



**COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
REPUBLIC OF INDONESIA**

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Reff No : EITI/ ~~58~~ /D.III.M.EKON/10/2019 Jakarta, 7 October 2019
Attachment : 3
Re. : Clarification of Indonesia Validation Report and Indonesia Standing Point
Towards Future of EITI Implementation in Indonesia

EITI Validation Committee

Dear Sirs/Madames,

We are grateful and appreciate the Board's continuing support and assistance to the EITI Indonesia. With regard to the initial result validation of EITI Indonesia, we would like to highlight our concern and address the following issues for your attention:

1. Since early year 2000, Indonesia has been committed to implement reform of its extractive industry governance towards transparency and accountability. Two of its strategic measures of the reforms are the enforcement of the Oil and Gas Law No. 22/2001 and the Mineral and Coal Law No. 4/2009. In addition, the government has enacted Law No. 14/2008 on the Openness of Public Information. Indonesia participation in EITI has been impactful to reform the extractive industry governance in the country. In fact, one of the main reason Indonesia participation in EITI in 2010 is due to the consistency between the EITI Principles and Standard with the Indonesian government policy to reform the extractive industries governance.
2. With regards to the Validation of EITI Implementation in Indonesia, the MSG of EITI Indonesia questions the validity of the "**Validation of Indonesia Report**" as the MSG considers the report does not reflect the actual EITI Implementation in Indonesia. Some of the validation findings have been addressed by the MSG in the "**MSG Comments on Validation Report Indonesia**". We regret our explanations and doubts on the Validation of Indonesia Report have not been addressed properly, and we might end up to a disagreement with the report, especially fulfillment of the requirement 1.2 from which will lead to suspension for Indonesia. With this disagreement in the validation findings, we expect the Independent Validator (CowaterSogema) should directly verify with corresponding stakeholders in Indonesia
3. Specifically for the implementation of Requirement 1.2, we hereby confirmed the following:
 - a. Industry representatives in the MSG are fully, actively and effectively engaged in the EITI process, including attendance as well as pro-active comments and raising critical issue in the discussion of the MSG Meetings.
 - b. Companies' participations in the EITI Reports were dominant. In fact participating companies in the EITI reports make up to 90% of government revenue from the

- extractive industries. The government did not only encourage companies to participate in the EITI report, but also issued letters to enforce companies to participate in the EITI report. SKK Migas for example, make it mandatory for oil and gas companies to submit data for EITI reports.
- c. The MSG does not see any un-resolved legal barriers for disclosure as required by the EITI Standard.
 - d. Industry representatives in the MSG have always updating their constituencies for progresses in the EITI implementation in Indonesia. Such updates were normally disseminated by means of associations' websites, messaging applications, as well as public discussions.
 - e. The MSG confirmed there are enabling environment for company participation in the EITI. Tax confidentiality provision as enforced in the Taxation Law in Indonesia has been resolved from time to time in the EITI reports with a letter of authorization from the corresponding company to waive such confidentiality.
4. Nevertheless, our government has provided its commitments for the EITI Implementation in Indonesia. We believe Indonesia has shown some progress towards transparency and accountability of extractive industry governance such as:
- a. Disclosure of production data, government revenue, trade, companies' payments as well as its reconciliation findings.
 - b. Indonesia has implemented mandatory submission of Beneficial Owners of corporation as stipulated in the Presidential Decree No. 13/2018 and Minister of Law and Human Rights Decree No. 15/2019.
 - c. Major reforms in the mineral and coal mining governance in 2017 to ease of doing business, as well as to enhance the effectiveness of the mineral and coal mining governance by means of efficiently reducing unnecessary mining operation licenses process as well as combining redundant mining operation licensing processes. In addition, the government has implemented an online reporting and monitoring as part of the extractive industries governance reform.

Despite our dissatisfaction to the validity, findings, and assessment in the Validation of Indonesia Report, Indonesia government is committed to implement the EITI Standard towards transparency and accountability of extractive industry governance regardless Indonesia participation in the EITI organization in the future.

Thank you for your kind attention.

Sincerely Yours,



Montty Girianna, Ph.D
Deputy for Energy and Mineral Resources
As Chairman of the EITI Indonesia Multi Stakeholders Group 

Cc:
Coordinating Minister for Economic Affairs
As Chairman of the EITI Indonesia Steering Team

Annexes:

1. Validation of Indonesia Report
2. MSG Comments on Validation Report Indonesia
3. Response to MSG Feedback