Optimising Benefits

Sharing of Oil and Gas Revenue and Social Accountability in the Producer District

Working Paper Fitra Riau Indonesia

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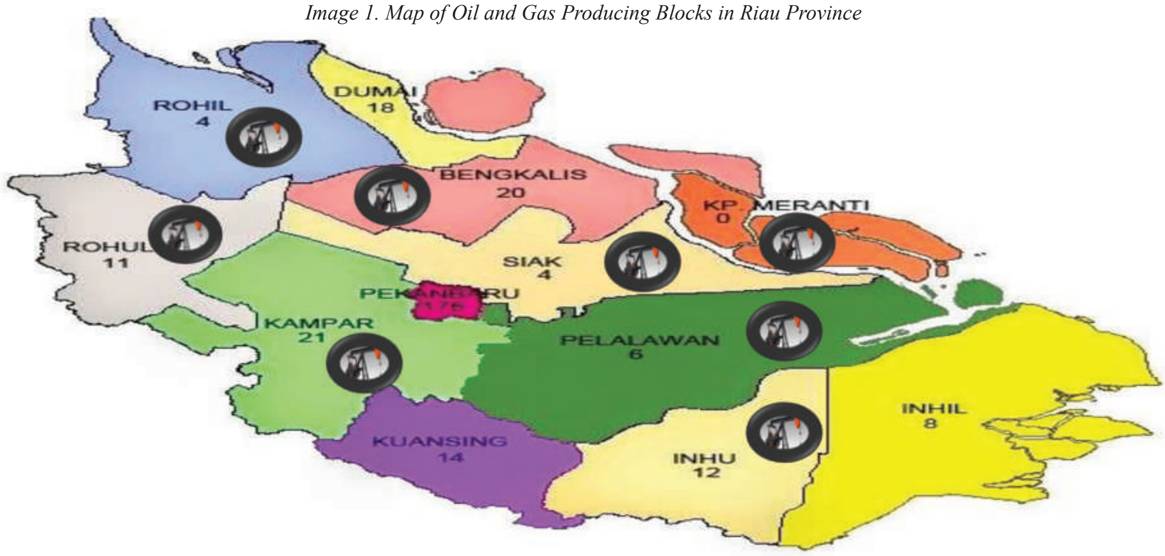
I. Oil and Gas in Riau Province

The province of Riau plays a pivotal role in the national oil and gas industry, boasting abundant oil and gas reserves and production. It is one of the most significant oil and gas producing provinces in Indonesia. Oil and gas production in Riau plays a pivotal role in the regional and national economy, providing a stable source of revenue through oil and gas wells distributed across multiple regencies in the province. A recent study conducted by FITRA Riau has revealed that eight of the twelve regencies/cities within Riau Province are engaged in the production of oil and gas. Of these, ten are currently active oil and gas blocks, while two are in the exploration phase.

Image 1. Map of Oil and Gas Producing Blocks in Riau Province



The data provided by SKK Migas (Task Force for Oil and Gas Upstream Sector) indicates that the daily production of oil in Riau is approximately 300,000 barrels of oil per day (bopd), while the daily production of gas is approximately 500 million cubic feet. The production of 205,376 barrels bopd (equivalent) to 27.8% of the national production for 2019, which is a decrease of 7% on an annual basis.[1] With an output of approximately 300,000 barrels oil per day, Riau accounts for approximately 30% of the total national oil production. Additionally, gas production in Riau accounts for approximately 10% of the total national gas production. Given the abundance of oil and gas reserves in Riau, the province plays a pivotal role in meeting the country's energy demands. The Rokan Block, Siak Block, Kampar Block, and Bentu Block, among others, are significant crude oil fields in Indonesia, with the potential to contribute 24-30% to the state revenue or national PNBP (net) of 28.1 T, and 4.3 T to the region.[2]

[1] SKK Migas. (2023). Report on the production of oil and gas at the national level.

[2] Ministry of Energy and Mineral Resources. (2023). Data of State Revenue derived from the Oil and Gas Sector.

The oil and gas industry in Riau plays a substantial role in the national economy, contributing significantly to state revenue derived from the oil and gas sector. As indicated by data from the Ministry of Energy and Mineral Resources (ESDM), the state revenue derived from the oil and gas sector in Riau represents approximately 20% of the total national oil and gas revenue. According to data from the Central Statistics Agency (BPS), the Gross Regional Domestic Product (GRDP) per capita of Riau Province with oil and gas at current prices has exhibited an upward trajectory over the past three years. From IDR 129.74 million in 2021, there was a notable increase to IDR 151.26 million in 2022, followed by another rise to IDR 154.52 million in 2023.

The gross regional domestic product (GRDP) per capita in the Indonesian province of Riau exhibited a notable increase from 2021 to 2023. In 2021, the GRDP per capita was IDR 78.32 million, rising to IDR 80.77 million in 2022 and further to IDR 83.07 million in 2023. The 2023 BPS data indicates that the economic contribution of regencies and cities with oil and gas resources has a significant impact on the Riau economy. The economy of Riau continues to be dependent on the production and distribution of crude oil, which is present in a number of regencies within the province. Bengkalis Regency is one of the most significant contributors to the Riau economy in terms of crude oil production. In 2023, the contribution of Bengkalis' gross regional domestic product (GRDP) to the formation of Riau's GRDP was 16.39%.

Other regencies/cities that also have oil and gas include Siak, with a gross regional product (GRP) contribution of 10.68 percent, Kampar (10.39 percent), Rokan Hilir (9.21 percent), Pelalawan (6.85 percent), Indragiri Hulu (5.49 percent), Rokan Hulu (5.07 percent), and Dumai City (4.76 percent).

The three main regencies responsible for the majority of Riau's oil and gas production are Rokan Hulu Regency, Pelalawan Regency, and Bengkalis Regency. The following section presents profiles of Rokan Hulu Regency, Bengkalis Regency, and Pelalawan Regency, which are major oil and gas-producing regions within the Riau Province.

Rokan Hulu Regency

Rokan Hulu Regency is one of the regencies with the most substantial oil and gas reserves in Riau Province. The Rokan Block, which is situated primarily within the Rokan Hulu region, represents the primary source of oil and gas production in this regency. Rokan Hulu, which possesses considerable oil reserves, accounts for approximately 60% of the total oil production in Riau. As of August 2021, the management of the Rokan Working Area (WK) in Riau Province has been transferred from PT Chevron Pacific Indonesia (CPI) to PT Pertamina Hulu Rokan (PHR).[3] The block experienced a period of significant oil production, exceeding 600,000 barrels per day, from 1970 to 2003. This transfer of management represents a significant milestone in the history of upstream oil and gas management in Indonesia. PT Pertamina Hulu Rokan (PHR) has indicated that the company's oil production from the Rokan Block in Riau has reached 161,623 barrels of oil per day (BOPD) throughout 2023.[4]

By 2024, 570 new wells are projected to be added to the national oil reserves in Rokan Block. The Rokan Block plays a pivotal role in Indonesia's oil production, contributing the highest output in the country at 161,623 barrels per day. In 2023, the Rokan Block recorded an estimated 59 million barrels of oil and gas lifting. This represents a notable increase from the preceding year, during which 57.3 million barrels were recorded. Moreover, the Rokan Block demonstrated a noteworthy increase in oil and gas reserves, amounting to 86.95 million barrels of oil equivalent (MMBOE).[5]

The WK Rokan PHR production represents approximately 25% of the country's total oil production and serves as a primary foundation for the national production target of 1 million barrels of oil per day and 12 billion cubic feet of gas per day (bscfd) by 2030. At present, Rokan accounts for 24% of Indonesia's total oil production. Furthermore, the Rokan Block is endowed with substantial natural gas reserves. The gas production of this block is estimated to be approximately 300 million cubic feet per day. The existence of the Rokan Block has a significant impact on the regional economy, with contributions to regional own-source revenue (PAD) through oil and gas revenue sharing funds. The WK Rokan block encompasses an area of 6,220.29 km^2 and comprises ten principal fields: Minas, Duri, Bangko, Bekasap, Balam South, Kota Batak, Petani, Lematang, Petapahan, and Pager. As of January 1, 2020, the block's reserve status was 350.73 MMSCFD of oil and 9,071 BSCF of natural gas.

