

Indonesia

Indonesia's petroleum and mining sectors have been key drivers in the country's transition from a developing to a middle income economy. The extractive industries contribute about a third of state and export revenues, generate hundreds of thousands of jobs and fuel the growth of the non-resource industries. Indonesia has diverse local energy sources that can power industries, expand energy access to the poor, and support burgeoning small and medium enterprises - all of which is essential to sustain development gains.

Nevertheless Indonesia's extractive sector faces significant challenges. For one, the country's energy demands are rapidly increasing while its hydrocarbon basins are depleting - Indonesia has been a net oil importer since 2004. Other challenges include price volatility, poor incentives for technological and infrastructure investments, barriers to fair competition as well as the broader threat of climate change. Indonesia needs to strengthen its legal framework, policy environment and transparency and accountability systems if it is to meet these challenges.

This country strategy note outlines the approach that the Natural Resource Governance Institute will take in Indonesia over the next three years. It provides a contextual analysis and uses the Natural Resource Charter framework to outline key challenges and opportunities that Indonesia faces in harnessing extractive resource wealth for development, before covering NRG's strategic response.

CONTEXTUAL ANALYSIS

Indonesia's extractive industry developed while the country was going through important transitions, from independence to an authoritarian and centralized regime, to today's process for a democratic and decentralized government. Over time, shifts in regulatory frameworks and institutions opened up spaces for citizens to take part in policy decision-making and project monitoring and implementation. The decentralization policy in the early 2000s mandated that resource-rich regions receive greater fiscal benefits from oil, gas and mining extraction in their areas. It also provided more decision-making power to local governments with regards to fiscal, administrative and political affairs.¹ Provincial governments, for example, can issue mining licenses without prior approval from central authorities.

¹ Decentralization policy implemented since 2001 (during Gusdur / Abdurahman Wahid Presidency) through local autonomy law no. 22/ 1999 and fiscal balancing law no. 25 / 1999. These laws were created in 1999 but was only effectively implemented in 2001. This devolution of power to local administration especially district governments is in terms of administration, fiscal and political (local elections). Although these laws are revised later in 2004 the three forms of decentralized power have never been changed until now.

ABOUT THIS DOCUMENT

This country strategy note summarizes an NRG analysis of country context and reform priorities. It also outlines NRG's engagement in Indonesia, complementing the work of other actors. Developments will naturally affect the assessments and objectives described herein. Updates to this synopsis may be made as events require.

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High demand, low supply

As a result of declining production, oil and gas explorations are having to move to the eastern regions, which means companies financing high-risk and high-cost projects that require advanced technology. In the eastern part of the country companies also have to face the challenge of a weak power and transport infrastructure, which can affect the cost and efficiency of their production.

The process of securing new contracts and extending existing ones has been hindered in part by the government's regulatory uncertainty. This is reflected in the uncertainty of decisions and inconsistency of new decrees with regard to issuing permits. It worries not only companies but also the public demanding accessibility and affordability of these public goods. Most mega-project contracts are expiring in five to seven years. If no major decisions or policy changes are made soon, industry experts predict that Indonesia could become a net energy importer by 2019.

A question of governance

Does Indonesia's legal framework, its transparency and accountability systems and overall policy environment provide comprehensive strategies to deal with these complex challenges? Are the institutions strong enough to enforce laws and regulations and achieve development targets?

According to our analysis, the quality of policies and the capacity of institutions to enforce them is generally weak. Laws are characterized as lacking a unified vision and coherent long-term strategy, and are weakened by unclear, complex and frequently changing laws and regulations. Policies along the extractive value chain are inadequate, insufficiently enforced and insufficiently monitored by central authorities and local governments. The dwindling resource deposits and plunging commodity prices have recurrently raised questions about the soundness of the country's macroeconomic policies and government institutions for the extractive sector.

