

FINAL REPORT  
IMPACT STUDY

*Extractive Industries Transparency Initiative (EITI)*

INDONESIA



**KEMENTERIAN KOORDINATOR BIDANG PEREKONOMIAN  
REPUBLIK INDONESIA**

**JAKARTA, AUGUST 2018**

## EXECUTIVE SUMMARY

Impact study aims to review the implementation of the EITI Indonesia and its impact and provide a recommendation to the EITI Indonesia give greater impact to the community in accordance with the role that should be carried EITI Indonesia, namely as a mediator and catalyst for the establishment of an atmosphere of transparency and accountability in the extractive industry that encourages active participation community in reformative movement towards good governance and sustainable. The scope of this impact study includes a review of functional outcomes, review the achievements of the organizational and governance review organization. The method used is the method of comparison, comparing the data obtained from the reality of the observation of documents and interviews with the ideal state should be, based on the indicators of reference.

The results of a review of functional outcomes showed that, although the EITI Indonesia able to make the extractive industry sector increased transparency and accountability than without the presence, in activeness during 2010-2017 transparency and accountability in the extractive industries sector has not been systematically and showed significantly more improvement. This is related to the achievement of organizational results of the review showed that the management of the work program on EITI Indonesia formless management system so that the impact of achievements are not systemically-systematically estimated, measured, and evaluated to be improved further. Managerial control work program depends on the Indonesian Government input in terms of organizational resources (hardware) and the International EITI input in terms of guidance and operational standards (software). Managerial orientation are operational for compliance with EITI standards and serve the political will to reform governance of extractive industries and not be positioned to enhance the atmosphere of transparency and accountability in public areas that encourage active public participation in the extractive industries sector. Existential state of the organization as it is not separated from the quality of its governance over EITI positioning Indonesia as a government agency rather than state agencies or public agencies.

Recommendations for improvements proposed herein is memperkuat a legal basis for increasing the independence of EITI Indonesia, strengthen corporate governance mechanism devices, and intensify public communication programs to increase transparency.

## TABLE OF CONTENTS

EXECUTIVE ringakasan .....	2
CONTENTS .....	3
List of Tables & Pictures .....	4
1. INTRODUCTION .....	5
2. SCOPE OF THE STUDY IMPACT .....	6
3. METHODOLOGY .....	8
4. REVIEW OF ACHIEVEMENTS OF FUNCTIONAL EITI INDONESIA .....	8
4.1. Role of EITI Indonesia and Definitions Concepts .....	functional achievement. 9
4.1.1. Transparency Concept Definition .....	9
4.1.2. Accountability Concept Definition .....	12
4.2. Indicators of the Functional formulation .....	12
4.2.1. Internal Transparency Indicator formulation .....	13
4.2.2. External Transparency Indicator formulation .....	15
4.2.3. Accountability Indicators Formulation .....	16
4.3. Functional Outcomes Data Collection .....	18
4.4. Evaluation of the Functional Outcomes .....	22
4.5. Conclusion Evaluation of Functional Outcomes .....	24
5. REVIEW OF ACHIEVEMENTS OF ORGANIZATIONAL EITI INDONESIA .....	25
5.1. Management Framework Work Program .....	25
5.2. Indicators of Organizational formulation .....	27
5.3. Organizational Outcomes Data Collection .....	28
5.4. Evaluation of Achievement of Organizational .....	30
5.5. Organizational Achievement Evaluation Conclusion .....	32
6. REVIEW OF GOVERNANCE ORGANIZATION EITI INDONESIA .....	32
6.1. Establishment philosophy EITI Indonesia .....	32
6.2. Formulation Governance Quality Indicators .....	35
6.3. Quality Data Collection .....	Governance. 35
6.4. Quality Evaluation Organizational Governance EITI Indonesia .....	37
6.5. Conclusion Organizational Governance Evaluation of EITI Indonesia .....	39
7. COMPREHENSIVE EVALUATION AND CONCLUSION .....	39

8. RECOMMENDATIONS FOR IMPROVEMENT .....	42
References, List of Attachments .....	45

### List of Tables & Pictures

Table 1: Internal Transparency indicators .....	15
Table 2: Indicators of External Transparency .....	16
Table 3: Indicators of accountability (transparency External-Aksional) .....	17
Table 4: Internal Transparency Indicators Formulation Example PSC .....	18
Table 5: Summary of Collection Magnitude Internal Transparency Indicators .....	19
Table 6: Summary of Collection Magnitude of External Transparency Indicator .....	20
Table 7: Summary of Indicators Accountability Magnitude collection .....	21
Table 8: Indicators of Organizational .....	27
Table 9: Status Data Sources for Achievement of Organizational Overview .....	28
Table 10: Summary of Organizational Outcomes Data Collection .....	29
Table 11: Indicators of Quality of Governance .....	35
Table 12: Summary of Data Governance EITI Indonesia .....	36
Table 13: Potential Increased Enthusiasm .....	42
Table 14: Monitoring Activities Visits Page Website & Shareability .....	44
Figure 1: Relationship between Impact Study Scope .....	7
Figure 2: Flow Impact Study Methods .....	8
Figure 3: Shifting Concepts Transparency .....	10
Figure 4: Aspects Transparency .....	11
Figure 5: Functional Outcomes EITI Indonesia Region .....	13
Figure 6: Implementation of EITI in Indonesia .....	23
Figure 7: Work Program Management System .....	26
Figure 8: Dependence Managerial EITI Indonesia .....	31
Figure 9: Governance (Governance) Society and Natural Resources Management ...	33
Figure 10: Impact of Governance and Organization Existential .....	41

## 1. INTRODUCTION

This report was prepared as a report end (final report) the result of the assignment based Employment Contract Agreement No. PKK-01 / CO / EITI.SD.2 / 5/2018 and the PKK 02 / PPK / EITI.SD.2 / 5/2018 dated May 30, 2018, that assignment to conduct a review (review) on the implementation of EITI Indonesia activities and their impact and recommends that EITI Indonesia give greater impact to the community in accordance with its founding principles. In short, this report is the result of impact studies or research on the impact of the role and activities of EITI Indonesia since passed its founding to the present. The study was conducted during June and July 2018, while the finalization of the report was conducted in August 2018.

Basically EITI Indonesia was established to act as a mediator and catalyst for the establishment of transparency and accountability in the management of extractive industry and ultimately encourage transformative movement towards governance of the extractive industry and sustainable. Extractive industries are referred to herein include the oil and gas sector (Gas) and mining (minerals and coal). In the implementation of its activities, EITI Indonesia following the international standards set EITI Association, a non-profit whose members is a constituent of various countries, extractive companies and civil society organizations that endorse the purpose of the establishment of transparency and accountability in the management of oil resources, gas and mining , EITI international standards that followed the last version is the fifth version of the EITI Indonesia, in 2016. However, due to the efforts of EITI Indonesia membership in EITI Association begins in 2013, before the fifth version of the standard was passed in 2016, then a review in this study also consider international standards EITI previous version ,

The impact study is carried out through observation of secondary data and interviews related parties. Secondary data in question are the documents published EITI Indonesia through the website, such as the Reconciliation Report Contextual report and Annual Activity Report of EITI Indonesia from 2013 to date, as well as documents and other sources relevant. Observation of secondary data to be important because of the impact of a systematic activity of organizations such as EITI Indonesia certainly can be traced through documents used or generated by the organization. Interviews were conducted to deepen and complement information obtained from observations of the secondary data.

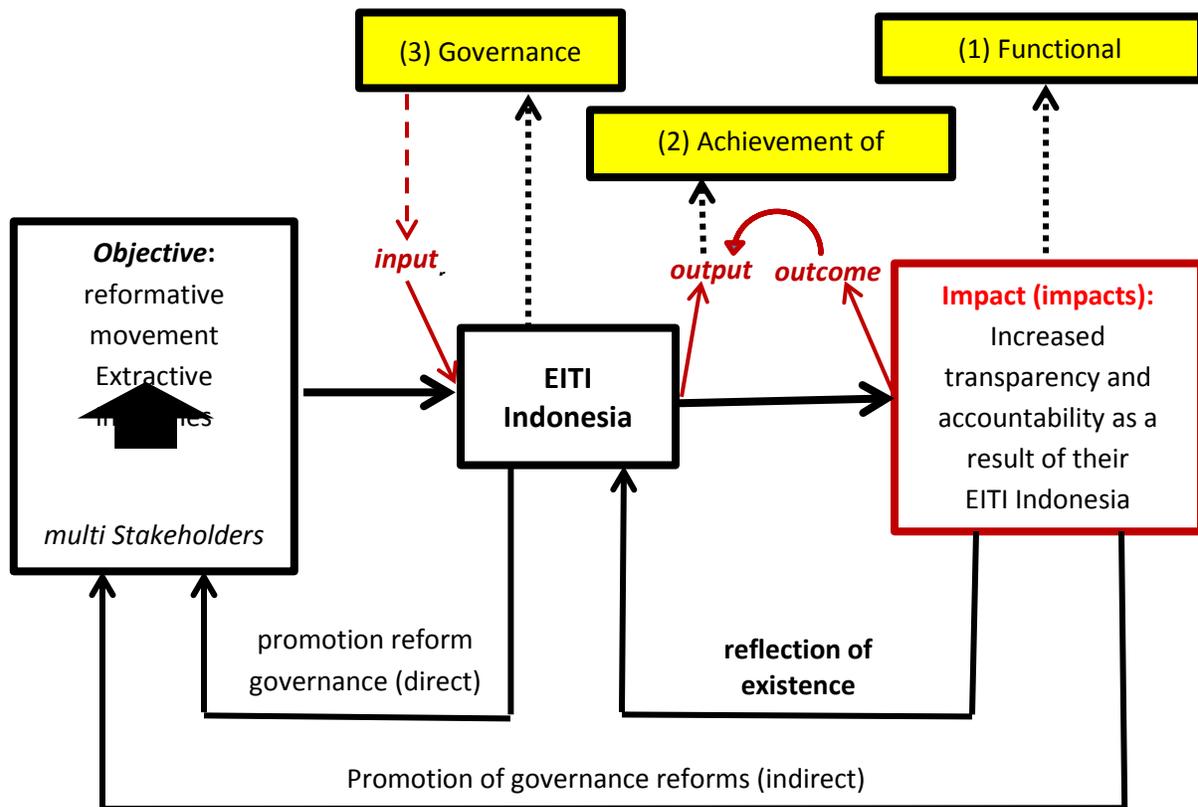
## 2. SCOPE OF IMPACT STUDIES

Impact of the existence of an organization may be positive (as expected) and negative (contrary to expectations). The positive impact, the impact is expected, is a logical result of the organization's operational outcomes, reflecting what is recognized as the organization's goals and mission in the community. This study focused on the positive impact of EITI Indonesia. That is, research on the impact that done here is an investigation into whether EITI Indonesia plays a role or function in society as the purpose and mission, or the original intent of the founding. Therefore, the scope of the study was the first of the so-called achievements of the functional review of EITI Indonesia.

The functional outcomes of EITI Indonesia is certainly not gained by chance or luck, but because of the systematic and organized effort in the form of implementation of the work programs that require intensive mobilization of resources, both human resources and financial resources. How EITI Indonesia as an organization systematically plan work programs with objectives (outputs), which can maximize the achievement of functional (outcome), carrying out work programs in a consistent and persistent, evaluate and control the implementation of the work programs in line with target or improved outcomes (output) it, shows how high the quality of organizational EITI Indonesia. So that high functional outcomes, EITI Indonesia as an organization should be run effectively and efficiently. Therefore, the scope of this impact study is called the review the achievement of organizational EITI Indonesia.