3 https://www.esdm.go.id/id/berita-unit/direktorat-jenderal-minyak-dan-gas-bumi/sumbang-24-persen-produksi-minyak-nasional-blok-rokan-resmi-dikelola-pertamina-hulu-rokan.

4 PT Pertamina Hulu Rokan. (2023). Rokan Block Profile.

5 *ibid.*

Pelalawan Regency

Furthermore, Pelalawan Regency plays a pivotal role in the oil and gas industry within the province of Riau. Notable oil and gas blocks in Pelalawan include the Siak Block and the Coastal Plains and Pekanbaru (CPP) Block. According to data from SKK Migas and various industry reports, the oil production in Pelalawan can reach thousands of barrels per day. For example, Siak Block, which is one of the region's largest oil fields, has the capacity to produce approximately 50,000 barrels per day.[6] The Siak Block is a significant oil and gas block within the regency, originally managed by PT Chevron Pacific Indonesia and subsequently transferred in 2022 to Pertamina Hulu Energi Siak. The block has considerable oil reserves, with a daily production rate of approximately 50,000 barrels.

Of the eight fields that comprise the Siak Block, three are currently operational. These fields include Batang, Lindai, and Menggala South.[7] In addition to Siak Block, numerous other oil and gas fields in Pelalawan are managed by national and international oil and gas companies. The composition of the gas discovery in Pelalawan is predominantly methane, with a content exceeding 97%. The gas composition is analogous to that of the Seng-Segat Field, which produces 80 MMSCFD.

The oil and gas potential of Pelalawan Regency plays an important role in the national and regional economy. At the national level, the oil and gas production from Pelalawan contributes to the reduction of Indonesia's reliance on energy imports. As reported by the Ministry of Energy and Mineral Resources, the oil and gas sector make a substantial contribution to state revenues through various taxation and revenue-sharing schemes. These funds are allocated for implementation in a variety of national development programs.[8]

The transfer of management of the Siak Block and CPP Block from Pertamina to the Bumi Siak Pusako (BSK) Regional-Owned Enterprise represents a significant new development in the field of oil and gas management in Riau Province, particularly in the regency of Pelalawan. The Pelalawan Regency Government holds 2.41 percent of the shares of BUMD PT BSP, 18.07 percent of the shares of the Riau Provincial Government, 72.29 percent of the shares of the Siak Regency Government, 6.02 percent of the shares of the Kampar Regency Government, and 1.21 percent of the shares of the Pekanbaru City Government.[9]

The CPP Block is projected to reach a production level of 56 thousand BOPD by 2033. Following the acquisition of management rights for the CPP Block by PT BSP in 2022-2042, which includes 100 percent PI ownership, it is anticipated that this will have a positive impact on the economy of Riau Province.

Oil and gas sector revenue constitutes the primary source of revenue for Pelalawan Regency, representing the original regional revenue (PAD). These funds are utilized for the development of infrastructure and public services, including the construction of roads, bridges, and health facilities. Furthermore, the oil and gas industry provide employment opportunities for local residents, both directly within the sector itself and indirectly in sectors that support it.

Bengkalis Regency

Bengkalis Regency has significant oil and gas reserves, although less extensive than Rokan Hulu and Pelalawan. The Bentu Block is one of the leading oil and gas blocks in Bengkalis. The oil and gas production in this block reaches about 30 thousand barrels of oil and 200 million cubic feet of gas per day. In the area of Bengkalis Regency, there is 1 (one) company engaged in oil and gas production in the working area of Rokan Block, namely PT Pertamina Hulu Rokan (PT PHR), which is located in Duri, Mandau Regency, Bengkalis Regency.

In addition to the Bentu block, Bengkalis has several other small oil and gas fields. Although Bengkalis' contribution to Riau's oil and gas production is smaller than that of Rokan Hulu and Pelalawan, the industry's presence still has a positive impact on the regional economy.

Bengkalis Regency, located in Riau Province, has great potential in the oil and gas sector. The regency is home to several productive oil and gas blocks that contribute significantly to the regional and national economy. Together with gas, oil is Bengkalis Regency's largest revenue earner and the largest source of its APBD. It is strategically located as it is crossed by an international shipping route to the Strait of Malacca.

6 SKK Migas, Annual Report 2023.

7 Pertamina, Sustainability Report 2023.

8 Ministry of Energy and Mineral Resources, "Oil and Gas Statistics Indonesia".

9 https://ptbsp.id/news/read/raih-top-bumd-awards-2023-bukti-reputasi-pt-bumi-siak-pusako-kian-diakui.

Siak Block is one of the most important blocks in Bengkalis Regency. By 2023, oil production from the Siak Block will reach approximately 20,000 barrels per day, contributing to the total national oil production of approximately 700,000 barrels per day. In addition to the Siak Block, there is also the Selat Panjang Block, which is still in the exploration and development stage, but has great potential to increase oil and gas production.

The contribution of the oil and gas sector to the economy of Bengkalis Regency is very significant. In 2023, the local revenue (PAD) from the oil and gas sector will reach approximately Rp 1 trillion. These funds are used for infrastructure development programs, health, education and other public services. In addition, the oil and gas sector also create jobs for local communities, both directly and indirectly, through supporting industries and related service sectors.

In addition to its economic impact, the oil and gas sector contributes to social and environmental development in Bengkalis Regency. Several corporate social responsibility (CSR) programs implemented by oil and gas companies in the area have benefited the surrounding community, such as the construction of public facilities, scholarship programs, and skills training.

II. Socio-economics of the Production Area

Riau Province is one of Indonesia's economic anchors, contributing significantly to government revenues from its abundant oil and gas wealth. Despite this, FITRA's data and research show that the socio-economic conditions of the people in Riau Province, especially in the three oil and gas producing regencies, are not always directly proportional to the oil and gas produced from oil wells in Riau Province, which is one of the mainstays of government revenue and income. The research results show that communities living in and around oil and gas producing areas face many challenges in terms of human resources, education, health, and especially the economy.

Rokan Hulu Regency

Rokan Hulu Regency is one of the regencies in Riau Province with great potential in the oil and gas sector. However, the economic potential of this sector is not always in line with improving the welfare of local communities.

The oil and gas sector in Rokan Hulu is a major contributor to the regency's Gross Regional Domestic Product (GRDP). GRDP at current prices provides an overview of the economic resource endowment of the region. However, the significant contribution of the oil and gas sector to the GRDP has not been able to significantly increase the per capita income of the people. Many people in the region still live below the poverty line, with incomes insufficient to meet their basic needs.