DOMESTIC FOUNDATIONS FOR RESOURCE GOVERNANCE

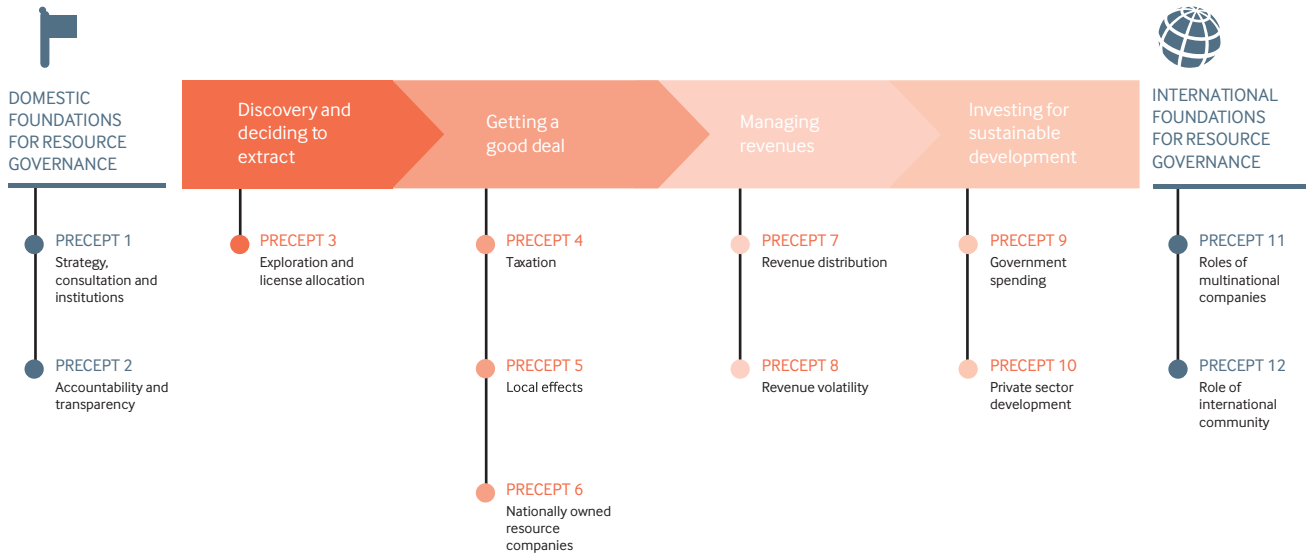
The following outlines the challenges and opportunities for extractive resource governance using the Natural Resource Charter framework. The charter's twelve precepts outline the decision-making and governance environment required for effective resource development. (See figure on next page.)

Precept 1: Strategy making and public participation. Resource management should secure the greatest benefit for citizens through an inclusive and comprehensive national strategy, clear legal framework and competent institutions.

Article 33 of Indonesia's constitution states that "all the natural wealth on land and in the waters falls under the jurisdiction of the state and should be used for the greatest benefit and welfare of the people." However, the country lacks a unified vision that covers the entire value chain as well as an integrated and comprehensive strategy that can implement the objective stated in the constitution.

The legal framework governing the sector lacks clarity, not least because there remains uncertainty over the revision process of the oil and gas law. The actual timeframe for the new law is unknown, and the debates around its key aspects – such as the role of state-owned enterprises (SOEs); the issuance and renewal of licenses; and the overhaul of fiscal regimes that cover contractual arrangements and taxation – remain unresolved, with congress not having a clear or unified position on these issues. These regulatory uncertainties have become a major source of concern among investors in the sector.

Overview of the Natural Resource Charter



Indonesia’s management of natural resources also suffers from a lack of coordination among the relevant ministries. The management of natural resources is dispersed over a large number of government ministries and specialized agencies. Centrally planned and implemented government programs are increasingly ill-suited for dealing with emerging issues of land conflict, environmental risks and corruption at the provincial, regional and village levels.

Indonesia’s extractive sector has become more transparent and open to public scrutiny, thanks to initiatives such as the Open Government Partnership (OGP) and Extractive Industry Transparency Initiative (EITI). These have provided civil society groups with more opportunity to establish forums for dialogue with the government and private sector, as well as to bring the data and debates to the public domain. Compared to other countries in the region, civic space in Indonesia is relatively open.² However, one challenge is establishing a formal mechanism for public participation in strategy making and policy formulation on the extractives. While parliamentarians are meant to translate public demands into policy debates, this mechanism has traditionally been weak.³

2 Indonesia is partly free in terms of civil and political rights since 2014. This decreases from 2006 – 2013 where Indonesia was considered free <https://freedomhouse.org/report/freedom-world/freedom-world-2015#.VaKmnPmqkko>

3 See “The Political Economy of Policy Making in Indonesia”: <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7531.pdf>

Precept 2: Transparency and accountability. Resource governance requires decision makers to be accountable to an informed public.

