



**GLOBAL  
PARTNERSHIP FOR  
SOCIAL  
ACCOUNTABILITY**

**THIRD GLOBAL CALL FOR PROPOSALS**

**PROJECT PROPOSAL PAPER**

**FOR**

**GPSA GRANT**

**US\$ 500,000**

**TO**

**PUBLISH WHAT YOU PAY INDONESIA - (PWYP)**

**INDONESIA**

**FOR A**

**Voice from Ring One:**

**Citizen Monitoring and Engagement for Transparency and  
Accountability of Licensing and Revenue Management in Extractive  
Mining Sector**

**June 7, 2016**

## DATA SHEET

### INDONESIA

#### VOICE FROM RING ONE: CITIZEN MONITORING FOR TRANSPARENCY AND ACCOUNTABILITY OF LICENSING AND REVENUE MANAGEMENT IN EXTRACTIVE MINING SECTOR

EAP

EXTRACTIVES

Basic Information									
Date:	June 7, 2016			Sectors:	Public Administration (60%) Mining and Extractives Industry (40%),				
Recipient: Publish What You Pay (PWYP) Indonesia /Yayasan Transparasi Sumber Daya Ekstraktif									
Executing Agency: Publish What You Pay (PWYP) Indonesia/Yayasan Transparasi Sumber Daya Ekstraktif									
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Telephone No.:	+6221-8355560				Email:	<a href="mailto:maryati@pwyp-indonesia.org">maryati@pwyp-indonesia.org</a>			
Project Financing Data(US\$M)									
<input type="checkbox"/>	Loan	<input checked="" type="checkbox"/>	Grant	<input type="checkbox"/>	Other				
<input type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee						
Expected Disbursements (FY/US\$)									
Fiscal Year	Year 1	Year 2	Year 3						
Annual	131,500	224,500	144,000						
Cumulative	131,500	356,000	500,000						
Project Development Objective(s)									
The objective of this Project is to improve transparency and access to information in the extractives sector at the subnational level in Indonesia.									
Components									
Component Name:							Cost (US\$)		
Component 1: Increasing transparency and enhancing functioning of the mineral licensing system at the provincial level							230,000		
Component 2: Increasing transparency of mining revenue collection and expenditures at the municipal and provincial level							190,000		
Component 3: Knowledge and learning component.							80,000		

## I. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

The objective of this Project is to improve transparency and access to information in the extractives sector at the subnational level in target provinces in Indonesia.

During the first half of this decade, Indonesia experienced rapid growth in the number of licenses granted for mining operations at the subnational level, a trend that was driven by a surge in global commodity prices. This boom in the mining industry was key to accelerate economic growth in Indonesia, but it was accompanied by environmental degradation, mismanagement of revenues from mining resources, and reduced benefits to communities surrounding mining areas. Some of the factors behind this situation include the lack of transparency of mining licenses, limited enforcement capacity, competing institutional arrangements, and weak governance mechanisms in the extractives industry. To overcome these challenges, Publish What You Pay (PWYP) is proposing to: (1) help develop a set of guidelines and standards to both clarify the criteria for issuing mining licenses and make information about licenses publicly available; (2) strengthen government and CSO capacity to jointly address governance challenges in this area; (3) create multi-stakeholder forums (including citizens, civil society, government, and private sector) to formulate, advocate, and implement specific transparency reforms in the areas of mining licensing and extractive revenue management at both local and provincial level; (4) develop social accountability and ICT tools to gather citizen feedback and also collect, analyze, and access data on mining licenses and extractive payments/revenues; and (5) implement an outreach strategy to raise awareness of the general public about mining licensing processes and extractives revenue management systems.

### B. Project Beneficiaries

*The Project's direct beneficiaries include:* all residents in five community villages that are located in the surrounding areas of mining operations and all stakeholders involved in the process. A total of five villages will be selected in five different provinces (Aceh, East and West Kalimantan, East Java, and Southeast Sulawesi), one village per province. Residents from surrounding communities will benefit from having a transparent and accountable mining licensing process and revenue management systems that promote environmental protection and public oversight of budget allocations and spending. Stakeholders such as civil society organizations (CSOs) and community-based organizations (CBOs) along with public sector institutions will benefit from capacity building activities and improved access to information on licensing and revenue management processes.

*The Project's indirect beneficiaries include:* At the macro level, indirect beneficiaries will be 2,507,928 residents of five districts that will be covered by the project in five provinces. Mining companies will benefit from having a transparent mining licensing process that promotes fairness and competition. The Ministry of Energy and Mineral Resources (MEMR) will benefit from having information generated by the project that will allow it to better monitor license compliance. The Extractives Industries Transparency Initiative (EITI) and the National Secretariat-Coordinating Ministry of Economic Affairs (CMEA) will have better information to track mining companies' compliance with licenses, trading, and payments at the subnational level. The Local Government (Executive and Local Parliament) in the Provincial and District Level (Pemda) will benefit from better understanding the gaps in the licensing process, revenue collection system, and participatory processes at the village and provincial level. The Anti-Corruption Commission (KPK) and Ombudsman will have better information at hand to improve the integrity process of mining licensing services and citizen grievance handling mechanisms in surrounding areas of mining operations.