The Human Development Index (HDI) is an important indicator used to measure the well-being of a society. The HDI includes three main dimensions: a long and healthy life, knowledge, and an adequate standard of living. Despite a large oil and gas sector, Rokan Hulu's HDI has not increased significantly. This is due to unequal income distribution, where local communities do not directly enjoy the benefits of the oil and gas sector.

Poverty rates in Rokan Hulu remain relatively high, especially in oil and gas producing villages. Although the region receives a large revenue sharing fund (DBH) from the central government, these funds are often ineffective in alleviating poverty. Instead, much of the money is spent on personnel and projects that do not directly benefit the poor. As a result, economic inequality in the region is increasing, and most villagers continue to live in difficult economic conditions.

The level of education in Rokan Hulu is still low. Many people have only completed primary school and there is a high level of illiteracy. The lack of adequate educational facilities and access to quality education is a major obstacle to improving the community's quality of life. Government education programs have not yet fully addressed these issues, so further efforts are needed to improve access to and quality of education in this area.

Public health is also a major concern in Rokan Hulu. Health facilities in oil and gas producing villages are often inadequate and access to health services is limited. Many communities still rely on basic health services such as Posyandu and Poli, which sometimes lack adequate medical staff and equipment. Stunting and malnutrition remain problems that need to be seriously addressed by the local government.

Most of Rokan Hulu's population works in the agricultural and plantation sectors, with palm oil as the main commodity. Although the oil and gas sector are a major contributor to gross domestic product, the jobs created absorb little local labor. Many residents still work as agricultural laborers or casual daily laborers with insecure incomes. The high dependence on the agricultural sector makes the region's economy vulnerable to fluctuations in commodity prices.

The local government of Rokan Hulu has implemented several poverty reduction programs, including the Non-cash Food Assistance Program (BPNT) and the Family Hope Program (PKH). However, their effectiveness needs to be improved. Many people have not yet benefited directly from these programs, so there is a need to evaluate and improve the implementation.

Accessibility and infrastructure in Rokan Hulu also affect the social and economic conditions of the community. Many roads in oil and gas producing villages are still in poor condition, making it difficult for people to access basic services such as education and health. Access to markets and economic centers is also an obstacle, affecting the community's economic activities.

Rokan Hulu has great potential in the oil and gas sector, but many challenges need to be overcome to improve the welfare of the community. Improving the quality of education and health care, more effective management of oil and gas revenue sharing funds, and adequate infrastructure development are key to improving social and economic conditions in the area. The local government needs to work with various parties to ensure that all levels of society feel the benefits of the oil and gas sector, not just a few people.

Socio-Economic Condition of Pelalawan Regency

The Regency of Pelalawan has great natural resource potential, especially in the oil and gas sector and plantations such as oil palm and rubber. The contribution of the oil and gas sector to GRDP is relatively low at 2%. In 2024, the poverty rate in Kabupaten Pelalawan was around 8.34 percent of the total population, according to the latest BPS data.[10]

The Human Development Index (HDI) of Pelalawan Regency is increasing every year, although the increase is not too large. In 2022, Pelalawan's HDI is expected to reach 72.93, which is still lower than Riau's HDI of 73.52. This shows that the quality of development and community welfare in Pelalawan is still below the average of Riau Province. Despite improvements in human development, the regency still needs to improve in terms of poverty and basic services.

Poverty is still a big problem in Pelalawan Regency. For example, there are 75 poor people in Mak Teduh village and 103 poor people in Ukui Dua village. Poverty alleviation programs in villages in Pelalawan are continuing government programs, although some villages have implemented economic assistance for their communities, the number is still limited.

Education also remains a major challenge for Pelalawan Regency. Enrollment rates, especially at the senior secondary level, are still low compared to other regencies in Riau Province. This is due to several factors, including difficult geographical access and low awareness of the importance of education. The quality of education also remains a concern, with a need for qualified teachers and adequate educational facilities in rural areas.[11]

Working Paper Fitra Riau IndonesiaIn addition, environmental degradation due to the exploitation of natural resources, particularly in the oil, gas and plantation sectors, has had a negative impact on the social life of the people. Many areas in Pelalawan have experienced environmental degradation such as deforestation and water pollution. The water pollution of the Kampar River due to the activities of the oil and gas industry and plantations has caused environmental damage that affects the health of the people living along the polluted river.[12]

Socio-Economic Condition of Bengkalis Regency

Bengkalis Regency is located on the east coast of Sumatra Island, a large area of islands and seas. The regency has various natural resources, including oil and gas, the primary sector, and the plantation sector, with palm oil and rubber commodities. Bengkalis is one of the regencies in Riau Province that relies on income from the oil and gas sector. Oil and gas, as the leading sector, accounts for 70 percent of the regional revenue from DBH. Bengkalis Regency is one of the largest oil and gas producing regencies in Riau Province. This regency not only has significant oil and gas potential, but also several other natural resources that support the regional economy.

The GRDP of Bengkalis Regency is largely supported by the mining and quarrying sector, especially oil and gas, which accounts for about 55.93% of the total GRDP. In addition, the manufacturing and wholesale and retail

[10] Central Bureau of Statistics of Pelalawan Regency. (2024). "Socio-Economic Profile of Pelalawan Regency".

[11] *ibid.*

[12] https://www.mongabay.co.id/2019/03/22/sungai-kampar-tercemar-adakah-upaya-pemulihan/.

trade sectors also contributed significantly to the GRDP. In 2020, the GRDP of Bengkalis Regency reached IDR 115,882,667.50 million, with the oil and gas sector being the largest contributor. The per capita income of Bengkalis Regency reflects the economic welfare of the community. The minimum wage (UMK) in Bengkalis Regency in 2023 is IDR 3,599,029 per month, one of the highest in Riau Province.

The HDI of Bengkalis Regency in 2021 reached 73.58, ranking fourth in Riau Province and higher than the HDI of Riau Province, which was 72.94 in 2021. This shows that human development in Bengkalis Regency is relatively good, with adequate indicators of education, health, and living standards. Despite the abundance of natural resources, the poverty rate in Bengkalis Regency is still a challenge. In 2023, the number of poor people reached 140,698, a slight decrease from the previous year. The poverty line in Kabupaten Bengkalis in 2022 was IDR 648,933 per capita per month, indicating that some people are still living below basic welfare standards.

Bengkalis Regency has various educational facilities ranging from early childhood education to senior high school. However, challenges remain in terms of access and quality of education, especially in rural areas. The community education level in some villages is still dominated by primary education, with some school-age children not attending school. Health services such as polindes, posyandu and pharmacies are available, but the condition of the facilities in some villages could be better maintained. Stunting is still a major concern, with 28 cases of stunted children under five in Bumbung village.

Most people in Bengkalis Regency work in agriculture, plantations and the informal sector. Oil palm planters are the main occupation in several villages, with additional livelihoods such as agricultural laborers, private employees, and the self-employed. Road infrastructure in some villages needs to be improved to increase accessibility and support economic activities. Access to basic services such as clean water remains a challenge, with many communities relying on boreholes and groundwater for their daily needs. Many communities in oil-producing villages feel that they do not benefit from oil and gas companies, leading to negative perceptions of companies in their areas. In addition, communities also face issues of inequality in terms of economic opportunities.