Indonesia has a number of national laws and international commitments that require the government to disclose information relating to the extractive sector. However, transparency is lacking in certain key areas and corrupt practices by state bodies and politicians remains a real problem.⁴ Public trust on state institutions such as legislature, judiciary, police and public officials is very low, as noted in the 2013 Global Corruption Barometer Report. NRG's Resource Governance Index (RGI) of 2013 also gives Indonesia a low score on reporting practices. There is much improvement in the Indonesia EITI data disclosure but key data on the petroleum and mining cadaster, disaggregated data on production volumes by project is still not available. The major challenge with the EITI reports, however, is that not many people are aware about its existence. This is due to limited public dissemination from the relevant parties.

The Freedom of Information Act No.14/2008 (FOI) requires that information or documents that are categorized as public, including budgets, laws and regulations, be available to the public. However, oil and gas contracts, companies' joint operation agreements and plans of development are exempted from the FOI act. While EITI encourage the publication of contracts both government and companies are not willing to disclose them. This is also because there is no legal obligation for these entities to disclose contracts. Meanwhile, the Geospatial Information Law No. 4/2011 requires the disclosure of geospatial information of all development projects.

In 2002, in response to pressure during the *reformasi* era, the government established an anti-corruption commission popularly known as KPK to fight massive and systemic corruption in Indonesia. This authoritative body is highly respected for its independence and its prosecution of high profile corruption cases in Indonesia, including in the extractive sector. As part of its mandate KPK, however, needs to strengthen its capacity on the prevention side of corruption through a robust transparency and accountability mechanism in managing extractive sectors. KPK has been closely coordinating with the EITI Secretariat as well as with CSOs, particularly PWYP Indonesia, on implementing EITI commitments and on reviewing of mining licenses.

Precept 3: Exploration and license allocation. The government should aim to reduce geological uncertainty under a transparent licensing regime that allocates rights efficiently.

Petroleum

Indonesia awards petroleum licenses through a competitive process usually held twice a year. SKK Migas undertakes the regulatory function in granting oil and gas licenses to contractors, while the tender process is carried out by the Directorate General Oil and Gas. The government publishes some information after negotiations, including results from auction rounds such as bids received and winning bids. However, the final contracts are not disclosed. Although the licensing authorities (SKK Migas and DG Oil and Gas) publishes reports with some information about its activities to the public specific information on the licensing process, geographic scope and procedure of awarding licenses are not available.

⁴ See report from Jakarta Post: <http://www.thejakartapost.com/news/2014/01/13/combating-institutional-corruption-saving-democracy.html>

In the petroleum sector, geological and geophysical surveys are undertaken by companies at their own expense and risk. All data must be submitted to the Ministry of Energy and Mineral Resources (ESDM) but it remains confidential until the company relinquishes the work area and production has been terminated. All geological information both for petroleum and minerals are held by ESDM and will only be shown to contractors in the bidding process and cannot be taken or reproduced without permission from ESDM. Geological information is confidential and does not belong to the public domain. However, in practice companies undertaking exploration activities also have this information.

Mining

While the mining law requires an open bidding process, licenses are in practice awarded on a “first-come, first-served basis.” Different authorities award the license depending on the size of the area in question. The central government awards licenses for mining areas of more than 12,500 acres, or that are on the border of two or more provinces. Provincial governments can issue licenses for mining areas ranging from 5,000 to 12,500 acres, or if the mining area is located on the border of two or more districts/ municipalities, or if it is between 4-12 nautical miles offshore. A regent or mayor can grant licenses for mining areas that are smaller than 5,000 acres or less than 4 nautical miles offshore.

The central government and subnational governments only publishes the name of the mining company which was awarded with contract. Little information is provided on the area of contract and no information is provided about the terms in contract. Following the new mining law, district-level governments have given out a significant number of business mining permits. By June 2014, there was a total of 10,921 of these licenses but 4,880 of these are considered as “non-clean and clear” or do not follow proper licensing mechanism resulting in overlapping licenses, etc. District-level governments have very poor capacity, weak law enforcement but have been entrusted with huge mineral license authority. KPK is now supervising and investigating corruption cases related to all these permits as part of its “save natural resource campaign.”