The success rate of EITI Indonesia, as indicated by the organizational and functional outcomes can not be separated from the system of corporate governance and the quality of implementation. The definition of corporate governance system is how the EITI Indonesia organization composed of organs in it, how the interaction between these organs and what principles are applicable as reference the organs in their interactions with one another. The better the system of governance of the organization, the higher the organizational and functional outcomes. Therefore, the third scope of this impact study is called a review of organizational governance EITI Indonesia. Tinjauan organizational governance will dissect the governance system of the aspect of the structure, mechanisms and governance principles are implemented, whether in accordance with the system of governance practices good organization. Recommendations for improvements will be proposed that the system of governance of EITI Indonesia is able to maximally improve the achievement of organizational and functional outcomes.

The third series of the relationship between the scope of the impact study is illustrated in Figure 1 below.



**Figure 1: Relationship between Impact Study Scope**

From this figure shows that the scope of the first (functional outcomes) EITI Indonesia is a review on increased transparency and accountability in the extractive industries as a consequence of the presence of EITI Indonesia. The second scope (organizational outcomes) is a review of the effectiveness and efficiency of the use of organizational resources (input) in the programs of work to achieve the target (output) in accordance with the purpose and mission (outcome). While the third sphere (governance) includes a review on internal organs and their interactions and principles which guarantee the quality of the availability of resources (inputs) and the organization's operational effectiveness-efficiency achievement of organizational goals and functional performance improvement. The final goal of the whole process is a continuous improvement (reformative movement) extractive industries that are indirectly promoted by increased transparency and accountability and directly expected through the sale of intentional (programmed) by EITI Indonesia.

### 3. METHODOLOGY

The impact study using a comparative method, is to do a comparison between the reality of the data obtained from the observation of documents and the ideal state is supposed to happen. Ideal state refers to certain essential concepts that most indicators of reference have been formulated in international standards EITI. If for some essential concepts of EITI international standards do not explicitly mention the reference indicator, the formulation of indicators must be done in advance through the operationalization of the concept. Thus, the flow of this impact study include: [1] The reference indicator formulation ideal circumstances; [2] The reality of data collection; [3] The discrepancy evaluation of reality and the ideal state; [4] for formulating conclusions and recommendations.



**Figure 2: Flow Impact Study Methods**

### 4. REVIEW OF ACHIEVEMENTS OF FUNCTIONAL EITI INDONESIA

To review the functional outcomes, the role or function of EITI Indonesia in the community as intended since its establishment must be known in advance. Role or function as it normally reflected in the vision and mission statement and the planned objectives of the organization. Essential concepts that explicitly involved in it must be clearly defined so easily defined indicators. So, before starting a review of functional outcomes EITI Indonesia in accordance with the flow of the method described previously, the definition of related concepts need to be determined beforehand.

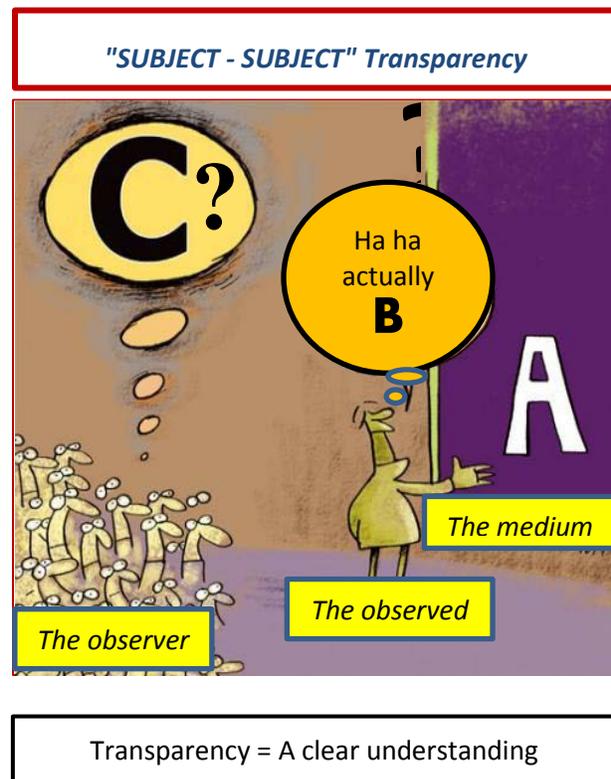
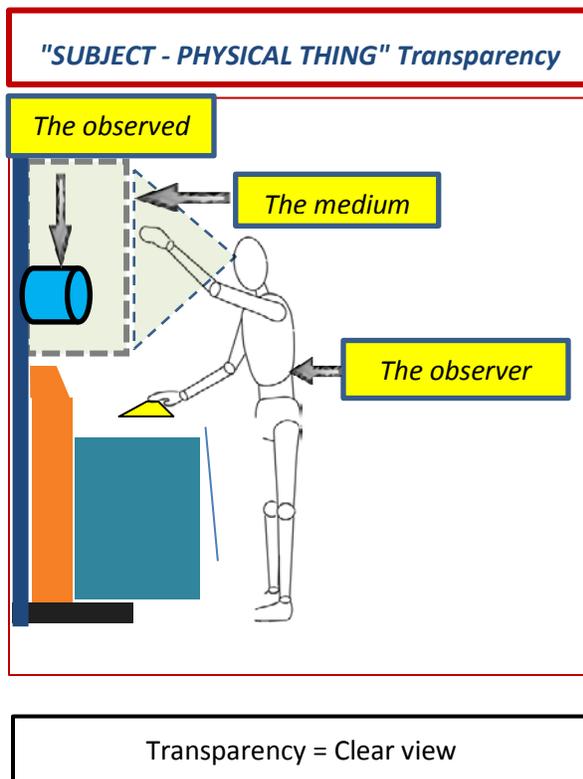
#### 4.1. Role of EITI Indonesia and Definitions Concepts functional Achievement

As already mentioned, EITI Indonesia was established to act as a mediator and catalyst for the establishment of transparency and accountability in the management of extractive industries and eventually push reformative movement towards governance of the extractive industry and sustainable. The success of the role / function EITI Indonesia measured from the magnitude of increased transparency and accountability in the management of extractive

industries. Here the concept of transparency and accountability must be defined before the concept was formulated indicators of achievement / improvement.

#### 4.1.1. Concept Definition Transparency

At first the word "transparency" is used to describe a physical state when light can penetrate a medium such as glass, so that the eye of the observer (the observer) can see clearly objects (the observed) located behind the glass (the medium). References meaning of the word transparency is "a clear view". In further developments, the word transparency is used widely and metaphorical includes the "view" of the abstract things (non-physical) such as a public service institution. The aim is to emphasize the clarity of public understanding of information decisions, actions, rules, policies, and processes of institutional services so as not to mislead the public users of information. The use of the word transparency metapforis on social konsteks shift the reference meaning "clear view" to "clear understanding" within the terms of reference of communication between subjects (institutional information providers and user community information). In this case, certain institutions (the observed) communicate information with specific languages (the medium) to the user community information (the observer) such that gained a clear understanding (Endro 2015).



### Figure 3: Shifting Concepts Transparency

In the terms of reference of communication between the subject, whether the subject of supplier information (institution) nor subject the recipient / user information (public or user's party), both must endure as a "subject" in its essential status when information is delivered, received and understood. The information presented should not be "damaging" the subject or the subject of the supplier of intrinsic status as a subject. In personal relationships, for example, the information presented may not violate the privacy or should not undermine personal dignity as human beings. While the institutional relations, information presented should not undermine the status of the institutions essential role in society, such as not to be in violation of state privacy laws that must be obeyed every institution in the country. Therefore, transparency in communication between the reference frame the subject of its relational (relational transparency) and contains ethics. The closer the relationship between the subject and the subject information suppliers recipient of the information, the more and more in-depth information that can and should be submitted to understand each other together. In summary it can be concluded that the definition of transparency can be defined as "ethical effective communication" (Endro 2015).

Transparency as ethical communication between subjects that effectively has three inseparable aspects, namely: (1) the disclosure of information (*disclosure*); (2) the accuracy of information (truthfulness); and (3) understanding the meaning of information (understandability). In personal relationships, transparency is a situation that allows a person to know what is perceived, known and done by others. Cognitive atmosphere in the transparency of the atmosphere that is formed through an effective ethical communication. A person is said to be transparent if he wants to communicate data about themselves, the data is true to reality, and what is communicated can be understood. An organization is said to be transparent if the report on him (disclosure), the report was true to reality (truthful), and reports that can be understood (understandable). Reporting (disclosure), truth (truthfulness) and understanding (understandability) are the three aspects of transparency are inseparable.

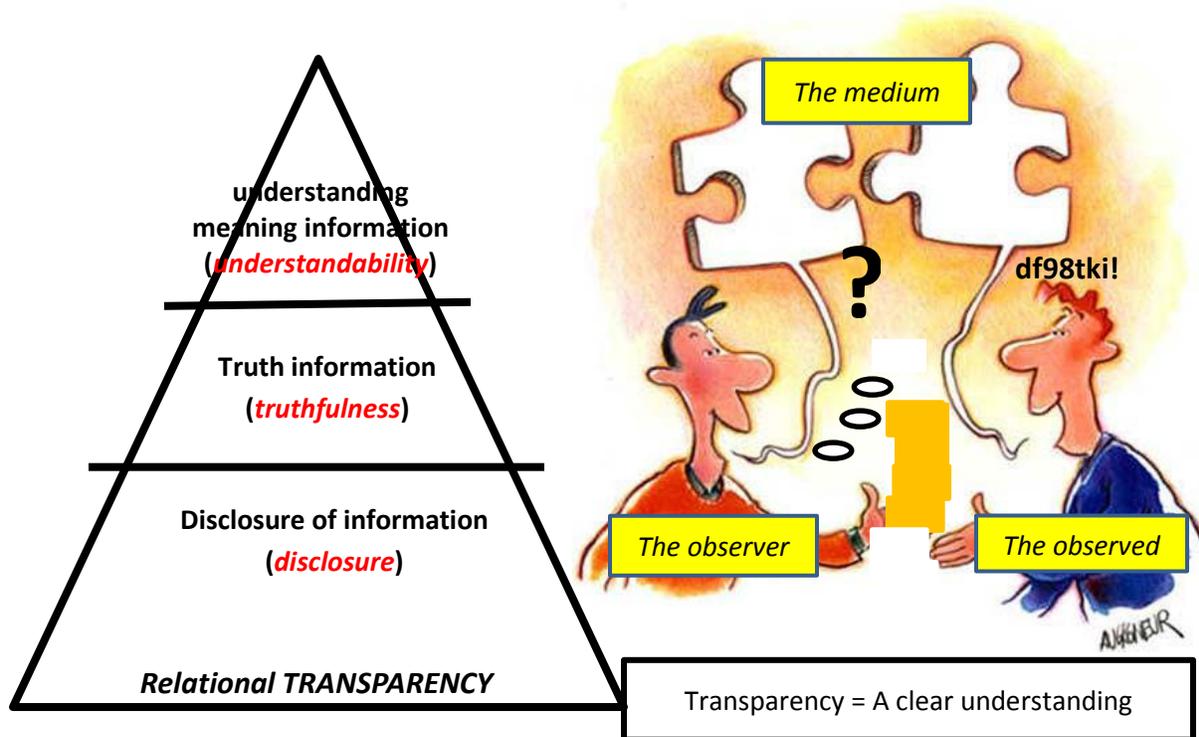


Figure 4: Aspects Transparency

#### 4.1.2. Accountability Concept Definition

The concept of accountability is closely related to transparency. Without transparency, no accountability. Transparency is how accountability should take place. But accountability requires awareness of the parties receiver / users of the information that they have the right to demand that the information obtained. Without awareness or active efforts to subject the recipient / user information about their rights, accountability loss of context. Therefore, accountability can be defined as the ability or effort subject information provider for transparency in order to fulfill the rights of the recipient / user information. Transparency only covers aspects of cognitive (understanding) only, while also the aspect of accountability include aksional (fulfillment of the rights of the recipient / user information).