III. Why Redistribute the Benefits of Oil and Gas Revenues?

"The revenue sharing fund (DBH) policy, including oil and gas, only reaches producing, processing, and border regions at the provincial and regency/city levels. Villages surrounding producers and supporters of oil and gas extraction are still marginalized in the oil and gas DBH scheme. Fitra Riau introduces regency/city transfer expenditure instruments as an equitable way to distribute oil and gas DBH, namely through two instruments: 1) Financial Assistance expenditure, which provides discretionary space for regional heads to respond to special regional needs; 2) reformulating the allocation of the Village Fund Allocation (ADD), which is an obligation of the regency/city based on Law 6 of 2014[13], by including regional indicators (producing and supporting villages) as the basis for its calculation."

Riau Province is an example of how a region with huge potential for oil and gas resources, and one of Indonesia's main oil and gas producing regions, still faces serious poverty-related problems. This situation illustrates the inequality that often exists in resource-rich areas, where the benefits of oil and gas extraction are mostly felt outside the producing areas, while local communities remain poor and have limited access to infrastructure and basic services.

In his book A Theory of Justice, John Rawls emphasizes the importance of distributive justice to ensure that the benefits and burdens of society are fairly distributed. In the context of oil and gas producing regions, this theory can be applied to see how wealth generated from natural resources is shared between the government, companies, and local communities. Rawls' principle of difference can be used to justify the redistribution of wealth to poorer regions which unequal distribution causes social injustice.

FITRA Riau's study demonstrates the importance of redistributing the benefits of oil and gas revenues, especially for producing regions such as Riau. This redistribution is an attempt to redress existing economic and social inequalities and ensure that oil and gas revenues are used to improve the welfare of local communities. Through mechanisms such as the Oil and Gas Village Fund Allocation (ADD), it is hoped that revenues from this sector will not only benefit the central government or large companies, but also provide tangible benefits to village communities that

[13] Law 6/2014 on Villages stipulates that regencies/cities must allocate a minimum of 10% of the DAU and DBH for Village Fund Allocation.

are on the front line of oil and gas exploitation. Thus, this redistribution is important for realizing more inclusive and sustainable development.

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Fitra Riau and FF conducted a DBH management study to promote distributive justice from oil and gas DBH management for communities in oil and gas producing areas. The redistribution of oil and gas DBH to villages that produce and support oil and gas extraction is a matter of distributive justice through benefit sharing for villages and village communities whose areas are the site of exploitation and generate revenue for the state and local governments. This paper presents specific issues on why the oil and gas DBH redistribution initiative is needed, the form of DBH redistribution, the resulting impacts, and the challenges. This paper also documents how the policy was made, the role of the civil society organization Fitra Riau and village communities in the Oil and Gas Revenue Sharing (DBH) Fund Optimization Program,[14] and corporate social responsibility (CSR) accountability for poverty reduction in promoting the policy initiative.

Why is it necessary for the oil and gas DBH to reach the village?

According to Permendagri No. 37/2018, DBH migas is one of the tools to promote local development, equal distribution of wealth, and proportional justice based on each region's contribution to state revenues from the oil and gas sector.

Although the proper use and management of DBH has the potential to help oil and gas producing villages improve infrastructure capacity and public services[15], many villages closest to oil and gas extraction sites experience negative environmental and social impacts, such as ecosystem damage, loss of basic livelihoods, and social conflicts. Riau's Rokan Hulu Regency, home to the Langgak Block and Rokan Block, contributes to regional income from the oil and gas sector[16], but ironically is also the regency with the poorest population in Riau.[17] The results of Fitra Riau's mapping study noted the inequalities that exist in oil and gas producing villages and villages near oil and gas extraction sites in Rokan Hulu Regency, with high poverty and school dropout rates[18], limited infrastructure for basic services, and the detection of stunting cases.

FITRA Riau categorized the affected villages based on the condition of the village and the geography of the area as follows: Affected Village 1 (Ring I): Villages in the Affected 1 (Ring 1) category are villages that are the main producers of oil and gas, or villages where there are oil and gas wells that are still actively producing today; Affected 2 (Ring II): Villages in this category are villages that (1) are adjacent to the main producing village, (2) will become an area of production support facilities, (3) villages of former oil and gas exploitation (inactive), (4) villages that will become new exploration areas; Affected Village 3 (Ring III): Villages in this category are villages that are not directly or indirectly affected by oil and gas production and management activities. The categorization is taken into account in the redistribution and use of the Village Oil and Gas DBH.

Legal Basis of DBH Policy

Decentralization is a consequence of the policy of regional autonomy, which has been in transition since 2004 with the enactment of Law 32 of 2004 on Regional Autonomy and Law 23 of 2014 on Local Government. Decentralization gives the power to manage some government affairs in the regions and brings consequences for fiscal decentralization.

At the same time, through Law 33 of 2004, the government distributed funds from the central government to local governments in various types as a balance between central and local finances, such as the General Allocation Fund (DAU), the Tax and Non-

14 The Oil and Gas DBH Redistribution Initiative to Villages is a program implemented by FITRA Riau with support from the Ford Foundation and the Social and Cultural Sub-Directorate of the Bina Bangda Directorate General, Ministry of Home Affairs.

15 Supreme Audit Agency. (2020). Audit Report on the Management of Natural Resources Revenue Sharing Fund.

16 LKPD Rokan Hulu 2020-2021 & APBD Rokan Hulu 2023.

17 BPS RI. 2023.

18 The poverty rate in Rokan Hulu Regency is high, reaching 2,274 people (Rokan Hulu Social Service 2023).

Tax Revenue Sharing Fund (DBH) (Natural Resources), the Special Allocation Fund (DAK) and other types of transfer funds. This policy was also updated by Law 1 of 2022 on Central and Regional Financial Relations (HKPD).

DBH from the management of oil and gas natural resources is a form of fiscal decentralization mechanism. Local governments receive a share of 15.5 percent (oil) and 30.5 percent (gas) of state revenues from the oil and gas sector, except for local governments designated as special autonomous regions such as Papua and Aceh[19] . DBH oil and gas is distributed to the provincial government, producing regencies/cities, regencies/cities within producing provinces, processing regencies/cities, and regencies/cities adjacent to producing regencies/cities in the proportions specified by law.

DBH Contribution to Local Revenue

So far, oil and gas results have contributed significantly to the revenue of producing regions, such as Riau Province. 57.1% of the regional revenue of Bengkalis Regency comes from DBH Migas, both in taxes and non-taxes in 2023. Similarly, Pelalawan and Rokan Hulu Regencies and DBH Oil and Gas contribute 14.33% of the total revenue. Ironically, the villages where oil and gas are produced are pockets of poverty. The top six oil and gas producing villages in Bengkalis, with a total of 4,957[20] wells, are among the top 20 poorest villages in Bengkalis[21]. Similarly, oil and gas producing villages have stunting rates above the regional stunting average.[22]

The same situation occurs in Rokan Hulu Regency, which has the second highest poverty rate in Riau Province. The poverty rate in oil and gas producing villages tends to be high, reaching 2,274 people (Rokan Hulu Social Service 2023).