In September 2014, the parliament passed a regional administration law (Pemda law no. 23 / 2014) vesting provincial governments with authority to award licenses rather than district government. However, this law is inconsistent with the existing mining law where district governments also have authority to issue mineral licenses. This has created confusion among stakeholders and has provided some of the rationale for the revision of the mining law.

Precept 4: Taxation. Tax regimes and contractual terms should enable the government to realize the full value of its resources consistent with attracting necessary investment, and should be robust to changing circumstances.

According to the oil and gas law, contractors are required to pay state revenues in a form of taxes and non-tax revenues. The taxes include income tax, VAT, import duties and tariffs, regional taxes and other levies. Non-tax revenues include state share of fixed fees, exploration and exploitation fees and bonuses (signature bonus and production bonus). Contractors are reimbursed for the costs of exploration and production (cost recovery) in accordance with the work plan and budget as well as authorizations for financial expenditure as approved by SKK Migas once commercial production has started.

Indonesia is known for creating the first Production Sharing Contract back in 1966 and for obtaining a particularly high government take in the oil sector. The country's relative competitiveness has evolved over time, but in the last 15 years industry specialists have blamed a lack of competitiveness in the country's contract system and fiscal terms.⁵ The drop in oil prices since mid-2014 has exacerbated the situation. This, coupled with a continued decline in production,⁶ has led the government to rethinking its contract system. Some in the ministry have suggested departing from PSCs towards a concession-based system⁷.

Taxation in the mining sector. Contracts of work (CoWs) and coal contracts of work (CCoWs) were introduced in the 1960s as a framework for foreign investment in the mining sector. They set out tax rates, royalty rates and other terms governing the exploration and exploitation of coal and minerals. With the introduction of the new mining law in 2009, all CoWs and CCoWs are to be converted to IUPs (business mining permits) upon expiration, unless an extension is negotiated. This is a transition from a contract-based system to a concession-based one, in which taxes and royalties will be paid according to the general law, rather than according to negotiated contracts. The new system should help level the field and improve monitoring of tax obligations.

Precept 5: Local effects. Opportunities for local benefits should be pursued, and the environmental and social costs of resource projects should be accounted for, mitigated and offset.

Law no. 39/2009 (environment) and the oil and gas law require that environmental impact assessments (EIAs) be undertaken prior to awarding contracts. EIAs are not published before contracts or licenses are awarded, but must be available to the public once the contract is signed and are classified by the FOI Act as public documents. EIAs are not always available online and must in these cases be requested formally from the relevant government institutions. There is a concern from civil society organizations that insufficient time is given for consultation with local stakeholders and that there is no space for contesting the results of the assessment before a contract is awarded. Most of the time EIAs are produced simply to satisfy administrative requirements, rather than being a substantial process to prevent and mitigate environmental impacts.

The company law no. 40/2007 rules that social and environmental costs should be borne by the companies undertaking business activities related to natural resource extraction. Under the same law companies are also required to undertake corporate social responsibility (CSR) programs. However, there is currently still no government regulation detailing this law, which means that it cannot be properly be put into effect.

With regard to local content, the mining law requires that companies, after five years of operations, divest up to 51 percent of their equity share to the central government, national SOEs, local government or local state-owned enterprise (SOE) operating in the extractive sector. Local governments or local SOEs will buy the shares if the central government or national SOEs do not.

5 M. Hasan; "Indonesia's Petroleum Contracts: Issues and Challenges?" OGEL 1 (2005), www.ogel.org, URL: www.ogel.org/article.asp?key=1736

6 <http://www.reuters.com/article/2015/06/11/indonesia-energy-output-idUSL3N0YX4CM20150611>

7 <http://www.petrominer.co.id/berita-new-scheme-of-contract-is-prepared.html>

Environmental issues related to mining have been huge, irreversible and taking place since the Suharto regime in 1960s. During that period, mining companies operated under his patronage through heavy military presence and lack of oversight from civil society.⁸ After *reformasi* in the late 1990s the decentralization of mining permits further damaged the environment due to limited monitoring by the central government, weak legal enforcement by accountability actors at the local level, weak monitoring capacity of local government and state capture by business players in local politics.⁹ Initiatives such as One Map policy¹⁰ with strong enforcement will hopefully help address environmental problem.

