



# Concept Environmental and Social Review Summary

## Concept Stage

### **(ESRS Concept Stage)**

Date Prepared/Updated: 12/15/2020 | Report No: ESRSC01705



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Indonesia	EAST ASIA AND PACIFIC	P175864	
Project Name	Indonesia EITI Transition and Mainstreaming Support		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing		1/31/2021
Borrower(s)	Implementing Agency(ies)		
Republic of Indonesia	Ministry of Energy and Mineral Resources		

**Proposed Development Objective**

The objective of the Project is to support the Government of Indonesia to strengthen the effectiveness and sustainability of extractive industries transparency initiative (EITI) to foster improved extractive sector governance. This will be achieved through strengthening the multi-stakeholder mechanism for public engagement and improving accessibility and quality of extractives data by mainstreaming systematic disclosures.

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>0.60</b>

**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

The project will support the Government of Indonesia through the Ministry of Energy and Mineral Resources (MEMR) to complete the institutional transition of EITI coordination and to implement the mainstreaming agenda. The project comprises the following components: (1) EITI Indonesia implementation support, which will focus on the re-establishment of EITI coordination under MEMR, promoting the EITI process to improve extractive governance, and addressing the recommendations of 2019 EITI validation report; and (2) EITI Indonesia mainstreaming Implementation, which will support MEMR to implement the EITI mainstreaming requirements to shift towards



systematic disclosures through government and corporate reporting systems in the day-to-day business process of extractive governance and management in Indonesia.

The grant comprises the following two components and associated activities:

Component 1. Strengthening participation and collaboration among EITI stakeholders. This component will focus on the re-establishment of EITI coordination under MEMR, promoting the EITI process to improve extractive governance, and addressing the recommendations of 2019 EITI validation report.

Activity 1.1. Public outreach and dissemination of EITI Reports and Policy Dialogue Forums

Activity 1.2. Implementation of 2019 Validation Recommendations

Component 2. EITI mainstreaming implementation. This component will support MEMR to implement the EITI mainstreaming requirements to shift towards systematic disclosures through government and corporate reporting systems in the day-to-day business process of extractive governance and management in Indonesia.

Activity 2.1. Preparation of mainstreaming roadmap and partial mainstreaming application to the EITI Board

Activity 2.2. Mainstreaming implementation: transition, enhancement and integration of EITI online platforms with government data and Public Financial Management Systems

#### **D. Environmental and Social Overview**

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The Extractive Industries Transparency Initiative (EITI) is the global standard to promote the open and accountable management of oil, gas, and mineral resources. The EITI standard requires the disclosure of information along the extractive industry value chain from the point of extraction, to how revenues make their way through the government, and how they benefit the public. By doing so, the EITI seeks to strengthen public and corporate governance, promote understanding of natural resource management, and provide the data to inform reforms for greater transparency and accountability in the extractive sector. In a mainstreamed disclosure setting, EITI Indonesia is expected to disclose the information required by the EITI Standard through routine government and company reporting, while EITI Reports collate and analyze information from primary sources in order to make this information more accessible and comprehensible in the public.

Project activities will be located in Jakarta and executed under the coordination of the EITI National Secretariat, hosted in the Ministry of Energy and Mineral Resources (MEMR) and involve relevant central government line ministries and agencies, such as Ministry of Finance and SKK Migas, Civil Society Organizations (CSOs) and extractives (oil, gas and mining) companies and industry associations. Activities will include communication and outreach, public dialogues, systematic disclosures of extractives information, enhancing and integration of e-reporting platform, which will not have direct physical footprints on a certain geographic location requiring environmental and social assessment of the intended activities. However, the data and information collated and disclosed through these activities could include environmental and social assessment reports and/or environmental and social issues that



concern EITI participating operations in different parts of the country. EITI covers all oil and gas operations in the country, while for the mining sector, the largest 100 or so companies are represented (comprising over 90% of state revenues from the sub-sector).