The use of oil and gas ADD in Pelalawan Regency is specifically used for three development orientations, namely (1) improvement of health services, (2) improvement of education services, (3) poverty alleviation programs. Meanwhile, in Rokan Hulu Regency, Perbup 2 of 2024 states that the use of oil and gas ADD will be used for community economic empowerment programs, but still considers the financial capacity of the village..

Some of them are communities with extreme poverty, high school dropout rates, and low access to higher education, with a ratio of 1:20.[23]

A DBH Management Mechanism is Absent at the Regency Level

The findings of a joint investigation conducted with the assistance of Riau's Lancang Kuning University (Unilak) indicate that Bengkalis and Rokan Hulu require a distinctive management apparatus for regional revenues derived from DBH Migas. Furthermore, the planning of local government programs and activities has yet to consider the oil and gas-producing areas that have contributed to local revenue. The government's assumption that communities in these areas benefit from the oil and gas industry requires correction. Conversely, the residents of Bonai Village continue to grapple with the challenges posed by the presence of oil and gas companies in their community.

In light of the aforementioned conditions, it is imperative that Fitra Riau develops a more effective oil and gas DBH utilization scheme, one that takes into account the specific needs and circumstances of oil and gas-producing villages. The DBH utilization scheme may be implemented through either a direct local government program or a financial policy scheme in accordance with statutory provisions. This scheme optimizes the utilization of DBH Migas, providing direct benefit sharing to villages and local and affected communities in oil and gas producing areas. In accordance with the aforementioned provisions, the policy on villages, as set forth in Law 6 of 2014 on Villages and its associated laws and regulations, allows for the implementation of innovative policies at the regional level.

Sharing Oil and Gas DBH to Villages: Pelalawan and Rokan Hulu Practices

In 2016, Fitra Riau spearheaded an initiative to promote the distribution of DBH Migas to villages situated in the vicinity of oil and gas production sites. This initiative was initially implemented in Pelalawan Regency in 2017. In 2023, a program supported by the Ford Foundation facilitated the reinforcement of policies in Pelalawan Regency, thereby enabling the

19 Papua and Aceh Provinces Oil and Gas DBH are specifically stipulated in Law 16 of 2006 on Aceh, and Law 21 of 2001 on Papua Special Autonomy. Papua and Aceh share 70% of oil and 70% of natural gas.

20 Satellite image data showing oil and gas wells in Bengkalis villages (Desa Petani, Bumbung, Pinggir, Muara Basung, Sebangar, Tengganau), Fitra Riau, 2022.

21 The processed results of DTKS data (Integrated Social Welfare Data) Ministry of Social Affairs of the Republic of Indonesia.

22 In 2020, the prevalence of stunting was 9.4%, while in Migas villages it was 12%-16%.. (Source: PowerPoint Presentation (bengkaliskab.go.id), accessed 5 May 2024).

23 Profile data of Bonai Village, Bonai Darusalam sub-regency, Rokan Hulu Regency.

development of initiatives for the distribution of DBH Migas to villages. The initiative was successfully adopted by the Rokan Hulu Regency government beginning in 2024.

This policy establishes a mechanism for the allocation of a portion of the DBH Migas received by the Regency/City to the village government, with consideration given to the designation of Oil and Gas Producing Villages. The objective is to ensure a fair distribution of budgetary resources to oil and gas-producing villages, while conferring distinctive privileges upon those that make a substantial contribution to regional development through their oil and gas production. This initiative serves to mitigate the impact of potential risks associated with the exploitation of oil and gas resources, while also seeking to prevent the emergence of social conflicts between producing and non-producing villages. Furthermore, this policy serves to accelerate the development of local communities situated in proximity to oil and gas exploitation areas. This is particularly evident in the improvement of basic services and the enhancement of local economic conditions.

The policy of oil and gas DBH distribution to villages is regarded as an innovative policy due to the fact that it is not mandatory. It is imperative that a regulatory framework be established at the national level to govern this matter. The DBH policy, including oil and gas DBH, is only applicable in producing, processing, and border regions at the provincial and regency/city levels. Fitra Riau identified the transfer of expenditure instruments at the regency/city level as a potential avenue for the distribution of DBH Migas. This approach could encompass financial assistance expenditures, which are subject to discretionary regulation by regional heads, provided that such actions do not contravene existing laws and regulations. Furthermore, the allocation of the Village Fund Allocation (ADD), which is a mandatory obligation of the regency/city government as outlined in Law 6 of 2014[24], can be reformulated by including regional indicators (producing villages) as the basis for its calculation.

Advocacy efforts that employed a collaborative approach were instrumental in facilitating the implementation of oil and gas DBH sharing initiatives in villages within the Pelalawan and Rokan Hulu Regencys, with the Village Fund Allocation (ADD) reformulation approach serving as the primary mechanism. The allocation of the ADD in these two regions was previously conducted using a general approach, comprising a 60% allocation distributed equally and a 40% allocation distributed proportionally based on the calculation of population, poor population, area, and level of geographical difficulty. This mechanism is in accordance with the provisions of Government Regulation No. 43/2014 on the implementation of the Village Law, which guides the division of ADD by considering fixed income (assumed to be equal for each village) and population, poverty rate, area, and level of geographical difficulty (Article 96).

Through Rokan Hulu Regent Regulation No. 2 of 2024 and Pelalawan Regent Regulation No. 41 of 2023 on the Allocation and Distribution of Village Fund Allocation to each Village in 2024, the governments of the two Regencies changed or reformulated the calculation scheme for allocating ADD by specifically calculating the share of oil and gas DBH received by considering the producing region and its surroundings.

The Special ADD for Oil and Gas policy is an integral part of the ADD determined by the Government to the Village Government in general, which uses a minimum calculation of 10% of the total DAU and DBH received by the Regency / City in the relevant year. In Pelalawan and Rokan Hulu Regencies, in calculating the distribution of ADD, special indicators for oil and gas producing areas are added to calculate ADD sourced from oil and gas DBH. The implementation of this policy, when accumulated, has a direct impact on increasing the total ADD of oil and gas producing villages (ring 1).

In accordance with Rokan Hulu Regent Regulation No. 2 of 2024 on the Allocation and Distribution of Village Fund Allocation to each Village in 2024, the Rokan Hulu Regency government implemented a revised calculation methodology for the allocation of ADD. This methodology specifically considers the share of oil and gas DBH received in 2024, taking into account the producing region and its surrounding areas. Similarly, in Pelalawan Regency, the allocation policy for the District Assistance Fund (ADD) was reformed through Pelalawan Regent Regulation No. 41 of 2023, which concerns the procedures for allocating the Village Funds in 2024. The policy of oil and gas DBH distribution through ADD reformulation in Pelalawan and Rokan Hulu in 2024 is as follows:

[24] Law 6/2014 on Villages stipulates that regencies/cities must allocate a minimum of 10% of the DAU and DBH for Village Fund Allocation.