In terms of post-mining activities, the company law requires that companies are responsible for the costs for reclamation and mining closure. However, in practice companies include these costs in their CSR budget. According to PwC's 2014 report the highest spending of companies CSR is on post-mining activities. CSR spending for post-mining activities is not monitored by the government, and CSOs also find it difficult to trace this spending and assess to which extent it has been used effectively to address post-closure issues.

Precept 6: Nationally-owned resource companies. Nationally owned resource companies should be accountable, with well-defined mandates and seek to be commercial efficient in the long-term.

Petroleum SOE

The structure and management of Indonesia's national oil company, Pertamina, represents one of the biggest points of debate in the country's extractive sector. The oil and gas law transferred Pertamina's role as regulator to BP Migas and now SKK Migas, so that Pertamina could focus more on its commercial role. Pertamina only performs its role as contractor under PSC schemes or as holder of Indonesia's participating interest in certain oil and gas fields. Pertamina has shares in 18 percent of oil production and 16 percent of gas production in Indonesia.

After years of reform since 2001 Pertamina, however, has not developed yet into the kind of dynamic, internationalized commercial entity that the country had hoped. For its part SKK Migas, which had been championed as an independent regulator that would provide consistent oversight of the sector, has been beset by corruption scandals, as has the ESDM. SKK Migas also becomes too close to the oil companies it is formally charged with overseeing thus resulting in conflict and interest and corruption. These weaknesses led to a strong push to reform the system, which culminated in a 2012 decision by the Indonesian constitutional court to invalidate the 2001 institutional structure and return to a system in which a state-owned enterprise performs all critical sector management and oversight functions.

8 Resosudarmo (2006), *The Politics and Economics of Indonesia's Natural Resources*, Singapore : Institute of Southeast Asian Studies

9 Interview with Indonesian anti-corruption agency KPK (2014)

10 One Map is a government measure to provide an online cadastre for mining, forestry and other concession areas. It is designed to help resolve disagreements resulting from the use of different data and maps that often cause land disputes and overlapping permits for plantation and mining operations.

The debate over how to implement the constitutional court's decision is ongoing. Many Indonesians are seeking a return to a system in which Pertamina dominates both the commercial and regulatory roles, exerting the sort of all-encompassing control of the oil and gas sector exhibited by Petronas in Malaysia. However, the government is also exploring alternative proposals such as establishing a special state-owned enterprise to undertake a regulatory role so that Pertamina can focus on its commercial interest and develop into a world class energy company.

In spite of the significant challenges, there are certain strengths that Indonesia can build on as it continues its SOE reform efforts. Pertamina received a decent score in the RGI in terms of its transparency, legal framework and practice. Furthermore, there is significant expertise about the oil and gas sector within both Pertamina and SKK Migas, which could provide a strong basis for effective management if certain institutional reforms are successfully implemented.

Mining SOE

Indonesia has three state-owned mining companies: PT Aneka Tambang, PT. Bukit Asam and PT. Timah. These state-owned mining companies have been partially privatized and do not have monopoly rights over mineral and coal extraction. According to the 2013 RGI, these SOEs perform satisfactorily in terms of their transparency, legal framework and practice.

Managing revenues

Precept 7: Revenue distribution. Resource revenues should be invested to achieve optimal and equitable outcomes for both current and future generations.

Indonesia does not have a policy on saving resource revenues for future generations or special mechanisms to guard against volatility. The rules concerning revenue transfers from central to local governments are relatively clear and the central government is required to disaggregate by revenue stream. The sharing formula for oil is: 84.5 percent of revenues for central government and 15.5 percent for producing districts, provinces and neighboring districts. For gas: 69.5 percent of revenues for central government and 30.5 percent for producing districts, provinces and neighboring districts. Revenue distribution in mining is as follows: with regards to land-rent distribution 64 percent of revenues go to the producing district, 16 percent to the producing province, and the remaining 20 percent are retained nationally. For royalty distribution 32 percent goes to the producing district, 32 percent to all other districts in the producing province and 16 percent to the producing province. The remaining 20 percent is retained nationally.