## II. PROJECT DESCRIPTION

### A. Project Components

**Component 1: Increasing transparency and enhancing functioning of the mineral licensing system at the provincial level**

This component focuses on conducting a diagnostic to review and evaluate existing mechanisms for awarding and enforcing mining licenses at the subnational level in targeted provinces. The project will prepare specific recommendations, based on the findings of the diagnostic, to help provinces develop and adopt a set of standards and guidelines for awarding licenses and making license information publicly available. There will be an emphasis on ensuring that the information on licenses is published in electronic formats that are machine readable, so that anyone interested can access and use the data. The project will support the creation of subnational multi-stakeholder forums (MSFs), which are similar to the EITI Multi-Stakeholder Group at the national level, to formulate and advocate policy reforms of licensing system, support social accountability activities to monitor progress on this area, and act as a link between national and province-level governance initiatives in the extractives sector. More specifically, the activities that will be implemented to support these processes include:

- (a) Conducting diagnostic study to review mining licensing systems and processes; identify vulnerabilities and capacity constraints; and assess transparency, accountability, and overall governance in this area.
- (b) Supporting creation of multi-stakeholder forums (MSFs) in targeted provinces and facilitate discussions on transparency, improved licensing standards, and governance initiatives in the extractives sector.
- (c) Providing tailored capacity building to members of MSFs in specific areas where there may be knowledge and capacity constraints. This could include areas related to licensing legislation, international good practices on mining licensing processes, and specific governance issues in the extractives sector.
- (d) Supporting MSFs in leveraging findings from diagnostic study to develop recommendations to improve the transparency and effectiveness of licensing processes at the provincial level.
- (e) Facilitating a series of roundtable policy dialogue in the national level to discuss transparency and accountability in the mining licensing process and its linkages with broader government initiatives such as Minerba One Map Indonesia (MOMI); the Integrated One Stop Services Windows of Licensing (PTSP), EITI, and Online Non-Tax Revenue Information System (SIMPONI).
- (f) Facilitating knowledge sharing among MSFs and between MSFs and stakeholders in the extractives sector.

### **Component 2: Increasing transparency of mining revenue collection and expenditures at the village and provincial level**

This component aims to design and implement social accountability tools to collect and disseminate information on extractives revenues, transfers, and payments collected from mining licenses at the village level. The objective is to generate information to better understand how these resources are allocated and used to deliver social services in targeted villages. MSFs – along with technical assistance support – will seek to strengthen the capacity of citizens, CBOs, and CSOs to implement social accountability activities and to leverage information to affect improvements in terms of transparency and effectiveness of extractives revenue management systems and public expenditure at the village level. This component will also seek to establish ICT mechanisms to collect citizen feedback, and also to disseminate information on extractives sector policies related to revenue collection, public consultation, and mining licenses..

- (a) Organize training of trainers (ToT) for local facilitators on how to design and implement social accountability tools (community scorecards, independent budget analysis, and CSO-based monitoring mechanisms)
- (b) Design and test social accountability methodology in targeted villages.
- (c) Support implementation of social accountability tools to monitor revenues, transfers, and payments collected from mining licenses at the village level.
- (d) Facilitate meetings between stakeholders to discuss findings from social accountability tools.
- (e) Provide training for MSF members to support initiatives to enhance transparency and make information on extractive revenues more readily available at the village level.
- (f) Facilitate public policy discussions and knowledge sharing on governance issues in extractives revenue management.
- (g) Provide training to communities on ICT tools (Open Mining) to collect citizen feedback, monitor payments and revenues from mining licenses, and disseminate project information.

### **Component 3: Knowledge and Learning Component**

This component is geared towards strengthening PWYP's capacity to manage the project, establish learning mechanisms throughout the project; and capture knowledge and lessons learned. The objective is to develop a repository of tools and

knowledge for practitioners interested in replicating this intervention, and to encourage spillover effects to other provinces in Indonesia

- (a) Develop publicly accessible database and management of documentation the project activities, process, and outputs
- (b) Publish case studies, project briefs, books, info-graphics and best practices.
- (c) Produce audio-visual communication to raise awareness of the general public about mining licensing processes and extractives revenue management systems.
- (d) Publish series of feature, Opinion/ Op-Ed coverage in the mainstream media.
- (e) Produce manual book on Social Accountability of Extractive Industries with a focus on enhancing transparency in the licensing process and extractives revenue management practices.