Table 1. Oil and gas DBH sharing policy through ADD reformulation in Pelalawan and Rokan Hulu in 2024

District	Regulation	Special ADD allocation for oil and gas	Number of villages in each category	Proportion of Special ADD Distribution for Oil and Gas	Oil and Gas Special ADD Section 2024
Pelalawan	Perbup 41 of 2023 on ADD 2024	10% of oil and gas DBH received by the region	Ring 1: 5 villages Ring 2: 7 villages Ring 3: 15 villages Ring 4: 77 villages Total: 104 Villages	Ring 1: 2.5% Ring 2: 1.8% Ring 3: 1.3% Ring 4: 0.7%	Ring 1: IDR 276.6 million Ring 2: IDR 199.1 million Ring 3: IDR 143.8m Ring 4: IDR 81.1 million
Rokan Hulu	Started in 2024	10% of oil and gas DBH	Ring 1: 6 villages Ring 2: 26 Villages Ring 3: 107 villages	Ring 1: 1,667% Ring 2: 1,038% Ring 3: 0.589%	Ring 1: IDR 179.9m Ring 2: IDR 110.2 million
	Perbup 2 of 2024 on ADD 2024	received by the region	Total: 139 Villages		Ring 3: IDR 62.4 million

In 2024, Pelalawan Regency allocated a special additional budget (ADD) for the oil and gas sector amounting to Rp. 17.064 billion, representing 10% of the projected revenue from the oil and gas sector that Pelalawan Regency is set to receive, which is Rp. 170.6 billion. Conversely, Rokan Hulu Regency allocated a special ADD for oil and gas of Rp. 10.614 billion in 2024, representing 10% of the total projected oil and gas DBH received by Rokan Hulu in 2024, which amounted to Rp. 106.1 billion.

The Special ADD for Oil and Gas policy represents an integral component of the ADD, as determined by the government, and is applicable to the village government in general. The calculation is based on a minimum of 10% of the total DAU and DBH received by the regency/city in the relevant year. In contrast, the calculation of the ADD distribution in Pelalawan and Rokan Hulu incorporates a distinctive indicator for oil and gas producing regions, facilitating the calculation of ADD derived from oil and gas DBH. Consequently, the implementation of this policy, when aggregated, has a direct effect on the overall ADD of oil and gas producing villages (ring 1).

Table 2. A comparative analysis of the allocation of ADD funds based on the conventional methodology versus the Rokan Hulu oil and gas-based approach in the fiscal year of 2024.

No.	Name of producing village	Allocation With No Oil and Gas Calculation 2024	Calculation Allocation with ADD Oil and gas 2024	% Ratio of increase in ADD allocation with and without oil and gas calculation	Changes Position Village ADD Acquisition in the Regency
1	Bonai	716.681.000	926.793.000	36%	39th to 6th position
2	Sontang	704.141.000	976.427.553	39%	Position 48 to position 4
3	Sono Bay	693.238.000	820.524.707	18%	57th to 27th position
4	Pauh	684.276.000	897.329.590	31%	Position 65 to position 8
5	Pendalian	682.238.000	878.609.616	29%	Position 67 to position 11
6	Koto Tandun	698.172.000	843.559.466	21%	Position 52 to position 22

Source: Perbup Rokan Hulu No 2-year 2024 and Fitra Riau Simulation

The implementation of an oil and gas-based ADD policy has a positive impact on the increase in ADD allocation, particularly in villages that are currently engaged in oil production (oil drilling well sites). In Rokan Hulu, a comparison of the ordinary ADD calculation with the ADD Migas calculation revealed an increase in ADD received by Ring 1 villages ranging from 18% to 39%. Similarly, in terms of their relative position among other villages (aggregate), these villages benefited from an improvement in their ranking. In Pelalawan Regency, the implementation of an oil and gas-based ADD calculation has resulted in an increase in village allocations.

Table 3. A comparative analysis of the allocation of regular calculations and calculations based on Pelalawan Oil and Gas in 2024.

No.	Name of producing village	Allocation With No Oil and Gas Calculation 2024	Allocation By Calculation with ADD Oil and Gas 2024	Ratio of increase in ADD allocation with and without oil and gas calculation	Changes in ADD Acquisition of Villages in the Regency
1	Ukui Dua	975,225,170	1,260,265,148	29%	17th position to 2nd position
2	Pond	975,946,010	1,269,068,710	30%	position 16 to position 1
3	Withdrawal	910,391,018	1,212,944,726	33%	position 42 to position 4
4	Padang Luas	731,637,142	1,024,759,842	40%	position 96 to position 28
5	Mak Teduh	732,475,883	1,035,029,591	41%	position 92 to position 24

Source: Pelalawan Perbup No 41 of 2023 and Fitra Riau Simulation

Another advantage of this policy innovation scheme is that it expands the fiscal space available to villages for financing development programs that contribute to improving welfare through economic empowerment programs for community groups, including vulnerable groups and women's groups. To illustrate, this fiscal gap enables villages to fund initiatives that benefit disadvantaged groups, including the poor, women, and the general public. Examples of such initiatives include the provision of educational financing support for the poor, the establishment of health facilities at the village level, and the implementation of women's economic development and empowerment programs.[25]

Brown banana production Teluk Sono Village - Rokan Hulu Regency

What are the Challenges?

Converzsely, this policy also encounters obstacles, particularly at the village level with regard to its implementation. The rise in budgetary allocations received by oil and gas-producing villages, in the absence of explicit regulatory oversight, may result in an expansion of village spending on allocations that are not necessitated by the community's requirements. For example, an increase in spending on village government administration or other development programs, which are optional for the community, may result.

In order to mitigate the misallocation of the use of ADD Migas, the governments of Rokan Hulu and Pelalawan have enacted specific regulations governing the use and allocation (earmarking) of ADD derived from DBH Migas. These regulations are designed to enhance the economic well-being of the community and to ensure the provision of essential public services. In Pelalawan Regency, the allocation of ADD Migas is specifically regulated for three distinct development programs: (1) improvements to health services, (2) enhancements to education services, and (3) poverty reduction initiatives. Meanwhile, in Rokan Hulu Regency, Perbup 2 of 2024 stipulates that ADD Migas is utilized for community economic empowerment programs, while concurrently contemplating the village's financial capacity.

The policy, which is based on regional initiatives, is facing challenges in terms of sustainability, given that it is optional and has yet to be incorporated into a comprehensive policy framework that would ensure its long-term and sustainable implementation. The policy remains contingent upon the guidance of government

[25] As an illustration, in Bonai Village, ADD Migas is intended to furnish educational assistance to impoverished individuals and economic empowerment initiatives for women in the community. (Workshop on the Utilization of ADD Migas in Producing Villages, March 20, 2024).

officials, including regional heads and department heads, who have yet to be institutionalized on a long-term basis. Moreover, support from the village government and the local community is essential for the effective implementation of this policy, as it necessitates monitoring and active participation from the community. As with the DBH Migas to Villages initiative, there is a risk that this policy will not be effective at the village level if there are deficiencies in the control and supervision mechanisms (checks and balances).

As a means of implementing a mitigation strategy, it is essential to reinforce the encouragement of policy institutions, for instance, by establishing this policy as a priority within the Regional Medium-Term Development Plan (RPJMD) and other comprehensive umbrella policies. At the national level, it is similarly essential to implement strategic policies that will encourage regions to optimize the oil and gas DBH they receive. Furthermore, such policies should provide political and material/fiscal incentives to initiate regions that are in need of development.

IV. Stakeholder Expectations on CSR Programs

"*It's like someone slaughtering a buffalo. We in the village only get a splash of blood, while other people take the meat. Even though there are 18 oil wells in our hamlet alone*." (Head of Lorong Dua Hamlet, Koto Tandun, Rokan Hulu which is also a Ring One Village).