The data and information used in the project activities will represent those extractive locations where there are prominence of oil, gas and mining activities. The project anticipates collating and disclosing existing data and information from diverse geographies in rural settings where extractives operations are usually located in Indonesia. Oil, gas and mining concessions covered by EITI range from medium to large scales. Depending on the types of commodities, their operations could be in both lowland and highland areas, with precious minerals, such as gold, often being found in the highland areas. The environmental features around these extractives locations may include marine, forest and watershed areas (critical and natural habitats), agricultural areas (modified habitats), and/or degraded lands, which may be home to a wide range of flora and fauna, including endangered, vulnerable, and other least-concern species.

Rural areas where extractive concessions typically operate are home to a mix of population groups, including vulnerable local groups including but not limited to Indigenous Peoples (Adat Communities), whose livelihoods including access to natural resources are affected by the presence of mining workers (both formal and informal) and economic in-migrants seeking income generating or business opportunities. Large companies will usually operate their own basic services to minimize service constraints and have an established Human Resource system. However, smaller companies may not have such services and hence, expect more frequent interaction, and a level of competition over natural resources, between local communities and mining workers including informal workers.

#### D. 2. Borrower's Institutional Capacity

The project implementing agency (PIU) is the EITI National Secretariat operating under the MEMR. The secretariat will be responsible for the day-to-day coordination and implementation of EITI-Indonesia activities, per the national EITI workplan developed and approved by the MSG, and updated on an annual basis. Recently in July 2020, MEMR received the transfer of responsibility for coordinating EITI implementation in Indonesia through the Presidential Regulation No. 82/2020.

The MEMR does not have previous direct experience in applying the Bank safeguards policies nor the Environmental and Social Framework (ESF) in their activities. However, the formulation and application of policies, standards, procedures, evaluation and reporting on the environmental, health and safety aspects of MEMR roles and responsibilities are directly imbedded under each of the Directorate Generals (Renewable Energy, Oil and Gas, Mineral and Coal Mining) led by the Directorate of Engineering and Environment. This demonstrates that dedicated functions are assigned at the MEMR which are committed to manage the environmental risks of their activities. MEMR's commitment to managing environmental and social risks in line with the ESF will be further strengthened through inclusion of relevant requirements in the Environmental and Social Commitment Plan (ESCP) for the project. In order to support the transitioning and mainstreaming of EITI implementation, which may touch upon environmental and social issues of concern during the course of project activities, MEMR will assign an environmental and social (E&S) focal point to the project. The focal point will be trained by the World Bank on ESF to enable them to improve their contribution to the project activities, better understand and properly record issues of concern on environmental and social matters consistent with the requirements of the ESF. The project SEP will clearly specify the roles of the E&S focal point which is to coordinate with relevant agencies in resolving E&S issues relevant to the



project and support the improvement of integrating a systematic disclosure of information on extractives initiatives in Indonesia.

## II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Moderate

#### Environmental Risk Rating

Moderate

The environmental risk rating is moderate and is mainly based on the consideration of the institutional complexities attributed to the extractives sector in Indonesia as well as potential environmental concerns specific to certain location(s) characterized by previous and ongoing environmental issues that may be touched upon while undertaking the project activities of communication and outreach, public dialogues, systematic disclosures of extractives information, enhancing and integration of e-reporting platform. Given the typology and nature of the project activities, and considering that the project does not support direct physical investments onsite, feasibility/design studies, nor procurement of harmful substances, the direct environmental risks and impacts are minimal.

The project brings positive benefits on improving the transparency of the extractive sector through disclosure of key information and engagement with key stakeholders. The project scope thus is not designed to control or influence wider risks associated with the extractives sector. The project is not being prepared and does not intend to address environmental issues of concern specific to any extractive operations, nor provide technical advice on their resolution but aims to support the improvement and mainstreaming of a systematic disclosure of information in accordance with EITI requirements. Resolution of such issues falls outside the scope of the project activities.