## **4.2. Functional Achievement Indicators Formulation**

The role of EITI Indonesia is as a mediator and catalyst for the establishment of transparency between the interested parties (the parties involved in the management of extractive industries) and also awakened transparency between the interested parties and the public at large. So we can say there are two areas of transparency in this case, namely: internal transparency region between interested parties and external transparency region between interested parties and the public at large. Both areas of transparency using the "language" of different technical language which is usually only understood interested parties in the area of internal transparency and public language understandable to the general public in the area of external transparency. In order to develop internal transparency, any interested party must be willing and able to deliver a report that can be understood properly and other interested parties. While EITI Indonesia serves as a mediator and catalyst for all interested parties to realize external transparency with interested parties to transform reports into language that can be understood the wider community.

In his role, EITI Indonesia also sensitize the general public about their rights in the extractive natural resources. Public awareness was the context for the growth of accountable management of extractive industries. Accountability is aksional atmosphere that utilize cognitive atmosphere made up of external transparency. These aspects of accountability reflected in the aksional atmosphere. Therefore, if aspects of external transparency group called external transparency cognitive aspects, the aspects of accountability may be called external transparency aspect aksional group. Overview of functional outcomes EITI Indonesia territory is illustrated as follows.

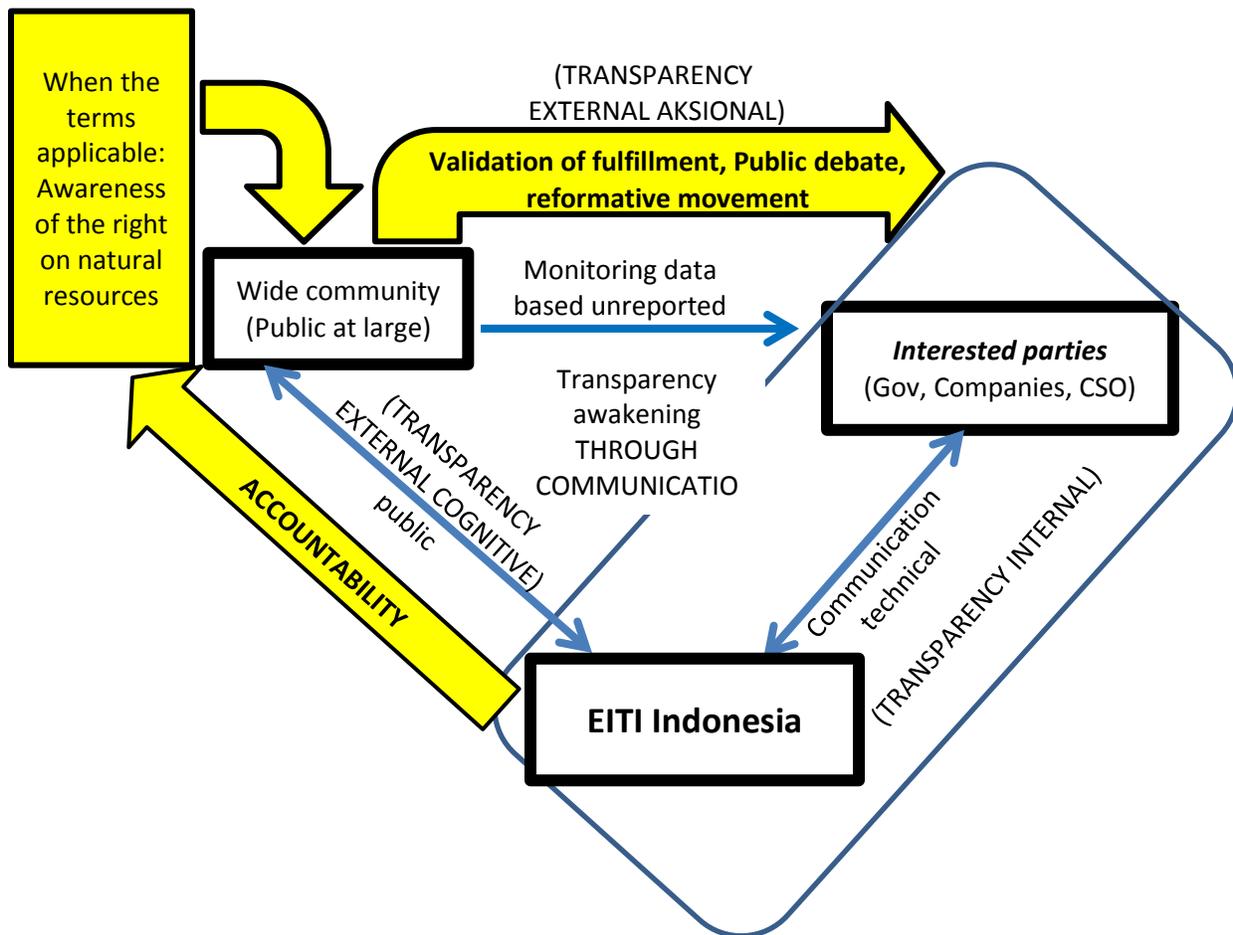


Figure 5: Functional Outcomes Territory EITI Indonesia

#### 4.2.1. Internal Transparency Indicators Formulation

As explained above, internal transparency has three dimensions / aspects, namely disclosure, truthfulness, understandability. Each formulated indicators to measure the level and change the level of transparency that occurs. The database is taken into consideration to formulate indicators of internal transparency is a reconciliation report. In every report made reconciler reconciliation (independent accountants) have always shown the data: initial value differences before reconciliation, the amount of the adjusted value of reconciliation, and the amount of the difference in value that can not be reconciled. Sequentially three data is correlated with aspects of understandability, disclosure aspects, and aspects of truthfulness. Explanation formulating indicators outlined as follows.

- (a) Institutions that truly have the will to deliver a report (disclosure) would not shy and will not be in a position forced to provide statements carelessly. Indicators disclosure aspects of the ideal internal transparency is the absence of institutions that sidelined gave the report and the absence of institutions that provide reports carelessly with the amount of value to be adjusted very great reconciler. The smaller scale of value that should be adjusted reconciler in the reconciliation report, more transparent. Institutions that fail to submit a report means 100% of the value should be reported would be considered to be adjusted reconciler.
- (b) Institutions that truly have the will to make sure the truth of the report will respond positively to requests for clarification of the reconciler such that the magnitude of the difference in value that can not be reconciled nil. Indicators aspects of internal transparency ideal truthfulness is the absence of institutions that refuse clarification and no difference in value that can not be reconciled. The smaller the amount of the difference in value which can not be reconciled, the more transparent.
- (c) Institutions that truly has the ability to deliver reports that can be understood (understandability) will not report a difference gave the initial value (before reconciliation) is very large. The amount of the initial value differences presented in the report indicates the weakness of understanding on how to report the data in the report. Indicators aspects of internal transparency ideal understandability is nihilnya initial value differences were reported. The smaller the amount of the initial value differences reported before reconciliation, increasingly transparent.

**Table 1: Internal Transparency Indicators**

No.	Dimensions / Aspect	Indicator	Information
1.	<i>Disclosure</i> [In]	The value (data) are adjusted reconciler in reconciliation reports	The smaller the amount of the adjusted value reconciler in the reconciliation report, more transparent.
2.	<i>truthfulness</i> [Ti]	The magnitude of the difference value that can not be reconciled	The smaller the amount of the difference in value which can not be reconciled, the more transparent
3.	<i>understandability</i> [Ui]	The magnitude of the difference in value early (before the reconciliation process)	The smaller the amount of the initial value of reported differences before reconciliation, the more transparent

#### 4.2.2. External Transparency Indicators Formulation

In contrast with the formulation of the transparency indicators that can use data bases reconciliation report for consideration, indicators of external transparency should look for another database. Why, the interested parties on internal transparency interact in operations by using the "language" they understand each other technically own, while the public generally use public language to take advantage of the data or information contained in the reconciliation report. Here was the location of one of the roles of EITI Indonesia to communicate to the public the data or information contained in the reports of reconciliation with easily understandable language the general public. Therefore, the disclosure aspect indicators and indicators of external transparency understandability different aspects of internal transparency.

In this case, timeliness of data published EITI Indonesia can be used as an indicator of the external aspects of disclosure transparency. The delay in publication indicates weakness transparency, since data can be considered late by the community of users of data, eg for the purpose of moving the anticipatory participate in governance reform to better direction. The more timely indication of the increasing transparency in the management of extractive industries. Indicators truthfulness aspects of external transparency together with indicators truthfulness aspects of internal transparency, because the truth may not be ambiguous. While indicators understandability aspects of external transparency can be represented by the amount of use of the data published EITI Indonesia for various needs in the community, such as for research, policy formulation, budget recapitulation, and so forth. The assumption is that if the data is used then the data are understood. It is not easy to calculate the amount of use of the data, but the number of those who download (download) data through Indonesia EITI website can be a proxy for the number of people who understand or *kesepahaman* level to the data published management of extractive industries EITI Indonesia.

**Table 2: Indicators of External Transparency**

No.	Dimensions / Aspect	Indicator	Information
1.	<i>Disclosure</i> [De]	EITI Indonesia timeliness of data publication.	The more timely publication of data EITI Indonesia, more transparent.
2.	<i>truthfulness</i> [Te]	The magnitude of the difference value that can not be reconciled.	The smaller the amount of the difference in value which can not be reconciled, the more

			transparent
3.	<i>understandability</i> [Ue]	Total use of data published EITI Indonesia for various needs in the community.	More and more use of data EITI Indonesia, more transparent.

#### 4.2.3. Formulation Accountability Indicators

Context accountability is not fully developed in Indonesia, the general public has not fully own consciousness (awareness) about the need for transparency. Though the public has a right to natural resources extractive managed interested parties and the need to communicate with interested parties in cognitive transparent atmosphere to encourage improved governance of extractive industries to ensure their rights. Therefore, external transparency should extend not only include cognitive atmosphere but also include awareness aksional to arrive at a level of accountability. One role of EITI Indonesia is increasing accountability or awareness aksional (external transparency-aksional) is. If the level of accountability rises, the public will look at whether the right is met as a result of the management of extractive industries that have been reported, to participate in the public debate about the appropriateness of the policy management of extractive industries based on the data that has been reported, and participate in the movement reformative to improve policy management of extractive industries , Three indicators are representative represents the level of accountability in the management of extractive industries.