The oil and gas wells in the Pelalawan, Bengkalis, and Rokan Hulu regencies, which range in size from large to small, are managed by a variety of private companies, including those of a large-scale, small-scale, and national nature. Some minor oil and gas fields in Pelalawan are managed by companies engaged in the exploitation of marginal or mature fields. One such company is PT Bumi Siak Pusako (BSP), a regional enterprise that engages in collaborative management of smaller fields in conjunction with other entities. In addition to Pertamina Hulu Rokan (PHR), which oversees the Rokan Block, PT Sarana Pembangunan Riau oversees several minor oil and gas wells in the Riau region, including those in Bengkalis. The majority of the Rokan Hulu region is situated within the boundaries of the Rokan Block, which is overseen by Pertamina Hulu Rokan. Additionally, small fields are managed by PT SPR Langgak, a national company that oversees the management of small fields within the Langgak Block. These smaller entities frequently operate in older or marginal oil and gas fields with lower production potential than those managed by larger companies such as Pertamina. This collaborative approach enables the region to continue deriving benefits from the oil and gas resources present in these smaller fields.

It is incumbent upon national and private companies to fulfill their social responsibility by providing economic and social benefits to oil and gas-producing regions and villages, in particular. BPS data indicates that the oil and gas sector generate a substantial proportion of local revenue in accordance with government regulations. In light of the growing emphasis on corporate social responsibility (CSR), CSR has emerged as a pivotal instrument for fostering a harmonious relationship between oil and gas companies and the surrounding community. However, expectations from various stakeholders—including local communities, governments, and civil society organizations—are often diverse and even conflicting, which gives rise to differences in the outcomes of CSR program implementation.

"*Our village is classified as Ring One and is engaged in the production of oil. In the past, our village was the recipient of funds from the Corporate Social Responsibility (CSR) program. However, the amount was subsequently reduced unilaterally. We were previously unaware of this information. Moreover, the funds were earmarked solely for the construction of a statue. Conversely, the village requires financial resources to repair the severely damaged madrasah*." (Koto Tandun Village Head, Rokan Hulu)

To what extent do the corporate social responsibility (CSR) programs of oil and gas companies align with the expectations of their stakeholders? Some stakeholders may prioritize direct economic benefits, such as infrastructure development, job creation, or revenue sharing from natural resources. Conversely, local communities frequently anticipate the implementation of more sustainable programs that facilitate long-term enhancements to the quality of life, including improvements in education, health, and environmental conditions.

The idiomatic expression "hunger in the granary" is frequently employed to illustrate the plight of individuals engaged in natural resource extraction. The indirect response of business entities, manifested in the form of taxes and revenue-sharing schemes with central and local governments, is still perceived as inadequate. In addition, direct initiatives were introduced through the implementation of corporate social responsibility (CSR) schemes.

The efficacy of corporate social responsibility (CSR) in poverty alleviation in Indonesia is well documented in the literature. For instance, the National Team for the Acceleration of Poverty Reduction (TNP2K, 2015) has demonstrated the pivotal role of CSR in poverty reduction in Indonesia in 2015. However, FITRA Riau's observations since early 2020 indicate that there are still challenges in the implementation of CSR at the village level. These relate to the suitability of CSR allocations for villages that are the main pillars of natural resource extraction, especially oil and gas. The challenges also extend to governance and the criteria used for the allocation of CSR funds.

CSR: Between Transparency and Direction

The distribution of Social and Environmental Responsibility (CSR) funds in Rokan Hulu and Pelalawan has been perceived by the local community and village governments as failing to align with their aspirations. In addition to its tangible orientation, companies frequently disburse CSR funds in an unspecified period, unilaterally, without considering the aspirations of residents and village governments. Furthermore, there is a necessity for greater transparency in the allocation of CSR funds. Local residents and village governments assert that while a substantial CSR fund is in place, there is a need for greater transparency regarding the precise amount, the intended applications, and the disbursement process. In some instances in Rokan Hulu, the distribution of CSR funds is frequently arranged by "insiders" based on their personal preferences or at the request of individuals with whom they are acquainted, without consultation with or communication to the village government. Such practices are susceptible to corruption and other irregularities.

In a case that occurred in Pelalawan, the funds designated for corporate social responsibility (CSR) were transferred directly to the account of the village head. These funds were then utilized by the village head for the purchase of private land situated outside the boundaries of the village. Subsequently, law enforcement officials initiated legal proceedings against the Village Head, resulting in a conviction.

In essence, corporate social responsibility (CSR) can be defined as a company's ongoing dedication to adhere to ethical and legal standards while enhancing the quality of life for workers, their families, local communities, and society at large. In light of this understanding, a company's CSR frequently manifests in waste treatment, infrastructure development, blood donation, and MSME development. This is governed by Article 2 of PP 47/2012. Local communities, particularly women's groups, express a need for greater awareness of the existence of funds from CSR. This is despite the fact that women's groups have indicated a desire to be actively involved in development activities and capacity building.

In addition to the transparency and accountability of

Corn Plantation – Desa Ukui Dua

corporate social responsibility (CSR) initiatives, the utilization of CSR funds should encompass not only physical development, such as infrastructure construction, but also economic empowerment, including the promotion of micro, small, and medium-sized enterprises (MSMEs). In light of the aforementioned considerations, it is imperative to engage in communication with the pertinent village government regarding the distribution of CSR funds. In the case of Koto Tandun, Rokan Hulu, the village head reports a previous instance of unilateral reduction of CSR funds. These funds were ultimately utilized for the construction of a statue that was deemed unnecessary. The village head expressed hope that the CSR funds

"The precise number of workers from our village employed by the company is not known. It can be reasonably assumed, however, that the number is less than the aforementioned figure. A significant proportion of the workforce is comprised of individuals from external locations."
(The Head of Ukui Dua Village, which is also an oil-producing Ring One Village in Pelalawan)

could be redirected towards the renovation of the madrasah building, which is in dire need of repair.

Meanwhile, several villages within Pelalawan Regency, which is also characterized by its abundance of oil, gas, and oil palm plantations, remain in need of Corporate Social Responsibility (CSR) funding. Additionally, these companies employ a limited number of local workers. It would be beneficial to have data on the extent to which local villages contribute to labor absorption. A CSR Forum has been established at the level of Pelalawan Regency, which provides a platform for stakeholders to convene. The Pelalawan local government has also initiated an award program to recognize exemplary CSR practices. Nevertheless, the forum has yet to provide strategic direction for the utilization of CSR funds for community empowerment. The local government has acknowledged the necessity for improvement in this area. The local government can provide direction for the utilization of CSR funds for community empowerment if there is a strong political will. In accordance with the Regulation of the Minister of Social Affairs of the Republic of Indonesia No. 9 of 2020 on Social and Environmental Responsibility of Business Entities, the CSR Forum at the provincial and regency/city levels is empowered to establish clear direction with relevant strategic objectives and to provide guidance and supervision to the CSR Forum at the provincial and regency levels. It is imperative that these forums operate in accordance with the stipulations set forth in the Ministerial Regulation. The role of the forum is not merely to receive reports on CSR implementation, which is neither participatory nor always accurate.