The outputs of the project activities under the Recipient Executed (RE) Grant do not feed into the regulation system governing the extractives sector. Project activities will be limited to public dialogues, communication and outreach on improving the systematic disclosure and use of information through the process of Multi-Stakeholder Group (MSG) discussions. Processes related to regulatory mechanisms remain external to the RE Grant activities and hence, are outside the scope of the project's leverage and span of control.

Clearly defining the scope of the public dialogues, communication and outreach is central to undertaking the MSG discussions. To support this, a Stakeholder Engagement Plan (SEP) will be prepared for the project, which will be the core instrument to convey to all stakeholders on what is beyond the scope of the project, noting that all issues and information disclosed by the project will be shared with the MSG and broader public audience.

In order to support the project activities and/or discussions that may touch upon environment-related issues, an environmental and social focal point will be assigned to the project in MEMR. The focal point will be trained by the World Bank on ESF to enable them improve their contribution to the project activities, better understand and properly record issues of concern on environmental and social matters.

#### Social Risk Rating

Moderate

Public Disclosure



The overall social rating for this project is Moderate. The project supports strengthening transparency and accountability in the extractive sector by improving systematic disclosure of extractive information and strengthening the Multi-Sector Group (MSG) to allow an active engagement of related stakeholders and ensure information flow among them. The project does not support direct physical investments onsite, feasibility/design studies, or procurement activities that might involve direct social risks and impacts such as displacement of livelihoods, assets, or land use.

The project's social risk classification is assessed as Moderate on account of contextual risks associated with the complexity of the stakeholder engagement among government agencies, extractive industries, and civil society. Given the mixed public perceptions associated with the oil, gas, and mining sectors in Indonesia associated with wealth mismanagement and lack of transparency, effective stakeholder engagement needs to be managed carefully.

There is a moderate risk that the measures incorporated into the project design might fail to deliver increased transparency and engagement, leading to the discontent of stakeholders including CSOs. While active participation in fulfilling the EITI requirements is expected from some government agencies, particularly those engaged as previous EITI lead agencies, lack of engagement and commitment may come from other ministries in ensuring effective participation in the EITI mainstreaming process and inter-ministerial government data sharing and exchange. The other risk is related to the industry willingness and engagement to disclose their financial, program, and social expenditures data as one of EITI requirements. In the previous engagement, the participating extractives companies have reported relevant information to be reconciled and disclosed in the annual EITI report. However, there is a possibility that the extractive industries become reluctant to open their data and hesitate to participate in mainstreaming data disclosures. In addition, the project needs to ensure that priority attention is paid to the CSO engagement to include the vulnerable, women, indigenous communities, the voiceless, and the disabled to ensure that the EITI process is substantive and addresses issues that are relevant to civil society. Civil society needs to be engaged in the EITI report development and the outreach and dissemination activities to address pertinent issues in Indonesia's extractive sector.

The project will support capacity development across government agencies to ensure they carry out proper stakeholder engagement and information disclosure as provided in the ESS 10 below. Any gaps and disputes in MSG's past engagement between government, industries, and civil society should be assessed during the project preparation to prevent distrust and conflict between stakeholders. The project will develop and implement the Stakeholder Engagement Plan (SEP) that will be used to sensitize governmental officials, extractive industries, and civil society about EITI processes and outputs in Indonesia, to strengthen their support and participation in the initiative. An environmental and social focal point will be assigned to the project in MEMR. The World Bank will train the focal point on ESF to improve their contribution to the project activities, better understand, and adequately record concerns on environmental and social matters.

## **B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered**

### **B.1. General Assessment**

#### **ESS1 Assessment and Management of Environmental and Social Risks and Impacts**

##### ***Overview of the relevance of the Standard for the Project:***



ESS1 is applicable. The scope of the project is limited to supporting the improvement of implementing a systematic disclosure of information on extractive industries in Indonesia to maintain the EITI compliant status. Collation and disclosure of data and information, and the MSG discussions, may include environmental and social assessment reports, which may touch upon environmental and social areas of concern at certain geographic locations. Areas of concern will be recorded in project documents and made available to all key stakeholders.

