date of Application (2.3)
 - b) Beneficial Owners (2.5)
 - c) Value of Production (3.2)
 - d) List of HS Code for extractive Commodities (3.3)
 - e) Buyer Information for Government Lifting (4.2)
 - f) Beneficiary for CSR Data (6.1)
 - g) Gender and Occupational Level on employment data (6.3)
 - h) Estimate on Artisanal and Small Scale Mining (6.3)
- **Provision of Online Disclosure Medium**
 - a) Summary Description on Legal Framework & Fiscal Regime (2.1)
 - b) License Allocation Related Information (2.2)
 - c) Significant Exploration Activities (3.1)
 - d) Distribution of Extractive Revenue (5.1)
- **Improvement on Open Data Format**
 - a) To all requirements

Legal Gap Improvement

- **Missing Legal Basis**
 - a) Technical & Financial criteria for License Transfer **(2.2)**

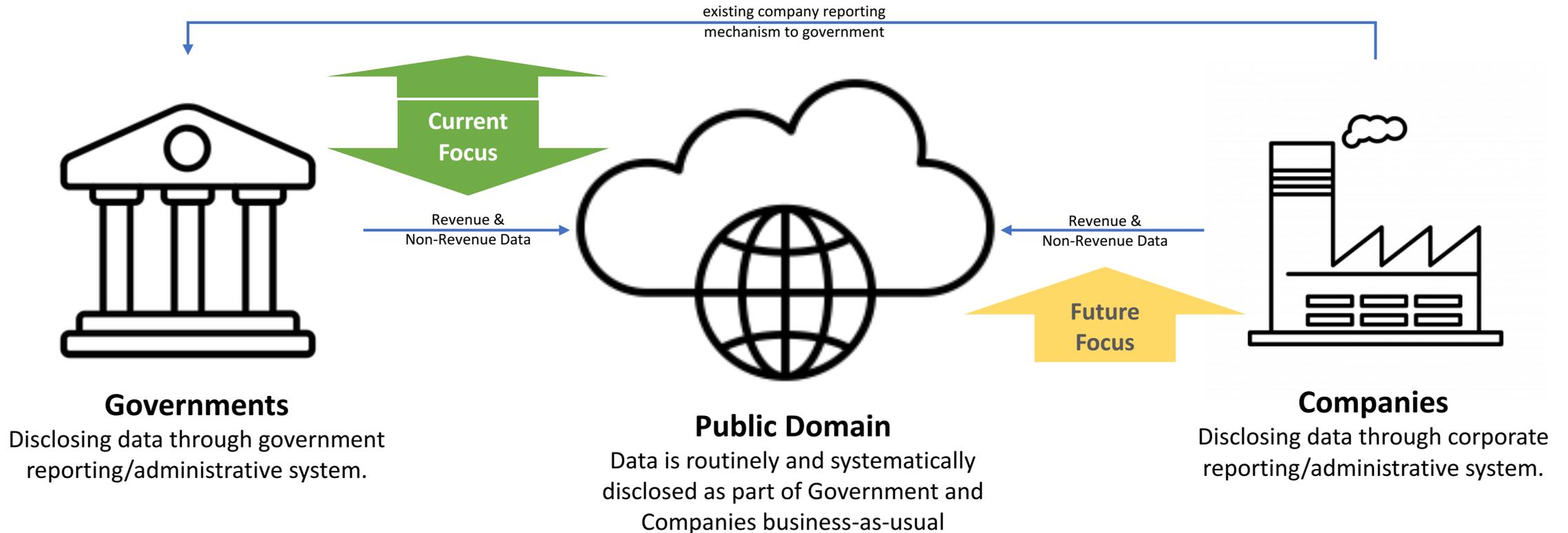
- **Prohibiting Legal Basis**
 - a) Disclosure of contract documents **(2.4)**
 - b) Disclosure of Tax Payment disaggregated by Tax Payer **(4.1)**