**Table 3: Indicators of accountability (transparency External-Aksional)**

No.	Dimensions / Aspect		Indicator	Information
1.	Validation of compliance with property rights (VH)	External transparency- Aksional	Number validation fulfillment of property rights, using data publication EITI Indonesia as a reference.	The more validation of the fulfillment of property rights the publication of EITI Indonesia using data as a reference, the more accountable.
2.	<i>public debate</i> (PD)		Total public debate, using data publication of EITI Indonesia as a reference.	More and more public debate, using data publication of EITI Indonesia as a reference, the more accountable.

3.	Reformative movement of good governance (GR)		Number of reforms (improvement), using data publication policies EITI Indonesia as a reference.	The more the policy reforms taking EITI Indonesia publication data as a reference, the more accountable.
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Reformative movement is aksional implications of cognitive atmosphere of transparency promoted by EITI Indonesia. If there are irregularities management of extractive industries that are identified from such a transparent atmosphere, the proposal or action to reform the governance of extractive industries will naturally arise. Indications of cognitive atmosphere that leads to the aksional atmosphere is the public debate. More and more data-based public debate EITI Indonesia, the stronger the position of EITI Indonesia from his position as a mediator and catalyst for transparency and governance reforms drives the extractive industries is good.

#### 4.3. Functional Outcomes Data Collection

The magnitude of internal transparency indicators obtained from the calculation of the absolute value of the difference (positive or negative disregard of the value of the difference) of the data reported and the reporting entity made by the reconciler reconciliation process. Thus, the raw data source is reconciliation management of extractive industries in 2009 to 2015 that has been published. Calculation formula can be illustrated in the example of transparency indicators Contractors group Contract (PSC) in relation to the quality of data reporting that when verified reconciler in comparison with the data reported SKK Migas, as follows.

**Table 4: Internal Transparency Indicators Formulation Example KKKS**

No.	Transparency indicators KKKS	Formulation	Formula
1.	<i>understandability</i> [Ui]	The absolute value of the initial differences before reconciliation	$\frac{ \text{XSkk Oil and Gas, Pre Rekon} - \text{XKKKS, Pre Rekon} }{ \text{XKKKS, Post Rekon} } \times 100\%$
2.	<i>truthfulness</i> [Ti]	The absolute value of the difference late after reconciliation	$\frac{ \text{XSkk Oil and Gas, Post Rekon} - \text{XKKKS, Post Rekon} }{ \text{XKKKS, Post Rekon} } \times 100\%$

3.	<i>Disclosure</i> [ In ]	The absolute value of the difference between adjusted data reconciler	$\frac{ XKKKS, \text{ Pre Rekon} - XKKKS, \text{ Post Rekon} }{ XKKKS, \text{ Post Rekon} } \times 100\%$
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Note: The absolute value of post-reconciliation of data used as the base.

Results calculated the amount of internal transparency indicators can be seen in Table Appendix of this report. In this case, the value of different pre reconciliation taken the smallest value with the consideration that the understandability problem is a matter of bilateral or multilateral, not a matter of negligence of the parties in the delivery of data, so that the value represents the smallest over disagreements essential in the processing and reporting of data. Value reconciliation and value that can not be reconciled taken the greatest value, with the consideration that these values have been through the test data in the reconciliation process. Summary results of the calculation of the amount of transparency indicators presented in Table 5 below.

**Table 5: Summary of Collection Magnitude Internal Transparency Indicator**

DIMENSION	Group Reporting Entity	The lack of transparanan Quantities Indicator (%)						
		2009	2010	2011	2012	2013	2014	2015
		LapRek1	Reconciliation Reports 2		Lap. reconciliation 3		lap Rek4	lap Rek5
In	Oil and Gas contractors	0.7 - 153	0.0 - 24	0.0 - 200	0.0 - 20	0.0 - 256	0.2 - 262	0.0 - 184
	Gas Dit.Pengelola	1.2 - 1.8	18.5 - 94	0.0 - 0.0	0.0 - 26	0.0 - 42	2.4 - 112	0.0 - 100
	Gas Dit.Pndapatan	0.0 - 10.4	0.0 - 16	0.0 - 0.0	4.8 - 16	4.8 - 8.0	0.0 - 0.5	0.3 - 6.0
	Mining contractors	1.6 - 513	4.2 - 17	4.9 - 15	0.0 - 1.3	0.0 - 1.6	0.0 - 91	0.3 - 17
	Mining Dit.Adm	2.0 - 100	0.7 - 2.4	4-39604	0.0 - 1.2	0.0 - 7.5	0.0 - 3.5	0.0 - 232
	Summary	0.0 - 513	0.0 - 94	0-39604	0.0 - 26	0.0 - 256	0.0 - 262	0.0 - 232
Ti	Oil and Gas contractors	0.0 - 3.9	0.0 - 5.8	0.0 - 26	0.0 - 5.3	0.0 - 6.1	0.0 - 122	0.0 - 122
	Gas Dit.Pengelola	0.0 - 1.0	0.0 - 48	0.0 - 20	0.0 - 2.3	0.0 - 3.8	0.0 - 4.8	0.0 - 55
	Gas Dit.Pndapatan	0.0 - 2.1	0.1 - 56	0.1 - 2.4	0.0 - 5.7	0.0 - 6.5	0.0 - 552	0.8 - 2.5
	Mining contractors	2.1 - 72	0.1 - 0.6	0.2 - 2.5	0.0 - 2.0	0.0 - 2.1	0.7 - 3.5	0.1 - 1.4
	Dit. Adm Mining	2.0 - 316	0.1 - 0.6	0.2 - 2.5	0.0 - 2.0	0.0 - 1.7	0.7 - 3.4	0.1 - 1.4
	Summary	0.0 - 316	0.0 - 56	0.0 - 26	0.0 - 5.3	0.0 - 6.1	0.0 - 122	0.0 - 122
Ui	Oil and Gas contractors	0.7 - 154	0.8 - 69	0.2 - 189	0.0 - 29	0.0 - 258	0.2 - 258	0.0 - 487
	Dit. business Migas	0.0 - 156	0.8 - 48	0.0 - 151	0.0 - 28	0.0 - 264	0.2 - 258	0.0 - 219
	Gas Dit.Pndapatan	0.0 - 5.2	8.0 - 31.4	0.0 - 70.0	0.1 - 20.4	0.0 - 13	0.4 - 362	0.8 - 6.3
	Mining contractors	3.4 - 612	12.7-17.4	0-39704	0.0 - 3.8	0.0 - 5.9	0 - 10.5	0.3 - 238
	Dit. Adm Mining	3.6 - 532	12.7-17.3	0- 39 608	0.0 - 2.0	0.0 - 5.8	0.0 - 4.6	17-239
	Summary	0.0 - 613	0.8 - 69.5	0-39704	0.0 - 29.2	0.0 - 258	0.0 - 362	0.0 - 487

Description: Di = Internal Dimension Transparency Disclosure

*Ti* =Transparency truthfulness Internal Dimensions  
*Ui* =Internal dimensions Transparency Understandability

The amount of indicator external transparency and accountability indicators collected from the data, some of which are presented in the Annual Report Activity EITI Indonesia (progress Annual Report) in 2013, 2014, 2015, 2016 and 2017. Summary results of the data collection associated with the amount of external transparency indicators and indicators accountability are presented in table 6 and table 7.

**Table 6: Summary of External Transparency Indicator Collection Magnitude**

DIMENSION	Indicator	Publication EITI Indonesia Year 2013	Publication EITI Indonesia 2014	Publication EITI Indonesia 2015	Publication EITI Indonesia 2016	Publication EITI Indonesia 2017
de	EITI Indonesia timeliness of data publication.	Publication date 2009 data reconciliation. 22-04-2013	Publication reconstruction. Data 2010-11 date. 21-04-2014 (Oil and Gas) 11-06-2014 (Mining)	Publication of data reconciliation in 2012-2013 dated 24-10-2015		2014 Publication date data reconciliation. 27-02-2017 & th. 2015 date. 05-12-2017.
	<b>Summary</b>	<b>2 years late</b>	<b>Late 1-2 th</b>	<b>Late 0-1 th</b>		<b>Late 0-1 th</b>
Te	The magnitude of the difference in value that can not be reconciled.	Data Reconciliation 2009: 0.0 - 316%	Data Reconciliation 2010-2011: 0-56%	Data Reconciliation 2012-13: 0.0 - 6.1%		Data reconciliation 2014 & 2015: 0.0 - 123
	<b>Summary</b>	<b>Non-akurasian max. 316%</b>	<b>Non-akurasian max. 56%</b>	<b>Non-akurasian max. 6%</b>		<b>Non-akurasian max. 123%</b>

<b>Ue</b>	Total use of data published EITI Indonesia	Mass media publications, newspaper articles, comics, video profiles, advertising services	9 x dissemination of data EITI Indonesia	EITI Data portal, workshop For journalists	EITI Data portal, data dissemination events EITI Indonesia	
	<b>Summary</b>	<b>dissemination of data</b>	<b>dissemination of data</b>	<b>Socialization data usage</b>	<b>Use of the data has not been detected</b>	

Description: De = Dimensions External Transparency Disclosure

Te =Transparency truthfulness External Dimensions

Ue =Transparency Understandability External Dimensions

**Table 7: Summary of Indicators Accountability Magnitude collection**

<b>DIMENSION</b>	<b>Indicator</b>	<b>Publication &amp; Data Year 2013</b>	<b>Publication &amp; Data Year 2014</b>	<b>Publication &amp; Data 2015</b>	<b>Publication &amp; Data 2016</b>	<b>Publication &amp; Data 2017</b>
<b>VH</b>	Number of compliance validation property rights Using data publication of EITI Indonesia as a reference.	none	none	none	none	W: Riau start mnggunakan Data EITI validation For DBH.
	<b>Summary</b>	<b>none</b>	<b>none</b>	<b>none</b>	<b>none</b>	<b>began to grow</b>
<b>PD</b>	Total public debate, using data publication of EITI Indonesia as a reference.	6x radio discussion, socialization of transparency .	9x seminar / workshop topics related to extractive industries	3x radio talk show, 2x TV talk show, FGD, workshop	FGD, 4x ttg discussion paper Beneficial Ownership & Panama	
	<b>Summary</b>	<b>public debate socialization EITI</b>	<b>public debate For capacity building</b>	<b>Real public debate has not been detected</b>	<b>Real public debate has not been detected</b>	<b>Real public debate has not been detected</b>

<b>GR</b>	Number of reforms (improvement) policy the publication of EITI Indonesia using data as a reference.	none	none	none	none	<i>Roadmap of beneficiary ownership; commodity trading transparency</i>
	<b>Summary</b>	none	none	none	none	<b>The initiative started to develop</b>

Description: VH = Validation fulfillment of property rights, such as the Regional DBH (DBH)  
 PD = Public debate, using data as a reference publication EITI Indonesia  
 GR = Movement governance reformative publication data based EITI Indonesia

**4.4. Evaluation of the Functional Outcomes**

EITI Indonesia is expected to act as a mediator and catalyst for the development of an atmosphere of transparency and accountability in the extractive industries sector. Tables 5, 6 and 7 show the development of data transparency and accountability in the extractive industries for the existence of EITI Indonesia since the year 2009/2010. All three tables are closely linked, because transparency is a prerequisite for their internal external transparency (see  $T_i = T_e$ ) and external transparency into how accountable management of extractive industries in progress. Even so, their internal transparency does not automatically develop into external transparency and lack of transparency does not necessarily reflect external accountability. Because, communication media as a means of understanding (understandability) between the parties on different internal transparency of communication media on external transparency; and public awareness of their rights upon extractive natural resources are not fully developed. Here the main role of EITI Indonesia was expected, namely to bridge internal transparency in order to develop into external transparency and create external transparency as a form of accountability by increasing public awareness of their rights. What is the role that has been systematically successfully implemented EITI Indonesia? Analysis Table 5, 6 and 7 can give an answer to this question.