The project does not support direct physical investments onsite, feasibility/design studies having potential downstream environmental and social implications, nor procurement of harmful substances that would otherwise require the assessment and management of environmental and social risks and impacts required under ESS1.

Decision making processes related to regulatory development, amendment, and/or enforcement remain outside of the project scope and design, hence are external to the project’s leverage and span of control. For this purpose, the World Bank’s responsibility for supervision will not extend to ensuring actions by government agencies, whether subsequent or parallel to the project implementation.

Capacity building will be directly integrated and embeded into the project design as project activities will support the transitioning of the roles and responsibilities of EITI implementation from the Coordinating Ministry of Economic Affairs to the MEMR. These capacity building activities will include relevant ESF topics to further mainstream environmental and social considerations in EITI implementation, in accordance with the EITI Standard.

While the project is expected to be beneficial, as no loss of assets or livelihoods is expected of local poplation, potential social risks are related to exclusion of some vulnerable groups and remote communities due to the limited coverage and/or capacity constraints of participating CSOs in their outreach and engagement. A stakeholder engagement plan (SEP) will be prepared and continue to be updated by MEMR to guide the project's engagement strategy, scope of activities and boundaries of commitments and responsibilities and recording of issues raised, including relevant capacity strengthening measures and grievanec mechanisms. Relevant communication protocols under the EITI implementation structure will be incorporated into the SEP.

An environmental and social focal point will be appointed to support project activities that may touch upon environmental and social issues of concern. The focal point will be trained by the World Bank on ESF to enable them improve their contribution to the project activities, better understand and properly record issues of concern on environmental and social matters. A Terms of Reference (TOR) for the environmental and social focal point will be prepared by MEMR to define the focal point’s roles and responsibilities. The TOR will include general provisions for environmental and social oversight and technical support. In addition, MEMR will prepare Project Operations Manual (POM) to provide operational details about the project, including some operational details of safeguards instruments. The POM will cover consultant procurement processes that include the labor and working conditions requirements to ensure compliance with ESS 2; and stakeholder engagement as provided in the SEP to ensure compliance with ESS 10.

**Areas where “Use of Borrower Framework” is being considered:**

Not Applicable.

**ESS10 Stakeholder Engagement and Information Disclosure**



Before EITI transitioned to MEMR, Coordinating Ministry for Economic Affairs (CMEA) as the previous EITI lead agency had coordinated EITI implementation and hosted the National Secretariat, which facilitates the annual EITI report production, multi-stakeholder deliberation, and public dissemination. The CMEA had engaged various stakeholders through the Multi-Stakeholder Group (MSG) that consists of government agencies, extractive industries, and CSOs. MSG is a core element of EITI, and the stakeholders regularly convene through MSG meetings to take decisions on the scope of extractives data disclosures and contextual information on the extractives sector governance to be discussed. The CMEA publicly disseminated previous EITI reports through multi-stakeholder events in Jakarta and the regions, and FGDs were conducted on topics such as revenue sharing with subnational governments, beneficial ownership disclosure and contracts transparency. Training and capacity building activities have also been conducted for CSOs and journalists to use the data and information published through EITI.

Since July 2020, the MEMR has confirmed its new role as Project Implementing Agency, responsible for leading the implementation of EITI Indonesia as mandated by Presidential Regulation (Perpres No. 82/2020). The MEMR, with support from MoF as the responsible entity for extractives revenue collection and management, will lead the EITI mainstreaming activities that include policy dialogues, communication and outreach activities, and systematic disclosure of information on Indonesia's extractives sector. Plans are underway for the MEMR to use its existing online platforms to adhere to EITI Requirements on license allocation and license registers. Simultaneously, extractives revenue and subnational revenue sharing data could also be disclosed in a timelier manner by the MoF.

As the formal governance body for EITI implementation, the MSG will continue in involving key affected stakeholders in this Project, comprising representatives from Government, Extractive Industry, and Civil Society that also be identified as primary beneficiaries in this Project.