Cross-Cutting Requirement

Data Quality Dimension

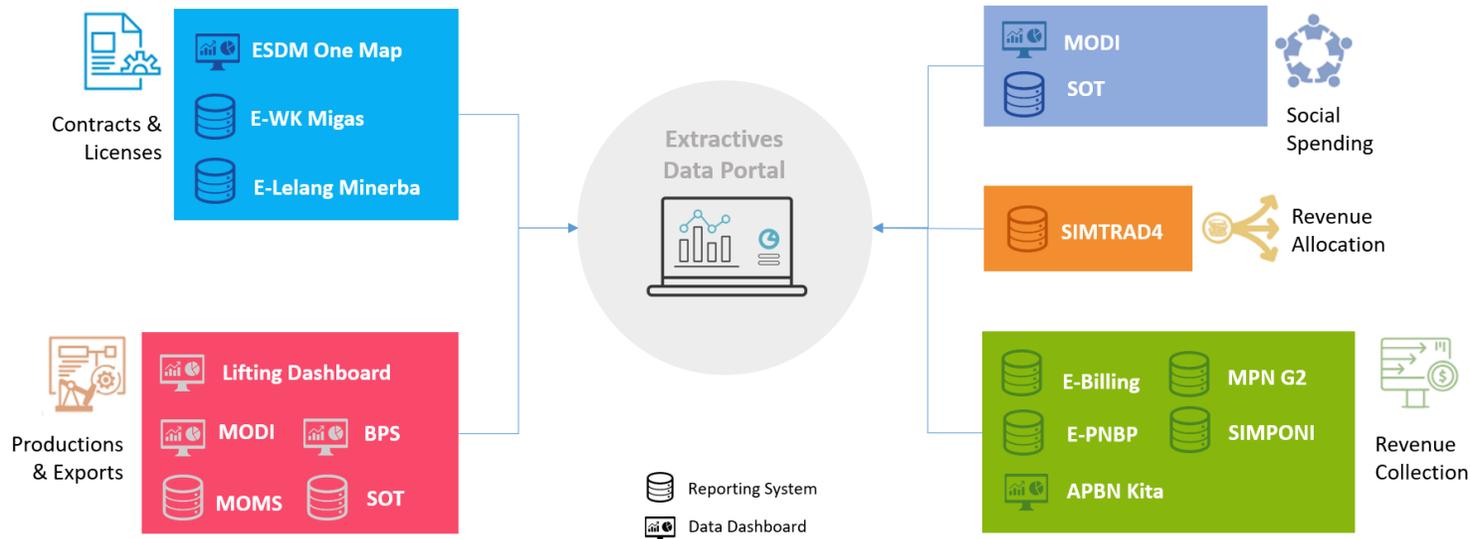
- **Level of Disaggregation (4.7)**
MSG to ensure that financial information are disaggregated by project/by company, government entity and by revenue stream.
- **Data Timeliness (4.8)**
MSG to agree on disclosure calendar with related agencies for each required dataset which include not only revenue data.
- **Data Quality (4.9)**
MSG to assure that Government and Company are audited according to International Auditing Standard.
- **Data Accessibility & Open Data (7.2)**
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.
MSG to improve reporting entities' open data policies to increase lasting public access to data.

Government vs Company Disclosure



Enhancing Data Accessibility and Open Data through an Integrated Data Portal

Shift in the Extractive Data Portal Function is necessary to increase data accessibility to the public by collating the information into one-stop portal in an open data format.



Enhance the visualization in the Extractive Data Portal for easy understanding by the general public.

Recommendation Prioritization

Requirement to Exclude:
Fully Mainstreamed
4.4 Transportation Revenue

Encouragement
5.3 Revenue Management
6.4 Environmental Impact

Does Not Apply
4.3 Infrastructure Provision
4.6 Subnational Payment

Cross-Cutting Requirement:
4.7 Level of Disaggregation
4.8 Data Timeliness
4.9 Data Quality
7.2 Data Accessibility & Open Data