- (a) Table 5 shows that, viewed from three dimensions, internal transparency have not experienced a significant improvement in the period 2009 - 2015. Although there was a trend improvement in the dimensions / aspects of the accuracy of data (truthfulness), but the accuracy of the final was a tremendous effort from the Executive Team and reconciler in the reconciliation process the data. On the

dimensions / aspects of the disclosure and understandability, relatively inadequate internal transparency and consistently unchanged. That is, the willingness of the reporting entity to submit a report (disclosure) and its ability to ensure a decent report submitted (understandability) are generally still low. This issue is something that our reconciler many times in the report.

- (b) Table 6 shows that, viewed from three dimensions, external transparency has not experienced a significant improvement. As a result, it is understood that the extractive industry transparent atmosphere which would be carried EITI Indonesia in the public space is not yet fully visible. The problem of low external transparency trying to overcome EITI Indonesia to improve aspects of understandability through dissemination of data and dissemination of data usage, but it is still too early to see the current level of success. Moreover, the focus of EITI Indonesia apparently still divided on efforts to improve transparency apparent internal and external transparency disclosure aspects, namely the pursuit of delays in the publication of data reconciliation. As a result of the very serious delays for EITI Indonesia as had happened in 2015 when the Indonesian EITI compliant status suspended International EITI.



Source: Report of EITI Indonesia Contextual 2015

**Figure 6: Implementation of EITI in Indonesia**

- (c) It is undeniable that the establishment of EITI Indonesia must improve the transparency of extractive industries than before the EITI Indonesia. It can be expected that without EITI Indonesia which objectively runs a data reconciliation process, the quality management of extractive industries will not be monitored and findings sinkronan lack of data in the management of extractive industries will not be detected. However, from the analysis of Table 5 and Table 6 above shows that, despite the existence of EITI Indonesia had a positive impact, but so far the positive impact it has not been systematically increasing. Cause, EITI Indonesia still "entangled" as mediator development of internal transparency are relatively resistant so can not effectively develop its primary role as a mediator and catalyst for the development of external transparency of extractive industries in the public space. The strategic role that should be carried EITI Indonesia shifted into an operational role to meet the target publication of data reconciliation (Reconciliation Report). Two possible causes of resistance that may be mentioned, namely:
- (1) Politically EITI Indonesia does not have enough power to influence the reporting entity to deliver data report a good pre-reconciliation;
  - (2) Economically no sanctions that can motivate the reporting entity to discipline deliver data report a good pre-reconciliation.
- (d) Table 7 shows that, viewed from the third dimension, accountability (transparency externally-aksional) develops very slowly, especially on the dimensions / aspects *public debate* taking the data as a reference publication EITI Indonesia (PD). In the year 2017-2018 is beginning to emerge initiative to use Indonesia EITI publication data as a reference for the validation of rights (VH) region of the DBH oil and gas sector and initiatives for reformative movement of good governance (GR) in the field of transparency of beneficiary ownership and transparency of commodity trading in the extractive industries sector. However, both a very positive initiative appears to be an initiative from the political will top - down with the background of the fulfillment of the EITI Standard 2016, is not an initiative which systematically derived from public pressure as a result of the atmosphere is transparent (cognitive) extractive industries in the public space have formed. Because it does not appear systematically, the momentum of development need to be constantly maintained through political will as well.

#### 4.5. Conclusion Evaluation of Functional Outcomes

EITI Indonesia existence can not be denied is able to increase the transparency and accountability in the extractive industries sector. However, once it was established and in its activity during the last 5-6 years, transparency and accountability in the extractive industries sector has yet to show a further increase in a systematic and significant. The main cause is the shifting role of EITI Indonesia strategic role that should be operational roles that focus more on the reconciliation process the data and serve the will or political initiatives to reform governance of extractive industries. The strategic role of EITI Indonesia and functional systematic performance improvement as a mediator and catalyst for the development of the atmosphere of transparency and accountability in the extractive industries sector will occur if sustained strong organizational management system to achieve the organization in accordance with its functional purpose. Therefore, a review organizational outcomes EITI Indonesia and management systems that sustain them, ie how programs are planned activity-coordinated organization-controlled-monitored systematically by the authority organization offender, needs to be done.

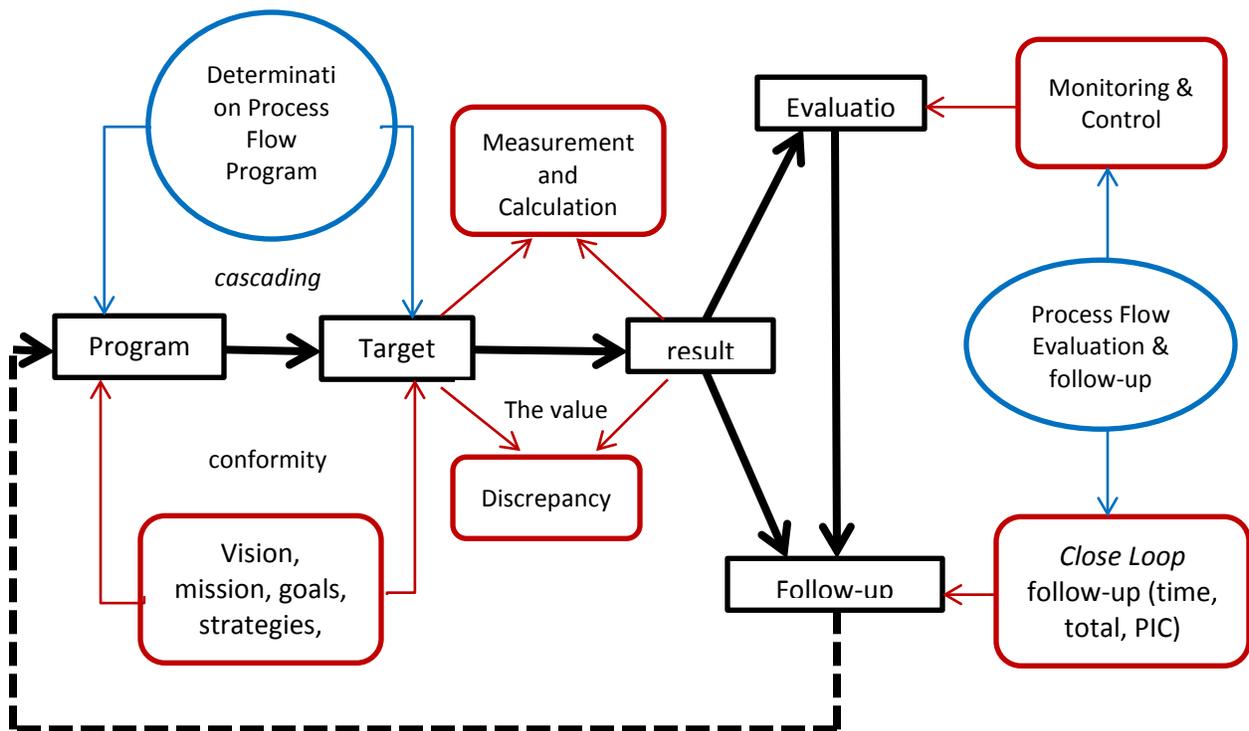
#### 5. REVIEW OF ACHIEVEMENTS OF ORGANIZATIONAL EITI INDONESIA

The achievement of organizational EITI Indonesia represents managerial success rate annually in order to maximize functional outcomes. That is, the achievement of organizational review is a review on the effectiveness and efficiency of the use of organizational resources (input) in the implementation of the programs of work to achieve the target (output) in accordance with the purpose and mission (outcome). So there are three formulation of the problem that would be answered in this review, namely:

- (a) **Planning Work Program:** No matter how the suitability of the work programs are implemented EITI Indonesia with the vision, mission and objectives? Whether the target programs of work right?
- (b) **Implementation of the Program of Work** How effective and efficient implementation of the programs of work of the EITI Indonesia in connection with the use of organizational resources?
- (c) **Evaluation and Control of Work Program:** Are there any obstacles in the achievement of a work program? How systemically controlling organization?

## 5.1. Work Program Management Framework

To review organizational outcomes, the following work program management framework is used as reference. Ideally, the work program management of an organization need to follow a systemic framework such that the planned work program in accordance with the vision, mission and goals of the organization, the implementation is achieving the targets set, as well as the barriers are anticipated and acted upon after the evaluation.



**Figure 7: Work Program Management System**

In ter management system image above, each target and its work program planned by considering compliance with the vision, mission and goals of the organization. Both the target and the results of the work program should be measured in order to be comparable and identified the discrepancy. Monitoring the progress of the work program carried out throughout the process and the obstacles that result in a potential discrepancy to be anticipated for implementation control. Meanwhile, the evaluation conducted regularly and on each of the discrepancy. The evaluation results were followed up for implementation control and / or repair / improvement of the quality of the work program for the next period.

## 5.2. Organizational Achievement Indicators Formulation

Based management framework systemic work program as described previously, the organization of indicators can be formulated in the table as follows.

**Table 8: Indicators of Organizational**

No.	Dimensions / Aspect	Indicator	Information	Data sources needed
1.	Effectiveness Planning Work Program and Target (Workplan) [WP]	Conformity of the program and its target with the vision and mission and goals of the organization	The more appropriate vision, mission and goals, the more effective.	1. Vision, mission, goals 2. The standard procedure planning and determination program And the target. 3. The organizational structure 4. Programs & targets 5. Minutes of meeting related to planning program and targets
		The rationality of selection of the program and its target.	The more rational reason for the program and the target is selected, the more effective.	
2.	Effectiveness of the Work Program and the achievement of target [PT]	Determination of targets and outcomes measurement.	The more precise the measurement, the more effective.	1. The standard procedure measurement targets and results pelaksanaan program. 2. Notes the results capaian implementation program and targets
		Discrepancy program's results against the target program	The smaller the magnitude of discrepancy, the more effective.	
3.	Effectiveness Evaluation of Program Implementation and Follow-Up of Evaluation [TL]	Evaluation of constraints in achieving the targets.	The more rational constraint evaluation process, the more effective.	1. The standard procedure evaluation and follow Further results of the evaluation. 2. Minutes of meeting related evaluation and follow Further results of the evaluation.
		Follow-up of the results of the evaluation of target achievement constraints.	The more precise and consistent follow-up results of the evaluation, the more effective.	

### 5.3. Organizational Outcomes Data Collection

Through the portal search and interview EITI Indonesia Indonesia EITI Secretariat officials, acquired the status of the existence of the necessary data sources as follows.