## B. Project Financing

The financing instrument elected for this project is a Recipient Executed Trust Fund (RETF) Grant. The source of financing for this Grant is the Extractives Global Programmatic Support (EGPS), housed within the World Bank. As per World Bank Trust Fund guidelines, given that this Trust Fund is smaller than US\$5 million this Project is subject to World Bank procedures related to project preparation and supervision of Small RETF Grants. The Project cost is estimated to be US\$500,000 to be financed completely by the EGPS grant as part of the partnership established with the GPSA to support social accountability initiatives in the extractives industry. Additionally, the World Bank will commit an annual Project supervision budget in the amount of US\$20,000.

Project Costs	Total Project Cost (US\$)	EGPS Grant Financing (US\$)	CSO Financing (US\$)	WB Financing* (US\$)	EGPS Financing (%)
Increasing transparency and enhancing functioning of the mineral licensing system at the provincial level	230,000	230,000	0.0	0.0	100
Increasing transparency of mining revenue collection and expenditures at the municipal and provincial level	190,000	190,000	0.0	0.0	100
Knowledge and Learning Component	80,000	80,000	0.0	0.0	100
Total Base Cost			0.0	0.0	100
Other costs	60,000	0.0	0.0	60,000	0.0
Total Project Cost	<b>560,000</b>	<b>500,000</b>	<b>0.0</b>	<b>60,000</b>	<b>89.2%</b>
* Annual World Bank Project supervision budget of US\$20,000.					

## III. IMPLEMENTATION

### A. Implementation Arrangements

**Project Implementing Agency:** The Project will be led and coordinated by Publish What You Pay (PWYP) Indonesia/Yayasan Transparansi Sumber Daya Ekstraktif. The organization will be responsible for leading project implementation; ensuring quality control of all programmatic and financial aspect; reviewing the methodology and design of social accountability tools; selecting CSO implementing partners and coordinating their activities; identifying and hiring organizations with a technical expertise to support implementation of specific activities; conducting regular monitoring reports; and hiring an independent firm to conduct external audits. PWYP has extensive experience in building constructive engagements to promote good governance in the extractives industry in Indonesia. Through its work, PWYP has collaborated with citizens and different government agencies to tackle specific governance challenges in the extractives industry both at the national and local level.

Furthermore, during Project implementation, PWYP will work with four CSO implementing partners at the subnational level and three expert organizations (SEKNAS FITRA, ANSA-EAP, and AWRAGO) to support specific project components in order to ensure the success of the project. PWYP will work with *four CSO implementing partners at the subnational level*, which are members of the PWYP coalition and network, to implement budget monitoring and community score cards, facilitate multi-stakeholder forums (MSF); implement ICT tools, guide participatory research and media outreach; and promote participatory processes in budget and policy processes in targeted areas. In terms of the three expert organizations selected, *SEKNAS FITRA*, a well-established Indonesian CSO, will provide technical support in the design and execution of budget analysis and monitoring tools; *ANSA-EAP*, a regional network of CSOs in East Asia Pacific, will support the roll out of community score cards and related social accountability tools; and *AWRAGO*, an expert firm on technology and social media consultation, will facilitate the adoption of ICT tools to engage citizens and collect their feedback.

**Flow of Funds:** PWYP will directly draw down on the Designated Account in order to ensure smooth flow of funds for implementation of Project activities. An Indicative Schedule of Advanced Payments and Final Reimbursement will be included in the Disbursement Letter. Requests for withdrawal of Grant funds will be made in accordance with a schedule (milestones) agreed between PWYP and the World Bank.

## **B. Results Monitoring and Evaluation**

PWYP and the World Bank will monitor the PDO level indicators, as well as implementation of activities supported by each Project component. Progress will be monitored by internal organizational controls and team management mechanisms in order to verify each project indicator along the project and implementation phases. This will be done on a monthly and yearly basis. The evaluation will focus on discerning whether the intervention improves transparency and accountability in the mining licensing process and revenue management, and the extent to which beneficiaries are empowered and their voices are heard in policy forums in the extractives sector. An external independent organization will be hired to conduct a final external evaluation at the end of the project to evaluate the impact of the project.

## **C. Sustainability**

The Project pays close attention to ensuring sustainability. PWYP will seek to embed citizen engagement mechanism into government monitoring and oversight of the extractive industry. It will also build key stakeholders capacity to enhance transparency and accountability in the mining licensing process and strengthen EITI implementation at the subnational level in Indonesia. Furthermore, the alignment and close collaboration of project activities with government initiatives in the extractive industry is expected to generate buy-in and synergies that will help to integrate the proposed social accountability approaches into government programs beyond the project lifecycle.