EITI Requirement	Assessment Result	Stakeholders
3 Very Low Hanging Fruit		
2.1 Legal Framework & Fiscal Regime	Minor Limitation	ESDM, MoF
3.1 Exploration	Minor Limitation	ESDM
5.1 Distribution of Revenue	Minor Limitation	MoF
6 Low Hanging Fruit		
2.3 License Register	Minor Limitation	ESDM
3.2 Production	Minor Limitation	ESDM, SKK Migas, BPS
3.3 Export	Minor Limitation	BPS
5.2 Subnational Transfer	Minor Limitation	MoF
6.2 Quasi Fiscal Expenditure	Minor Limitation	ESDM, SKK Migas, SOE
6.3 Economic Contribution	Minor Limitation	ESDM, SKK Migas, BPS
5 Strategic Issues		
2.4 Contract	Significant Barrier	ESDM, SKK Migas
2.5 Beneficial Owner	Significant Barrier	ESDM, SKK Migas, MoL
2.6 & 4.5 State Participation	Major Limitation	SOE, MoSOE
4.1 Tax & Non Tax Revenue	Significant Barrier	ESDM, MoF
3 Others		
2.2 License Allocation	Major Limitation	ESDM, SKK Migas
4.2 Sale of State's Share of Production	Significant Barrier	SKK Migas
6.1 Social and Environmental Expenditure	Major Limitation	ESDM, SKK Migas

Discussion

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Next Steps

Develop roadmap and action plan to prioritize and sequence to achieve full-mainstreaming within the next 2-3 years.

How to bring the agenda to the MSG and involved parties to agree on prioritization including the means and method to close the target gaps?

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Fully Mainstreamed, Encouragement and Does Not Apply (5 out of 22)

Fully Mainstreamed

4.4 Transportation Revenue

Encouragement

5.3 Revenue Management and Expenditure

6.4 Environmental Impact

Does not apply in Indonesian context

4.3 Infrastructure Provision

4.6 Subnational Payment

Very Low Hanging Fruit (3 out of 22)

Intervention

Reflecting on past descriptive coverage in EITI Reports, ensure that the information are available in public domain (online in a website) on a continued basis.

Related Requirements

2.1 Legal Framework & Fiscal Regime

3.1 Exploration

5.1 Distribution of Revenue

Low Hanging Fruits (6 out of 22)

2.3 License Register

- Add date of submission attribute to the current register.

3.2 Production

- Publish production values per commodity.

3.3.Export

- Provide a comprehensive list of all HS codes for extractive commodity exports.

5.2 Subnational Transfer

- 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.

6.2 Quasi-fiscal Expenditure

- Publish calculation on Coal DMO and Oil DMO Fee, to quantify quasi-fiscal expenditures.
- PT Pertamina and PT Inalum to publish the actual payment of DMO which is considered as quasi-fiscal expenditures.

6.3 Economic Contribution

- Publish an estimate of the informal sector activity
- Include details on gender in WP&B reporting requirement for extractive companies and publish the data.

Strategic Requirement – National & International Issues (5 out of 22)

Contract Transparency

2.4 Contract

- Provide supporting legal basis in opening contract documents and disclose all contracts executed after 1 January 2021 accordingly.

Beneficial Ownership

2.5 Beneficial Ownership

- Make the BO registry publicly accessible in open data format.
- Develop a procedure for annually confirming BO data verification has taken place for material companies.

Revenue Transparency

4.1 Comprehensive Disclosure of Taxes and Revenues

- Develop a blanket company waiver system specifically for systematic disclosures to be used as the basis for DG Treasury or DG Tax to disclose per company/project tax data.
- Disclose tax and non-tax revenue data per company/project basis from existing government data collection system.

Strategic Requirement – National & International Issues

(5 out of 22) cont'd

State Participation in Extractive Industry

2.6 State Participation

4.5 Transaction Related to SOE

- Tap into existing summary descriptions of financial relationships between SOE/government from EITI Reports and publish such summaries on website.
- Consider materiality for disclosure of Requirement 2.6 & 4.5 at the level of the subsidiary given their significance in the context of Indonesia.
- SOEs to improve their disclosures according to the gap identified including 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.

Others (3 out of 22)

2.2 License Allocation

- Organize license allocation related information in a centralized through the existing government website(s) in a timely manner including:
 - ✓ process,
 - ✓ technical and financial criteria,
 - ✓ bidding round announcement,
 - ✓ participants, and
 - ✓ the bid winner.
- 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.