**Table 9: Status Data Sources for Achievement Organizational Overview**

No.	Dimensions / Aspect	Data sources needed	Presence status
1.	Effectiveness Planning Work Program and Target (Workplan) [WP]	1. Vision, mission, goals, and strategies organization	Although the vision and mission is not mentioned explicitly, the information on the portal is quite representative described EITI Indonesia. The purpose of EITI itself is described as: public participation to improve the management of extractive industries for the benefit of the public.
		2. The standard procedure planning & determination Work program And the target.	Not available standard procedure that shows the flow of the process. However, the work program planning guidelines (workplan) is available in the EITI Standard 2016 (clause 1.5).
		3. Structure organization	The organizational structure is reflected in the Presidential Decree (Decree) No.26 / 2010. There was information in the portal structure EITI Indonesia.
		4. Programs and target	There are programs of work (work plan) and be informed on the portal EITI Indonesia.
		5. Minutes of meeting planning program and the target	There Implementation Team meeting minutes (MSG) for a discussion of the work program (workplan), held every year.
2.	Effectiveness of the Work Program and the achievement of target [PT]	1. The standard procedure measurement targets and results pelaksanaan program.	There is no standard procedure for the measurement of targets and results. However, EITI Standard 2016 [7.4. a. iv.] and the Annual Report Templates standardize the assessment of progress towards the target.
		2. The record results implementation of the program and the target	Available Annual Progress Report which summarizes the progress and achievements of the work program.
3.	Effectiveness Evaluation of Program Implementation and Follow-Up of Evaluation	1. The standard procedure evaluation and follow Further results of the evaluation.	Not available standard procedure for the evaluation. But guidance for the evaluation of the implementation of the work program is available in the Annual Report Template.

	[TL]	2. Minutes of meeting related evaluations and follow-up results evaluation.	There are minutes of meetings related to the evaluation of the implementation of the work program in conjunction with the discussion of the next year's work program (as a follow-up). Special meeting for a comprehensive discussion of the implementation of the program has not been done.
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Based on the data sources listed above presence status, organizational achievement portraits EITI Indonesia can be summarized for each aspect / dimension as follows.

**Table 10: Summary of Organizational Outcomes Data Collection**

No.	Dimensions / Aspect	Indicator	Achievements
1.	Effectiveness Planning Work Program and Target (Workplan) [WP]	Conformity of the program and its target with the vision and mission and goals of the organization	Work programs planned (workplan) 2014-15, 2016-17, and 2018 is related to the vision and mission (the functional purpose of the organization). The goal is also mentioned clearly. But the scale of priorities among the programs that have not been mentioned explicitly.
		The rationality of selection of the program and its target.	The work program (Workplan) designed EITI Indonesia Secretariat and discussed the Executive Team (involving stakeholders) to get feedback and confirmation. Determination should Workplan through the Steering Committee (Presidential Decree No. 26/2010), but never implemented.
2.	Effectiveness of the Work Program and the achievement of target [PT]	Determination of targets and outcomes measurement.	There has been no systematic and systemic measurement against targets and results of the work program. Quantification or size (eg, percentage) than the implementation of target achievement yet. Nevertheless, progress was reported fully in the Annual Report.
		Discrepancy program's results against the target program.	Qualitative discrepancy has been reported in the Annual Report. However, quantitative discrepancy or size (eg, percentage) the achievement of the target does not exist.
3.	Effectiveness Evaluation of Program Implementation and Follow-Up of Evaluation [TL]	Evaluation of constraints in achieving the targets.	Evaluation of the program has been implemented in a limited scope by the EITI Secretariat and incidental meetings Implementation Team (MSG) in conjunction with the preparation of the work program (workplan) next year. Evaluation takes place not systemically and comprehensively.

		Follow-up of the results of the evaluation of target achievement constraints.	Follow-up constraints have been implemented based on the evaluation work incidental concurrent programming. Follow-up results of ongoing evaluation have not been systematically and comprehensively.
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#### 5.4. Evaluation of Achievement of Organizational

EITI work program management in Indonesia has been going pretty well in order to meet the requirements in the EITI standard that applies, but unformed management system independently ensure the effectiveness of its own work program. In a management system, each element of the process with measurable targets exist within the framework of a structured and strung with each other in a controlled manner so that organizations and continuing to meet the standards to achieve its objectives. Each segment in the process management system has a standard plot - usually reflected in the Standard Operating Procedure (SOP) - and performed by otorittas actors who have qualifications and competency standards for it. In the management system, what do the authorities offender is standard (default) so that the power system of actors who mobilize authorities complete each segment of the process. Systemic-systematic condition does not occur in the management of the work program was formless system for personal power authority's own actors who move in the completion of the process segment.

EITI Indonesia, the planning, implementation and monitoring of the implementation phase, as well as evaluation and follow-up phase of the evaluation results, not yet taken place by its own standard procedures. Management cycle Plan-Do-Check-Action (PDCA) to control and substantially continuous improvement has not been implemented yet. EITI Indonesia organizational processes directed in accordance with guidance provided by the International EITI to meet EITI standards in force. This is reflected in the following facts:

- Determination of the work program (work plan) implemented only with the approval of the Executive Team level / MSG in accordance with the EITI Standard 2016 (clause 1.4.b) .iv) whereas, if consistency is maintained, according to Presidential Decree No. 26/2010 shall be carried out by the Steering Committee (Article 5);
- EITI Indonesia's vision and mission as an organization has not been specified explicitly and explanation of the EITI Indonesia's own website was more oriented to the International EITI and standards;

- Evaluation work program and the follow-up results of ongoing evaluation has not been comprehensively to the whole program of work each year, although Annual Progress Report have shown their evaluation in accordance with the EITI standard.

In short, the management organization of EITI Indonesia over the management of the EITI standards compliance rather than systemic management-systematically implemented for the purpose of essential and strategic improvement of transparency and accountability in the management of extractive industries. Managerial orientation is more operational than strategic. EITI standards into the organization's operational guidance (software or software organization) as well as the fulfillment of the objectives of managerial organization.

Relevance or appropriateness of the work program objectives with a functional purpose Indonesia EITI explicitly mentioned in the planning of the work program (workplan). Even in the 2016-2017 work plan, the reason (rationale) and challenges (challenge) from the planning of the work programs mentioned explicitly. However, because there are no priorities among the programs of work, there is no measurement of systemic-skewing the results of the work program compared to the target, and there has been no evaluation of its comprehensive review of the overall program of work, then the effectiveness of the impact of the achievement of organizational toward functional goals EITI Indonesia did not systemic-systematic estimated, measured, and evaluated to be repaired or upgraded. Moreover, when the input resources of the organization, such as finance (financial resources) of the Government of the Republic of Indonesia, can not be determined or controlled by the authority organization offender then the uncertainty on the work program to be a problem. EITI Indonesia dependence on the resources (hardware or hardware organization) that can not be controlled itself complicate EITI Indonesia became an independent organization stronger politically and economically and complicate its management into the management of systemic-systematic, strategic and effective.



**Figure 8: Dependence Managerial EITI Indonesia**

Dependence condition as illustrated in Figure 8 above reflects that the EITI Indonesia is still in the early stages of organizational development. Organizations such as the development stage is considered still reasonable, considering the existence of EITI Indonesia itself as an organization is still not long enough.

### **5.5. Organizational Achievement Evaluation Conclusion**

In order to fulfill the EITI standard, the management of the EITI work program in Indonesia went quite well. However, because unformed management system, the impact of their achievements on the functional purpose the organization is not systemically-systematically estimated, measured, and evaluated to be improved further. Managerial control of the work program is still dependent on the Indonesian Government input in terms of organizational resources (hardware) and the International EITI input in terms of guidance and operational standards (software). Therefore, they are operational managerial orientation for the fulfillment of the EITI standards and serve the political will to reform governance of extractive industries. This condition reflects that the EITI Indonesia is still in the early stages of organizational development. For a further review of these conditions, there should be a review of the governance of the organization which is about how the distribution of authority organization offender, how actors get authority organization, and how they interact, and the principles underlying the running of the organization.

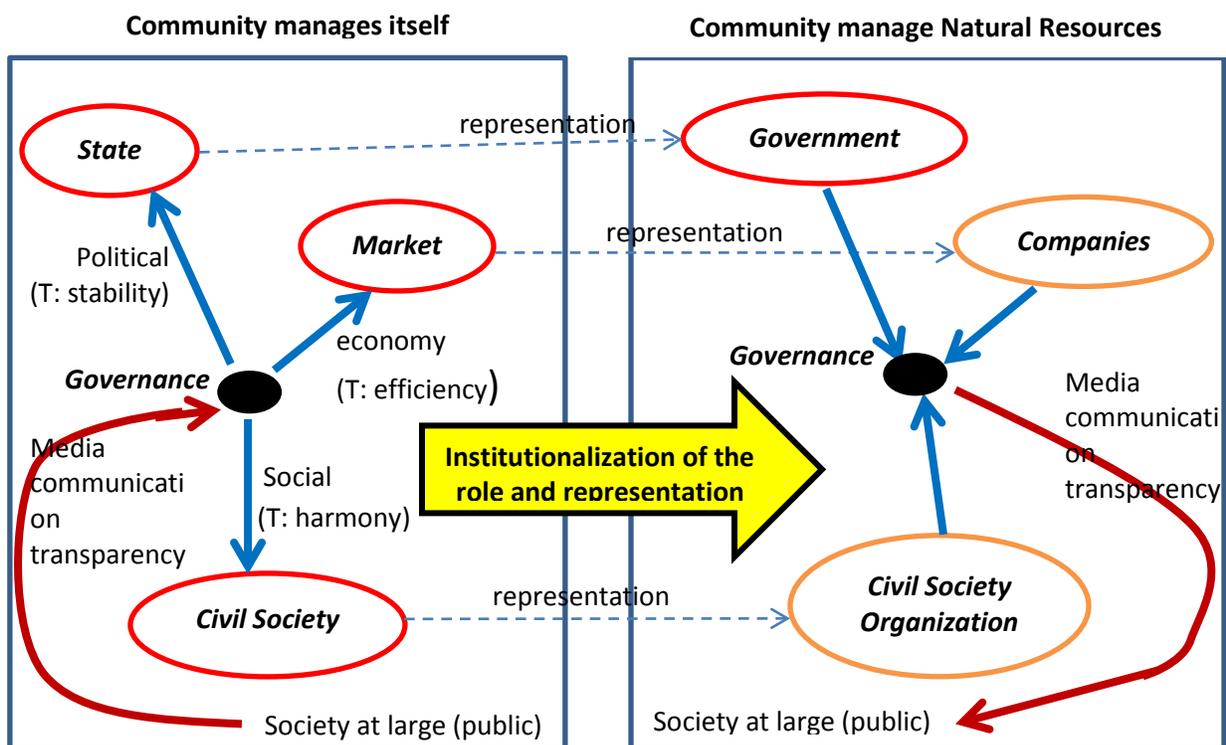
## **6. REVIEW OF GOVERNANCE ORGANIZATION EITI INDONESIA**

Overview EITI governance Indonesia can not be separated from the philosophy of the background for the establishment of EITI Indonesia, which is the reason why this organization is needed and to whom the organization should be responsible and accountable operations. By understood the philosophy of its founding, the evaluation of the three elements of organizational governance system (structure, mechanisms and principles) of the indicators can be done properly, including the quality of the implementation.

### **6.1. Establishment philosophy EITI Indonesia**

The most fundamental question in relation to the governance of the organization is: who is the owner of the organization? (Oliver 2009, 41-67). Answers to this question determines the source otoritasasi governing board of the organization. Looking at the history establishment, EITI Indonesia was founded on the will or the political initiative of the Indonesian government in

2010 with the issuance of Presidential Decree No. 26 of 2010. However, it can not easily be concluded that the EITI Indonesia organization owner is the Government of the Republic of Indonesia. Based on EITI standards in 2016, for example, the Multi-Stakeholder Group (MSG) has the central role of supervision or control of the functioning of the organization. Because MSG represents the elements of the general public (public), EITI standard indicates indirectly that the owner of the EITI is the public organization (public). Basic reason is the fact that the general public (public) manage itself through the institutions of the state (for the sake of political stability), market institutions (for the sake of economic efficiency), and the institutions of civil society (for the sake of social harmony). Therefore, when the public at large (public) managing the use of natural resources (SDA), MSG is the composition of representatives includes representatives of the government (state representation), the company (market representation), and non-governmental organizations (representation of civil society) should play a central in the organizational management. Communications media to bring transparency to be important to maintain trust between members of the public so that the public remain intact.