Government (primarily the MEMR as the lead agency, MoF, and other reporting entities under the EITI at national and subnational level). These government agencies that are mandated to monitor and regulate the extractive industries are expected to continue generating and reporting the information necessary for the annual EITI Reports in an accurate and timely fashion while gradually moving towards systematic disclosure and contributing to the leadership of EITI-Indonesia.

Industry (comprising the Indonesian Mining Association, Indonesia Coal Mining Association, Indonesia Petroleum Association, and unassociated companies reporting under the EITI) – The business sector is expected to continue providing a full and accurate report of all payments made to the government, including social expenditures and other relevant data required under the EITI Standard.

Civil Society Organizations – Civil society's role is to monitor EITI implementation, evaluate the EITI Disclosures, and provide essential inputs to the EITI process through its involvement on the MSG. It also plays a role in advocating for and representing the interests of vulnerable groups such as indigenous peoples and mine-affected communities.

Given the complexity of stakeholder relations in the sector, MEMR will prepare a Stakeholder Engagement Plan (SEP) to guide the engagement activities with relevant EITI implementation stakeholders, including handling of grievances. The SEP will further assess and summarize the existing engagement approach taken in the EITI activities and describe measures consistent with ESS10 requirements. The SEP will serve as a template to structure and improve the stakeholder engagement activities financed by the grant. In preparing the SEP, MEMR would ensure that all project-



affected and other interested stakeholders at the National and sub-national levels are inclusively and clearly identified and engaged as part of the project preparation and implementation. MEMR and its counterparts will prepare, adopt, maintain, and operate a responsive grievance redress mechanism to address concerns from both Project- affected peoples and other interested parties.

## **B.2. Specific Risks and Impacts**

**A brief description of the potential environmental and social risks and impacts relevant to the Project.**

### **ESS2 Labor and Working Conditions**

ESS2 is relevant. Project workers include Direct Workers who are staff of the EITI National Secretariat within the MEMR and are in charge of day-to-day implementation of the project as the project implementation agency (PIU). They are civil servants who operate under the national civil servant code. In addition, it is expected that consulting firms will be hired on: (i) portal enhancement, data and systems integration and other technical tasks; (ii) organizing stakeholder engagement events. Their labor risks are deemed low since all consultants engaged in project activities will be hired following the Bank's procurement guidelines under written contracts; no vulnerable workers such as migrant workers or low-wage workers who may face discrimination including on the basis of gender or disability are expected to be hired; and no physical works will be financed under the project. The low labor risks will be addressed through the Recipient's commitment in the ESCP to comply with the requirements of the ESS2 (including with regard to child/ forced labor, Occupational Health and Safety (OHS) issues, fair and equal opportunity for hiring process and pay, and workers grievance mechanisms), and the Project Operations Manual (POM) which provides clear steps to ensure compliance. Community Workers or Primary Supply Workers are not considered relevant.

Potential health risks to project workers due to exposure to COVID-19 will be mitigated through employing virtual meeting formats to the extent possible. Relevant precautionary health measures when commuting to and working in office will include the provisions and use of Personal Protective Equipment (PPE), where necessary, consistent with the government and good practice guidelines.

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

ESS3 is not applicable. The project activities aim to support the implementation of systematic disclosure of information on extractives sector management in Indonesia to maintain the EITI compliant status. Collation and disclosure of data and information, and MSG discussions, which may touch upon discussions on policy and regulatory framework specific to ESS3 requirements will be recorded and made available to all key stakeholders. The project does not support direct physical investments onsite, feasibility/design studies, nor procurement of harmful substances that would otherwise require efforts to addressing resource efficiency and pollution prevention and management under ESS3 requirements.

### **ESS4 Community Health and Safety**



ESS4 is not applicable. The project activities aim to support the implementation of systematic disclosure of information on extractives sector management in Indonesia to maintain the EITI compliant status. Where data and information to be collated and disclosed as well as MSG discussions to be held with stakeholders, touch upon issues related to community health and safety aspects, they will be recorded in project documents and made available to all key stakeholders. The project does not finance physical investments, including purchase of any equipment which would potentially increase community exposure to health and safety risks and impacts.

**ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

ESS5 is not applicable. The project activities aim to support the implementation of systematic disclosure of information on extractives sector management in Indonesia to maintain the EITI compliant status. Where data and information to be collated and disclosed as well and MSG discussions to be held with stakeholders touch upon issues related to land acquisition and access restrictions, they will be recorded in project documents and made available to all key stakeholders. The project activities do not envisage civil works or any major construction activities that require major land taking. There is no involuntary acquisition of lands is expected and no land use and access restrictions are anticipated.

**ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

ESS6 is not applicable. The project activities aim to support the implementation of systematic disclosure of information on extractives sector management in Indonesia to maintain the EITI compliant status. Collation and disclosure of data and information, and MSG discussions, which may touch upon policy and regulatory framework specific to ESS6 requirements will be recorded and made available to all key stakeholders. The project does not support direct physical investments onsite, feasibility/design studies, nor procurement of harmful substances that would otherwise require efforts to addressing potential risks and impacts on natural and critical habitats, and areas of biodiversity importance required under ESS6.

**ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

ESS7 is relevant to this project even though no physical investments will be implemented under the project including in areas where indigenous people are present, because they need to be involved and/or represented in the MSG to integrate their voice in EITI processes. Indigenous people are often highly affected by extractive activities but have little say over how resources are governed. The project, through its design and SEP, will outline systems and procedures to actively involve indigenous communities in EITI processes and ensure they get included or represented in the policy dialogues and project consultation through the CSO representatives in the MSG.

**ESS8 Cultural Heritage**

ESS8 is not applicable. The project will not finance infrastructure and TA on exploration, feasibility and design which may facilitate extractives licensing. Hence, downstream risks related to cultural heritage (both tangible and intangible) are not envisaged under the project. The project does not provide TA with downstream implications considered under ESS8. The scope of the project is limited to support the implementation of systematic disclosure of information on extractives sector management in Indonesia to maintain the EITI compliant status.



**ESS9 Financial Intermediaries**

ESS9 is currently considered not relevant for this project.

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways**

No

**OP 7.60 Projects in Disputed Areas**

No

**III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE**

**A. Is a common approach being considered?**

No

**Financing Partners**

Not applicable.

**B. Proposed Measures, Actions and Timing (Borrower’s commitments)**

**Actions to be completed prior to Bank Board Approval:**

- Environmental and Social Commitment Plan (ESCP) including labor management provisions
- Stakeholder Engagement Plan (SEP)
- Terms of Reference (ToR) for Environmental and Social Focal Point, defining responsibilities for the overall environmental and social oversight, satisfactory to the Bank

All the above documents will need to be prepared, consulted and disclosed by MEMR prior to end of appraisal.

**Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):**

- Appointment of Environmental and Social Focal Point for the project by MEMR as per the TOR agreeable to the Bank;
- Environmental and social monitoring and oversight by MEMR/EITI National Secretariat consistent with relevant ESSs;
- Training and capacity building on ESF requirements for the Focal Point, and MEMR/EITI National Secretariat staff;
- Development and disclosure of Project Operations Manual (POM) that provides details on E&S risk management including processes and procedures on stakeholder engagement in line with the SEP and on the employment of Project Workers in line with the ESS2 requirements.



**IV. CONTACT POINTS**

**World Bank**

Contact:	Noriko Toyoda	Title:	Senior Governance Specialist
Telephone No:	5781+3293 / 62-21-5299-3293	Email:	ntoyoda@worldbank.org

**Borrower/Client/Recipient**

Borrower: Republic of Indonesia

**Implementing Agency(ies)**

Implementing Agency: Ministry of Energy and Mineral Resources

**V. FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

**VI. APPROVAL**

Task Team Leader(s):	Noriko Toyoda
Practice Manager (ENR/Social)	Ann Jeannette Glauber Recommended on 15-Dec-2020 at 08:18:31 GMT-05:00