4.2 Sale of State's Share of Production

- Disclose volumes and values of both oil and gas material in-kind sales disaggregated by individual buying companies, including:
 - ✓ 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.
- Consider improving the administrative system for easy matching of B/L numbers with individual buyers to allow easy disclosure of the required disaggregation levels.
- Disclose disaggregated revenue for government lifting, i.e., the calculation of FTP, DMO and equity oil.

Less Priority (3 out of 22) cont'd

6.1 Social and Environmental Expenditures

- 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.
 - 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.

Data Quality Dimension (Cross-Cutting Requirements)

4.7 Level of Disaggregation

- Disclose required information under Req 4.1-4.6 disaggregated by project/by company as explained in the previous discussion section of each requirements.

4.8 Data Timeliness

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

4.9 Data Quality and Assurance

- Require company to attach audited financial statements, alongside the reporting to government.
- 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.

7.2 Data Accessibility and Open Data

- 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.
- MSG to improve reporting entities' open data policies to increase lasting public access to data.

Company Disclosure

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

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

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

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

According to Resource Project Portal developed by NRGI, 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.

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

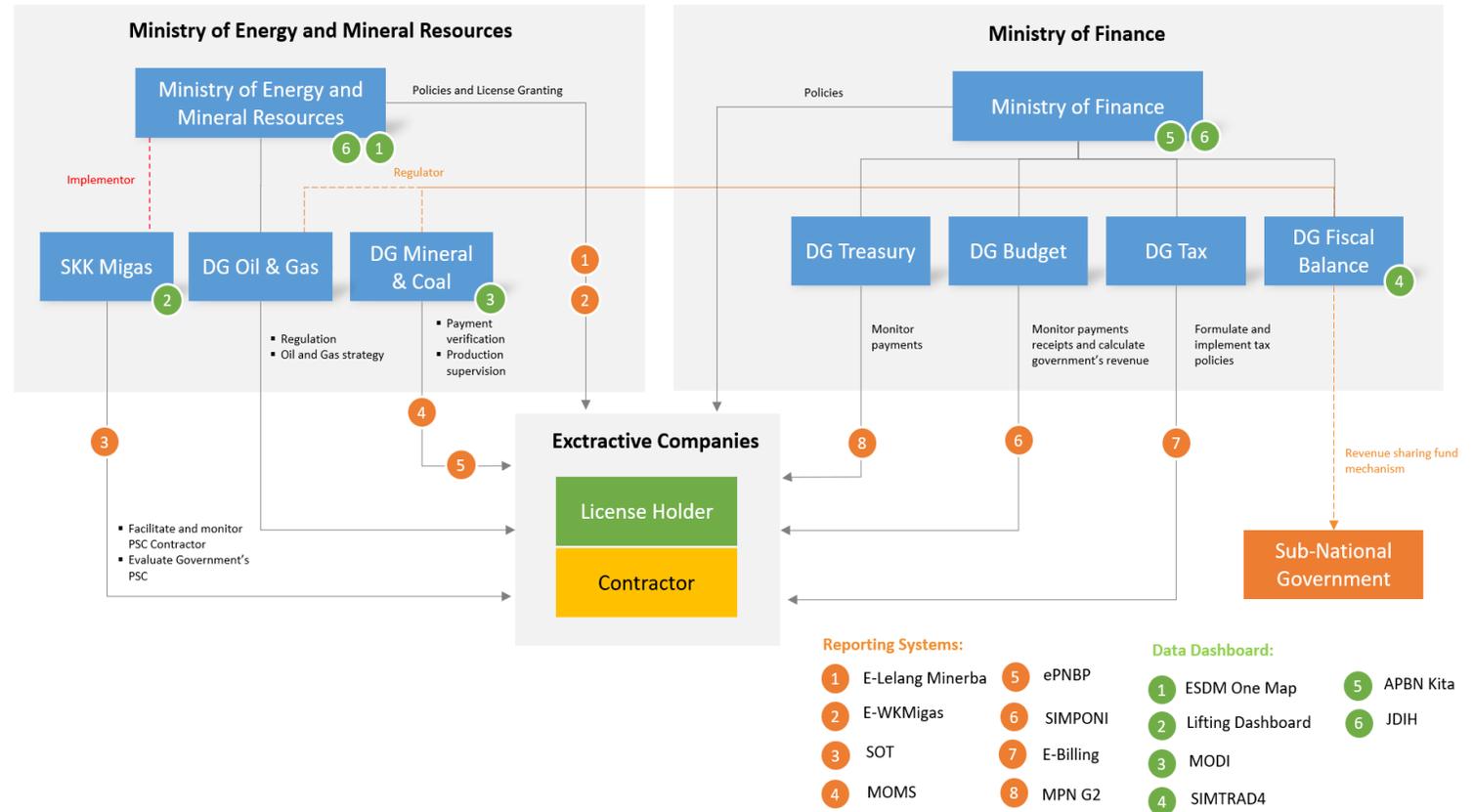
Req. 7.2 Data Accessibility and Open Data