**Figure 9: Governance (Governance) Society and Natural Resources Management**

The problem for the general public (public) as the owner of EITI Indonesia is the underlying constitutional provisions. In the Act of 1945 is mentioned three paragraphs of Article 33 with regard to the issue of the management of extractive industries, namely:

- (1) The economy is structured as a joint venture based on family principles.
- (3) The earth and water and natural resources contained in it are controlled by the state and used for the greatest prosperity of the people.
- (4) The national economy shall be organized based on economic democracy with the principles of togetherness, efficiency with justice, sustainability, environmental friendliness, independence, and balancing economic progress and national unity.

The three verses connection with extractive industries can be formulated as follows:

- Extractive industries are economic utilization of natural resources, so the country should dominate or control their use to produce prosperity for the people as much as possible (paragraph 3);
- Extractive industries are part of the national economy should be structured as a joint venture (paragraph 1) and organized based on economic democracy with the principles of (verse 4).

First Formulation indicates that the extractive industries are managed not by the market approach (market approach) but the approach to the regulation of the state (regulatory approach). The state must have a central role in the extractive industries. Nevertheless, the second formulation indicate that the general public (public) should be involved in the management of extractive industries, especially in the preparation of regulatory or management policies. Economic democracy request active community Participation in economic management.

Thus, the central role of the state and the active participation of the public is a constitutional provision. While the active participation of society is not possible without transparency. Therefore, EITI Indonesia could play a role as a mediator and catalyst for the establishment of transparency in the management of extractive industry and ultimately encourage active community participation. The central role of the state does not mean that the state or government as an institution reps become the owner of EITI Indonesia, but rather that its governing board (MSG) should be dominated by the representation of the country despite having to accommodate also the representation of the market (companies and / or industry associations) and the representation of civil society (civil society Organizations ) to ensure broad community participation. It can be concluded that the establishment of institutions such as the EITI transparency bearers of Indonesia, is an implementation of the constitutional mandate.

## 6.2. Formulation Quality Indicators Governance

After the founding philosophy outlined EITI Indonesia, indicators of the quality of governance can be formulated to evaluate whether the governance of EITI Indonesia in accordance with the practice of good corporate governance. Organizational governance can be evaluated from five aspects, namely: the quality of governance systems as a whole, the quality of each of the three elements of the system of governance (the governance structure, governance mechanisms and principles were used as a basis for implementation), and consistency of implementation itself.

**Table 11: Indicators of Quality of Governance**

No.	Dimensions / Aspect	Indicator	Information
1.	<b>System</b> Governance [SIS]	1. Integrity of the system of governance  2. <i>Check and balance</i> between organs.	1. Increasingly integrated, the better. 2. The stronger check and balance, the better
2.	<b>Structure</b> Governance [STR]	1. Completeness representative in the organs. 2. Clarity of roles and authorities of each of its organs	1. The more complete terepresen-the separate, the better. 2. The more clearly the role and authority of the organs, the better.
3.	<b>Mechanism</b> Governance [MEK]	1. SOP completeness intra-organ interaction (Terms of Reference - TOR) 2. SOP completeness interactions between organs.	1. The more complete SOP intra-organ, the better. 2. The more complete SOP between organs, the better.
4.	<b>Principle</b> Governance [PRI]	1. Strength basis in law. 2. Fulfillment of the principles of good governance (good governance - GG)	1. The stronger the legal basis, the better. 2. More fulfilled principles of Good Governance (GG), the better.
5.	<b>Implementation</b> Governance [LED]	1. The enthusiasm in the implementation of corporate governance. 2. Consistency systemic governance implementation.	1. The more enthusiastic, the better. 2. The more consistent, the better.

### 6.3. Governance Quality Data Collection

In Perpres 26/2010 illustrated that organizational governance EITI Indonesia following the two-board system (two-tier) with establishment of the Steering Committee (TimRah) and Implementation Team (TimLak). PERPRES, the Secretariat was established and governed by the Chairman of the Steering Committee.

**Table 12: Summary of Data Governance EITI Indonesia**

No.	Dimensions / Aspect	Indicator	Data Year 2010 - 2018
1.	System Governance [SIS]	Integrity of the system of governance	Compactness organs is not clear. There is no intensive interaction between TimRah and TimLak. No organizational burden on TimLak temporary control of the organization often exist in the Secretariat.
		<i>Check and balance</i> between organs.	<ul style="list-style-type: none"> <li>▪ <b>There is no effective oversight</b> TimRah thd TimLak (supervisory control system submitted to the EITI)</li> <li>▪ <b>It was not clear oversight</b> TimRah / Secretariat of the reactor TimLak</li> <li>▪ <b>not balanced</b> the composition of the TimRah &amp; TimLak. Government representation is predominant.</li> </ul>
2.	Structure Governance [STR]	Completeness pd representative organs.	<ul style="list-style-type: none"> <li>▪ The wider community is not adequately represented in TimRah.</li> <li>▪ Not all stakeholders are represented in TimRah &amp; TimLak.</li> </ul>
		Clarity of roles and authorities of each of its organs	<ul style="list-style-type: none"> <li>▪ It was unclear authorities of each organ, one against the other.</li> <li>▪ It was unclear authority of members in each organ.</li> </ul>
3.	Mechanism Governance [MEK]	SOP completeness intra-organ interaction (TOR)	TOR TimLak (2015) expired, no new determination. Completeness new TOR and kesinkronannya through PR 26/2010 need to be checked.
		SOP completeness interactions between organs.	<ul style="list-style-type: none"> <li>▪ There are no related SOP supervision.</li> <li>▪ It was unclear SOP operational secretariat in relation to TimLak &amp; stakeholders (interested parties).</li> </ul>
4.	Principle Governance [PRI]	Strength basis in law.	Presidential Regulation No.26 / 2010 meets the Constitution 33 (3) because the President (Head of State) to represent the state (the ruling SDA). But given the importance of transparency in the economy 'joint venture' (Constitution 33 (1)) and for 'economic democracy' (Constitution 33 (4)), the institution should transparency under the Act.
		Fulfillment of the principles of	The central principle 'TRANSPARENCY' requires Reciprocity principle and the principle of non-asymmetry (the absence

		good governance (GG)	of imbalance) in communication, which is not yet reflected in Presidential Decree 26/2010 Article 16. Communication tends to be one-way (chapter 8).
5.	<b>Implementation</b> Governance [LED]	The enthusiasm in the implementation of corporate governance.	The enthusiasm of personnel in the implementation of governance varies. There are enthusiastic to meet the interests of transparency reasons, there are only enthusiastic when it comes to his interests, and there are that consider the implementation of transparency as a burden (weak enthusiasm). Interest seems to be acting as a controller.
		Consistency systemic governance implementation.	<ul style="list-style-type: none"> <li>• There are no TimRah meeting every year (PERPRES 26, chapter 6).</li> <li>• It was unclear consistent implementation of grains perpres 26.</li> <li>• It was unclear consistency presence of members or representatives of members at meetings TimLak TimLak.</li> </ul>

#### 6.4. Quality Evaluation Organizational Governance EITI Indonesia

an organization will be managed properly if group leaders compact (integrated well) and the supervision of the principal (the giver of authority) to the agent (the receiving authority) lasts well. Data governance EITI Indonesia are shown in Table 12 shows that:

- (1) From the aspect of the overall governance system, cluster organs EITI leadership in Indonesia, namely TimRah, TimLak, and the Secretariat, did not show the expected compactness. Interaction between TimRah and TimLak not visible at all, because the members TimRah itself a high official ministerial-level is very difficult to provide time for consolidation meeting let alone exercised control over the decisions and program implementation TimLak. TimRah does not work as mandated by Presidential Regulation 26/2010. This means TimLak runs without formal supervision of the internal organization. As a result, the performance of TimLak and even the presence of any member TimLak uncontrollable that the Secretariat and Executive Directors often have to take control of the organization. Though formally the Secretariat and its Executive Director is the only executive TimLak decision and in its implementation should follow work procedures stipulated Chairman TimRah (Presidential Decree 26/2010 article 13). Ineffective internal supervision organization means EITI Indonesia relied on surveillance of external institutions (Supervisory Coordinating Ministry for Economic Affairs and Supervision of International EITI) so as EITI Indonesia organization is not independent.

- (2) From the aspect of governance structure, clarity terpilahnya TimRah duty and authority, TimLak and the Secretariat has not fully happened. Such as the establishment of a work plan that should be done TimRah, in fact do TimLak. Executive Director that are supposed to implement whatever decision TimLak, often taking the role so that TimLak arrive at its decision. This complicates the realization of the principle of principal-agent or principle of supervision (which oversees versus supervised). Privileges members and member TimLak TimRah is not yet entirely clear.
- (3) From the aspect of governance mechanisms, standard procedure completeness interactions intra and inter-TimRah, TimLak, and the Secretariat has not been identified. Device standard procedure is important for synergy, integrity, and effectiveness of the leadership of the controlling organs of the organization. Without this software, the cohesiveness and effectiveness of the role of group leader organs difficult.
- (4) From the aspect of the principles of governance, transparency and accountability embodied in earnest in every facet of operations EITI Indonesia, in accordance with the principle that was carried in the extractive industries and in the public domain. However, the legal basis of establishment of EITI Indonesia, Presidential Decree No. 26/2010, have not fully direct the organization on its strategic role. Composition TimRah member in Presidential Decree No. 26/2010 dominated government officials and the lack of effectiveness of the EITI Indonesia TimRah indicates that more as a government agency rather than the state agency or public agency. Transparency in Perpres 26/2010 be interpreted in mechanistic / operational as the task of reconciliation report then published to the public (Article 14, 15 and 16), are not interpreted ideally as cognitive situation in society that encourages public participation in the management of the extractive industries sector as mandated by the Constitution Article 33. the situation of cognitive transparency requires reciprocity principle and the principle of non-asymmetry (the absence of imbalance) in the communication between EITI Indonesia and the public.
- (5) From the aspects of governance implementation, consistency of implementation has not been in accordance with design governance systems stipulated in Presidential Regulation No. 26/2010. TimRah have not served as they should be. While not optimal TimLak role, due to the presence of its members in the meetings was not full and not consistent with the officials mentioned in the Presidential Decree No. 26/2010. If present, the presence of officials of member TimLak mostly delegated to personnel who alternated and do not understand the development of the previous meeting and do not have the authority to take decisions on behalf of the official. Thus, the enthusiasm of

personnel in the implementation of governance varies. There are enthusiastic to meet the interests of transparency reasons, there are only enthusiastic when it comes to his interests, and there are that consider implementing formal transparency as a burden. Practices like this make it difficult for the effectiveness of TimLak.

In general it can be said that the supervision and control of the organization EITI Indonesia has not fully rely on the system of internal governance of the organization. Dependence on hardware organization (organizational resources) from government and the software organization (guidance, templates, standards) from the International EITI implies an attitude of relying on external supervision organization of Inspectorate Coordinating Ministry of Economic Affairs to issue effectiveness-efficient use of resources and of International EITI Validation team every three years to issue orderly compliance EITI standard. External oversight as it was more operational than strategic effect and is unable to turn the enthusiasm in the implementation of internal governance system toward better practices.