It is difficult to monitor revenue sharing as the calculation is done by the central government without the involvement of producing districts and provinces and the numbers on cost recovery are not transparent. Local governments find it difficult to understand how their shares are calculated. The Ministry of Finance provides annual reports with details on revenue sharing but these are too technical for local governments and parliamentarians to understand. The information in the reports is buried deeply within the pages of the government website (Ministry of Finance) and is hardly accessible to the public. Some resource-rich local governments such as the Bojonegoro district, Riau Province and East Kalimantan Province, provide information on their websites on revenue sharing. However, the level of detail provided differs from one local government to the other.

Local governments and sectors of the public have been demanding that cost recovery be disclosed as part of EITI reporting to in order to establish the real value of revenue sharing. However, the central government so far - especially SKK Migas - has been reluctant to do so.

Precept 8: Revenue volatility. Domestic spending of resource revenues should be smoothed to take account of revenue volatility.

The government's petroleum and mining revenues have always been volatile following the global commodity prices. The recent plunge in international oil price has had a huge impact on Indonesia's domestic spending which has caused budget deficits. As a result of Indonesia's revenue sharing system resource rich districts and provinces also have experienced volatile budgets. So far there is no plan from the government to establish a stabilization fund to smooth spending. Subnational governments are hugely vulnerable to volatility and other revenue management issues, with little knowledge of how to address them. Indonesia has a fiscal rule stated that budget deficit should not exceed 3% of GDP. This was aimed to promote balanced budget and manage public debt but it has not been able to tackle volatile revenues from commodities such as oil, gas and mining.

Precept 9: Government spending. The government should use revenues as an opportunity to increase the efficiency of public spending at the national and sub-national levels.

Administrative capacity

Indonesia is slowly moving towards a more performance-based budgeting. Both Law no. 17/2003 and Law no. 25/2004 formally strengthened the link between planning and budgeting. The legal and regulatory framework for public procurement has been improved through Presidential Decree No. 80/2003 which promoted the basic principles of a good procurement process, including transparency, open and fair competition, economy and efficiency. However, in practice, the fact that each subnational government establishes its own system for public procurement (as part of the decentralization process) has created multiple issues including the application of different standards which may run counter to those of the national government and donor institutions including the World Bank and Asian Development Bank. Each ministry and SOE also arranges its own procurement mechanisms.¹¹

Despite the above mentioned reform, decision making in budget allocations is still largely driven by the push from different ministries which is not fully aligned with the strategic budget priorities to support the medium-term national development strategies that Bappenas developed with all the government ministries and approved by the president.¹²

Economic absorptive capacity.

Since 2005 Indonesia has only managed to spend approximately between 40 to 60 percent of its targeted capital expenditures. One bottleneck is the rigidity of the current budget execution framework, which causes a skewed in-year disbursement pattern. The nature of one-year budgeting also affects the disbursement of funds for multi-year infrastructure projects, which has created huge inefficiencies in project planning and implementation.

11 World Bank (2008)

12 Ibid.

The budget for all spending agencies has increased significantly in recent years, but their spending capacity has been limited partly due to the weak link between planning and budgeting. The government work plan and the budget plan do not take into consideration project planning and procurement. Therefore the budget allocated for capital expenditure tends to be higher than the absorptive capacity of the spending agencies.¹³

Precept 10: Private sector development. The government should facilitate private sector investments to diversify the economy and to engage in the extractive industry.

Diversification

The Indonesian economy has been relatively diversified since the mid-1980s following the oil boom in 1970s. This is the reason why some scholars argue that Indonesia was able to reverse the oil curse during the time of Suharto regime.¹⁴ Despite this, commodities represent more than 60 percent of exports.¹⁵ The new administration as part of its strategic program, strives toward more industrialization in the country by developing downstream industries both in the petroleum and mining sector. Through the Indonesia energy law, oil, gas and coal are now seen as strategic resources for supplying domestic energy to boost economic development rather than as commodities to generate revenues. This is a paradigm shift in Indonesian resource development policy.

Precept 11: Roles of multinational companies. Companies should commit to the highest environmental, social and human rights standards, and to sustainable development

As a result of past violations of human rights and contributions to reported environmental degradation by companies such as Freeport¹⁶ and Newmont,¹⁷ citizens in general have a negative perception of the behavior of international companies. Most extractive international companies in Indonesia participate in initiatives such as EITI through reporting and engagement with government and CSOs in the multi-stakeholder working group. Much work needs to be done, however, to make that these international industry players implement the international standards¹⁸ on environmental, social and human rights protection.