Shift in the Extractive Data Portal Function to increase accessibility of the data by the public by collating the information into one-stop portal in an open data format.

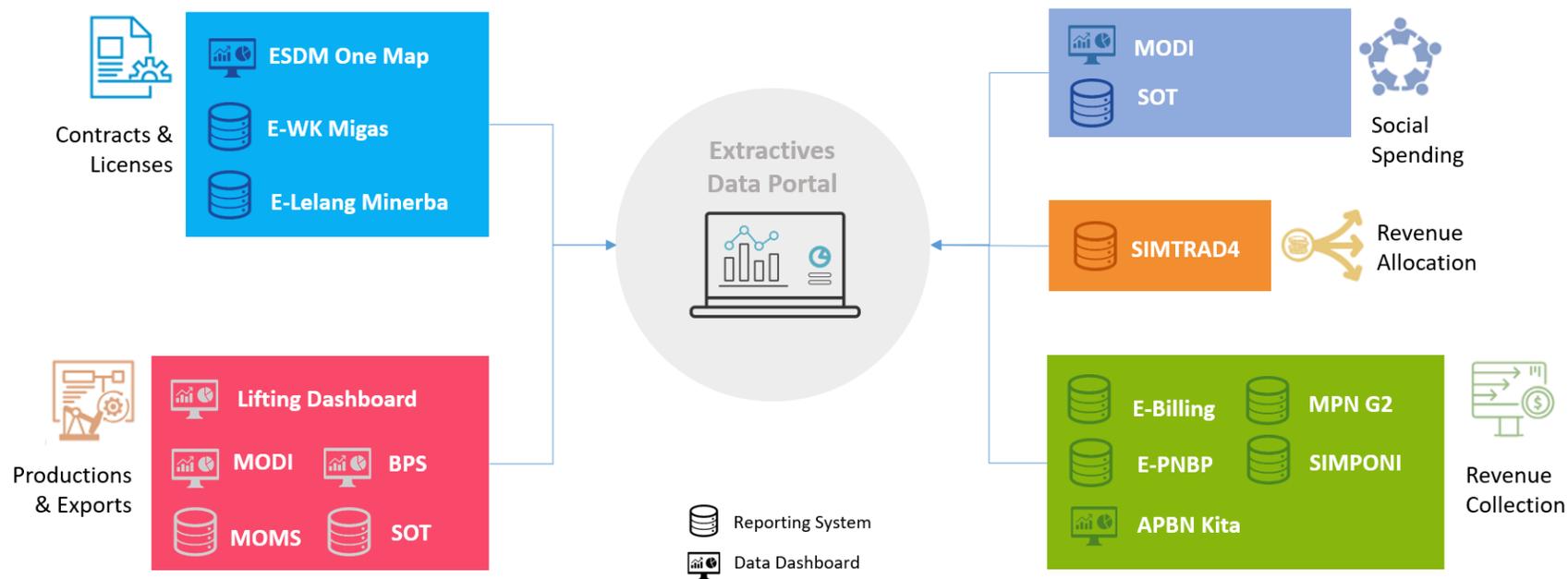


Req. 7.2 Data Accessibility and Open Data

Enhance the existing Extractive Data Portal by referencing and or integrating information from existing government data dashboard and reporting system.



Req. 7.2 Data Accessibility and Open Data



Enhance the visualization in the Extractive Data Portal for easy understanding by the general public.