#### **6.5. Conclusion Organizational Governance Evaluation of EITI Indonesia**

Organizational governance system EITI Indonesia has not run optimally in accordance with good practice of organizational control. The structure of the authority group led controllers that have not been disaggregated clear, standard mechanism that is not yet complete, and the principles and legal foundation which is positioned EITI Indonesia as an agent of the government rather than state agencies or public agencies, making the cohesiveness of the group leader of EITI Indonesia has not met expectations so that the enthusiasm of the implementation of the system governance can not be consistent. Performance monitoring of organizations rely on external supervision of the Ministry for Economic Affairs and International EITI Validation Team that the effect is more operational than strategic.

### **7. COMPREHENSIVE EVALUATION AND CONCLUSIONS**

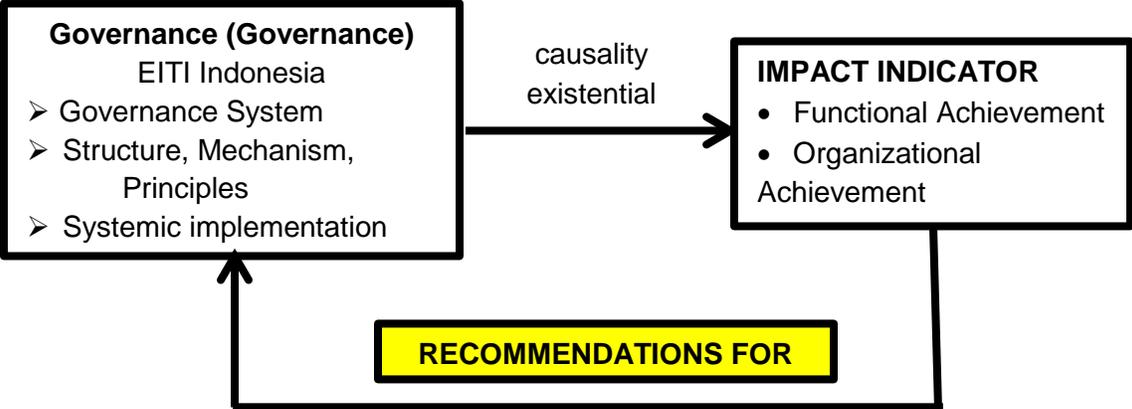
Transparency is the principle and virtue (virtue) the most important in the social sector as a prerequisite for the emergence of mutual trust (trust) between the parties. While mutual trust (trust) itself is a pre-condition (something that is possible) the emergence of business and healthy economic growth. This means that without trust will not show business and healthy economic growth, despite an increase in trust does not necessarily mean an increase in business and economic growth. Therefore, a more transparent extractive industry is not necessarily statistically significant correlations with the growth of extractive industries. But

without transparency would risk extinguish trust and stop the growth of extractive industries. In the situation in Indonesia is considered undergoing a "crisis" trust, increase transparency in the management of extractive industry to provide fresh air for the health of social and economic relations in society. Moreover, the Act of 1945, Article 33 mandates that the economy is managed as a joint venture based on economic democracy, which requires active participation in economic governance, especially the extractive industries. EITI Indonesia should not be positioned economically to boost economic growth, but a legal-moral basis to fulfill the mandate of the 1945 Constitution, Article 33.

Conceptually transparency contrary to the character that encourages corruption. If it is paradigmatic of corrupt practices manipulating property / the common good (the common good) for personal use (private interest), practice transparency report personal interests for the common good. Therefore, transparency can be an important part in the anti-corruption movement. Nevertheless, the transparency movement is more complex than the anti-corruption movement. While the anti-corruption activists are only required to recognize the limitation measures should not be violated (one should not do), transparency activists are obliged to recognize the action (one should do) more complex criteria with respect to the violation should not state privacy and confidentiality. While the corruption of economic studies show that increasing the level of corruption is negatively correlated with economic growth (Mauro 1995), there has been no transparency of economic studies that conclusively prove that increased transparency is positively correlated with economic growth. So, a kind of transparency bearer institutions EITI Indonesia has a more complex challenge than anti-corruption agency.

Indonesia EITI establishment is clearly capable of making the extractive industries increased transparency and accountability than without existence. However, once it was established and in its activity during 2010-2017, transparency and accountability in the extractive industries sector has not been systematically and showed significantly more improvement. Not that management of the work program on EITI Indonesia performed poorly, but management in EITI Indonesia formless management system so that the impact of achievements are not systemically-systematically estimated, measured, and evaluated to be improved further for the purpose of improving the transparency and accountability in the extractive industries. Managerial control work program depends on the Indonesian Government input in terms of organizational resources (hardware) and the International EITI input in terms of guidance and operational standards (software). Managerial orientation are operational for compliance with EITI standards and serve the political will to reform governance of extractive

industries and not be positioned to enhance the atmosphere of transparency and accountability in public areas that encourage active community participation in reformative movement of good governance in the extractive industries. Existential circumstances such organizations can not be separated from governance of the organization that took place in EITI Indonesia, so the potential for improvement should emerge mainly from the governance of the organization.



**Figure 10: Governance and Organization Existential Impact**

Governance of EITI Indonesia organization that adopts a dual board (two-tier) does not run optimally in accordance with good practice of organizational control. Structures, mechanisms, principles and legal foundation that is positioned EITI Indonesia as a government agency rather than the state agency or public agency, making the cohesiveness of the group leader of EITI Indonesia has not met expectations so that the enthusiasm of the implementation of the system of governance can not be consistent.

Improved system of governance must also be accompanied by an increase in the enthusiasm of the personnel who run it. Both must be done simultaneously in accordance with the characteristics of the reasons behind the lack of enthusiasm. There are three factors or faculty in man which determines what will be done, namely: (1) desire for keyamanan (usually administered in economic science); (2) belief (usually administered in the field of political science); and (3) rationality (usually administered in the field of social sciences and culture). Someone who will perform an act usually motivated by one or more reason to answer the question: whether the act was fun (desire), whether the action was appropriate confidence / trust (belief), or whether the act was deemed reasonable so accustomed to do (reason).

Interview personnel involved in TimLak provide information about the characteristics of the reasons behind the lack of enthusiasm that is correlated with three factors. The potential for increased enthusiasm given in accordance with the characteristics of the reasons behind the lack of enthusiasm following table.

**Table 13: Potential Increased Enthusiasm**

<b>Weak characteristics Anstusiasme (Diagnosis)</b>	<b>FACTORS</b>	<b>Issues fields</b>	<b>Potential Increased Enthusiasm</b>
Lack of willingness to be actively involved	BELIEF	Political	1. Strengthening and enforcement of rules / laws. 2. Increased independence of EITI Indonesia.
Robust uncomfortable feeling: engagement is considered as an additional burden	DESIRE	economy	1. Improved system of reporting / data input to increase comfort. 2. Providing incentives / disincentives (sanctions) for the activity / passivity.
Lack of commitment or persistence to actively engage	REASON	Social - cultural	1. Assignment of personnel representative the same for each activity EITI Indonesia. 2. Increased interaction forums for understanding and habituation (internalization).

**8. RECOMMENDATIONS FOR IMPROVEMENT**

**8.1. Strengthening the Legal Basis and Improving Transparency Independence Organization**

To streamline internal control and supervision of the organization, the implementation of One tier governance system with a single board would be more effective than the two-tier governance system with dual board applied over the years. Thus, the Transparency Team does not need to be divided into two into the Steering Committee (TimRah) and Implementation Team (TimLak). Transparency should be selected Team Leader / dismissed by the Transparency Team Meeting and designated by the President. Transparency Team Leader performance monitored and evaluated by the Transparency Team Meetings. Executive Director of the Secretariat of Transparency Team can be considered a member of Transparency Team. Total Transparency Team members should

be no more than 20 people. Transparency Team members from the Ministry of specially commissioned by the Minister for a period of 3 years as well as representatives of industry associations and Civil Society Organizations. For the legal basis and increase its independence, there are three options with ideals and different difficulty levels to make it happen:

- 1) Transparency institution as a public agency based Act (a type of KPK, Komnas HAM), the composition of the team members of the various groups of stakeholders Transparency {broader than MSG EITI), selected through a special mechanism approved by the House.
- 2) Transparency institutions as agents of the state, a kind of a special unit under the President, based on the Presidential Decree, with the composition of the Transparency Team members from various groups of stakeholders (wider than MSG EITI), selected by the mechanism approved by the President.
- 3) NGO Transparency as an agent of the state based on the Presidential Decree, such as the EITI Indonesia today under the Coordinating Minister for Economic Affairs, but with the composition of the Transparency Team of the various groups of stakeholders (wider than MSG EITI, including members of Parliament personally and operating officer KPK) selected with a special mechanism by Transparency Board meeting itself (except for the first Transparency team membership) and determined by the President.

## **8.2. Strengthening Governance Mechanism**

With the above-mentioned governance structure, Transparency Team must create and assign all software organizational instruments, such as: TOR, regulations, policies and Standard Operating Procedures for internal control and operational guidelines of the organization. Some rules / other policies need to be made of which include:

- [1] The reporting system / integrated data input online
- [2] The incentive / disincentive to the activity / passivity of the reporting institution
- [3] Rule personnel assignment the same representative of the relevant institutions
- [4] The programs increased interaction between stakeholders
- [5] The system monitoring and performance evaluation organization

### 8.3. Increased Transparency External

To improve external transparency (both cognitively and aksional) or adhere to the principle of non-reciprocity and the principle of asymmetry, need to intensify public communication program. Several potential strategic public communications program and need to be intensified are:

- Communication with rational people in college in order to publish a report and database extractive industry, so that the power to report on research / studies and the impetus for increased policy reform proposals.
- Communication through the publication of the website is always up to date along with the netting feedback through social media should also be intensified, given the number of website visitors EITI Indonesia is still quite small, relatively when compared with the number of visitors to other websites.

**Table 14: Monitoring Activities Visits Page Website & Shareability**

No.	website	total Daily Visitors	total Daily Pageviews	Shareability via Facebook	Shareability via Twitter
1.	EITI (Eiti.econ.go.id)	84	185	78	11
2.	CMEA Econ (econ.go.id)	3,480	7,670	42	40
3.	Ministry. EMR (esdm.go.id)	20.500	133,000	7840	81
4.	Ministry. Finance (kemenkeu.go.id)	175.000	700,000	755	429
5.	Seconds (Detik.com)	1,250,000	7.39 million		

Note: Data obtained by using [www.Easycounter.com](http://www.Easycounter.com)

Professional PR consultants could be asked to create and implement strategies and work programs of public communication that clearly targets and accountability.

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## Appendix List

1. Magnitude Calculation of Internal Transparency Indicator (7 pages)
2. Interview Protocol (5 pages)
3. Interview Transcript 1 (9 pages)
4. Interview Transcript 2 (8 pages)
5. Interview Transcript 3 (4 pages)
6. Interview Transcript 4 (4 pages)
7. Interview Transcript 5 (14 pages)
8. Interview Transcript 6 (4 pages)
9. Interview Summary 7 (1 page)
10. Appendix Data Work Program 2015 (2 pages)
11. Measured Analysis Presence Annex A Work Program (2 pages)