Precept 12: Role of international community. Governments and international organizations should promote an upward harmonization of standards to support sustainable development.

International organizations such as the World Bank, Asian Development Bank (ADB), United Nations Development Programme (UNDP) have played a positive role in promoting and instituting better governance of extractive industries through initiative like the EITI and the social and environmental safeguard policies. However, they need to collaborate more closely with the Indonesian government and work towards harmonizing national policies with these international best practices transparency and accountability and social and environmental safeguards.

13 Ibid.

14 Rosser (2004)

15 World Bank, Indonesia Quarterly Report (2015)

16 See reports from Global Witness, National Public Radio, and Financial Times.

17 Featherby, J. 2011. Global business and human rights: Jurisdictional comparisons. London: European Lawyer/FutureLex

18 Such as World Bank safeguard policies, business and human rights, free prior informed consent (FPIC), etc

Indonesia is one of the founders of the Open Government Partnership (OGP) and has participated in the natural resources sub-committee. However, the OGP process and activities linked to the OGP have stagnated in Indonesia since a new administration came into power in October 2014. In June 2015, the Directorate of State Apparatus at Bappenas was appointed as the Indonesia focal point for OGP working closely with the ministry of foreign affairs and the office of the president. The extent to which OGP has been useful for Indonesia's resource governance reform especially in the transparency and civic engagement will need further assessment. How OGP is complementing EITI in practice and the implementation of the One Map project should be evaluated as well.¹⁹

STRATEGIC RESPONSE

The goal of NRGi program in Indonesia is that citizen's benefit from extractive resource wealth. From 2016 to 2018, we will mobilize our collective energy to push for timely and much needed reforms in the governance of oil, gas and mining sectors in partnership with the government, civil society and other stakeholders.

Objective 1. Improved oil and gas legislation, adopting expanded disclosure and accountability provisions, and stronger safeguards.

- The parliament passes petroleum legislation that: limits SOE (Pertamina) conflicts of interest; provides checks and balances on the governance of the SOE and other relevant government offices (e.g. anti-corruption rules for leadership and staff, performance benchmarks, consistent public reporting, and independent audit and oversight by well-informed parliament); ensures an equitable balance of financial benefits between the Indonesian state and current and would-be investors; enhances mechanisms to help subnational governments manage revenue transfers, including through the establishment of subnational resource funds; and incorporates other relevant and technically-sound proposals from CSOs and academic institutions.

Objective 2. Improved mining legislation, adopting expanded disclosure and accountability provisions, and stronger safeguards.

- The parliament passes mining legislation that: results from a transparent and participatory process, aligned with international good practices; has transparent and accountable licensing system provisions, especially on the authority and accountability of local and central governments; provides for a clear alignment with the One Map Policy, which will identify overlap and reduce conflicts between areas for mining and other land uses; contains an improved revenue collection system (to prevent underpayment and underreporting); has strong environmental and social safeguards and robust regulation of illegal mining; and incorporates other relevant and technically-sound proposals from CSOs and academic institutions.

¹⁹ As a global organization with comparative perspective and local presence, NRGi can help strengthen the linkages between global norms such as EITI and OGP and locally led reform efforts on greater transparency and accountability in extractives in Indonesia.

Objective 3. Increased accountability and effectiveness in the governance of subnational resource wealth.

- A subnational government (Bojonegoro) develops legislation and implementation guidelines to establish a natural resource fund through a consultative and transparent process, and champions the inclusion of such funds in oil, gas, and mining laws.
- Other subnational governments more effectively manage natural resources.

Objective 4. Increased disclosure and use of data for improved government and corporate accountability in the oil, gas, and mining sectors.

- The government complies with the new EITI standard, supporting SOE transparency, contract transparency, beneficial ownership disclosure, and a robust fiscal regime in the extractive sector; in accordance with a revised presidential decree on EITI and as coordinated by Bappenas.
- The EITI secretariat better coordinates with the EITI MSG to ensure timely delivery of commitments.
- The anti-corruption commission (KPK), civil society, and the media effectively oversee the implementation of the EITI recommendations.