Optimizing the Role of Corporate Social Responsibility (CSR) in Poverty Reduction in Oil and Gas Producing Villages in Riau

In order to address these challenges and also to respond to stakeholder expectations for a better management of DBG, FITRA Riau facilitated consensus among citizens, businesses, and local government in strengthening equitable and accountable CSR governance. This was achieved through the implementation of three CSR governance models: a partnership scheme between local government and companies (memorandum of understanding-MoU), an interactive application platform, and direct proposals by the community with recommendations from the local head. Through these three schemes, the compatibility of corporate social responsibility (CSR) with government priorities, citizen needs, and business interests is negotiated. For instance, the implementation of interactive application platforms enables the direct expression of citizen aspirations, whereas local government partnerships guarantee the alignment of CSR with government development strategies. This document presents an analysis of the empirical situation of the role of CSR through existing schemes, as conducted by Fitra Riau. The document presents an analysis of the challenges and recommendations for strengthening the effectiveness and accountability of corporate social responsibility (CSR).

The implementation of CSR distribution is achieved through the utilization of three distinct approaches to corporate social responsibility, namely the social obligation approach, the social reaction approach, and the social response approach. In order to guarantee the implementation of CSR by corporations, local governments have enacted policies on social and environmental responsibility (CSR), which are operationalized through CSR forums at the local government level.

The CSR implementation report, compiled by the CSR Forum during the 2018-2022 period, presents a comprehensive overview of CSR practices across a diverse range of companies, including state-owned enterprises, regionally owned enterprises, and private companies operating in various sectors, such as oil and gas, forestry, plantations, finance, and services. The contribution of the oil and gas sector to corporate social responsibility (CSR) is generally minimal. To illustrate, in Bengkalis Regency, the contribution of CSR from the oil and gas sector represents a mere 15% of the total CSR reported by 36 companies. In Rokan Hulu Regency, the oil and gas sector accounted for 33% of the total CSR contributions, as reported by 67 companies.

A review of corporate social responsibility (CSR) contributions from the oil and gas sector in Pelalawan Regency revealed that 15 companies reported only 3% of the total CSR. This represents the lowest level of CSR contribution from the oil and gas sector in the region.

Furthermore, the number of companies in the three regions is significantly higher. Nevertheless, the number of companies that fulfill the criteria for reporting on their CSR implementation remains relatively low. To illustrate, in Rokan Hulu Regency, there are currently 147 registered companies.

Nevertheless, only 67 companies, or 47%, have reported the implementation of CSR programs. In Bengkalis Regency, 91 companies have been identified, yet only 36 (40%) have reported the implementation of CSR programs. Similarly, in Pelalawan Regency, 52 companies have been identified, yet only 15 (28%) have reported implementing CSR programs.

Meanwhile, the results of a socio-economic impact analysis conducted in eight oil and gas-producing villages in Indonesia by the Indonesian Forum for Budget Transparency (Fitra Riau) indicate that these villages continue to experience high poverty rates and limited economic access. It is therefore recommended that income from natural resources (oil and gas and others) and the implementation of CSR that supports the community's economy be utilized to resolve the aforementioned gap and poverty.

In response to the phenomenon of "hunger in the food barn," Fitra Riau has implemented a program designed to enhance and refine social accountability within the management of Corporate Social Responsibility (CSR) initiatives in oil and gas-producing villages across three regencies in Riau. The three regencies are Pelalawan, Bengkalis, and Rokan Hulu. The objective of the program is to alleviate poverty, which remains a significant challenge in these regions, by optimizing two channels: the utilization of the Oil and Gas Revenue Sharing Fund (DBH) and Corporate Social Responsibility (CSR). This article examines Fitra Riau's efforts to enhance the effectiveness of the second scheme (CSR).

CSR Governance

In order to optimize the implementation of corporate social responsibility (CSR), it is essential that policies include the priorities of CSR programs, planning mechanisms, implementation mechanisms, synchronization, coordination, and reporting. Furthermore, the establishment of a CSR forum as an avenue for dialogue with stakeholders is crucial. The prioritization of CSR programs is designed to guarantee that the available financial resources are allocated to initiatives that are genuinely required by the community, including those pertaining to economic, educational, health, social, and religious matters. The planning and implementation mechanism requires companies to have a clear and structured plan for running their CSR programs.

The regencies of Pelalawan, Bengkalis, and Rokan Hulu in Riau have developed various CSR governance models to support local development and reduce poverty. Despite having the same objectives, each regency adopts a different approach, reflecting local needs and characteristics. This analysis will compare and evaluate the CSR management mechanisms in the three regencies to provide a comprehensive picture of their effectiveness and challenges.

In Pelalawan Regency, three models of corporate social responsibility (CSR) governance are in operation. These are: 1) a memorandum of understanding (MOU) between the local government and companies; 2) an interactive application platform; and 3) a community proposal with the recommendation of the regent.

The objective of the Memorandum of Understanding (MOU) is to guarantee that corporate social responsibility (CSR) contributions are aligned with regional development priorities. An interactive digital platform has been developed with the objective of facilitating the submission of proposals and enhancing transparency. The community proposal mechanism, which the regent endorses, is intended to provide assistance to local initiatives.

Bengkalis Regency employs two principal models for the administration of corporate social responsibility (CSR) initiatives. The first is a manual reporting system operated through the Regional Planning Board (Bappeda), while the second is the Tanjak Bermasa e-TJSP (Corporate Social Responsibility) application. The manual model necessitates that companies submit CSR activities for review directly to the local government. This process requires significant coordination to guarantee accuracy and transparency. The Tanjak Bermasa e-TJSP application has been developed with the objective of fostering collaboration between local government and private companies.

The objective is to enhance corporate involvement through persuasive strategies and to illustrate the evident advantages of corporate social responsibility (CSR) for both the company and society at large. The optimization of digital technology is to be achieved by the creation of a more user-friendly and responsive platform. It is imperative to guarantee that community proposals endorsed by the government are duly implemented through enhanced coordination and uninterrupted monitoring. Ongoing assessment and enhancement of certain elements. A collaborative approach is to be taken, involving local governments, companies, village governments, and local communities.

Rokan Hulu Regency employs a combination of manual methods and the TJSP Pelikat application to oversee its corporate social responsibility (CSR) activities. Prior to the implementation of the Pelikat application, the reporting process was conducted manually, with companies submitting their CSR activity reports directly to Bappeda. This approach was frequently informed by the priorities of individual companies and suggestions from the local community. The Pelikat application introduces a more structured and automated reporting process, facilitating monitoring by the local government and enabling community participation in proposal submission.

Despite the fact that the three regencies have disparate mechanisms, they are confronted with analogous challenges pertaining to company participation, the efficacious deployment of technology, and the execution of CSR programs. In Pelalawan, the intensifying participation of companies in the MOU and the optimization of the application platform continue to represent pivotal challenges. In Bengkalis, the necessity for a more rigorous evaluation of the Tanjak Bermasa e-TJSP application, given the considerable manual coordination and utilization currently in place, is becoming increasingly apparent.

In Rokan Hulu, while the Pelikat application offers a convenient solution, the transition from manual to digital methods still necessitates a certain investment of time and a process of evaluation. To enhance the efficacy of CSR administration within the three regencies, a series of strategic measures must be implemented. Firstly, it is necessary to increase the level of participation by companies through the use of persuasive techniques and the demonstration of the clear benefits of corporate social responsibility (CSR) for both companies and communities. Secondly, the utilization of digital technology should be optimized by the creation of a more user-friendly and responsive platform. Thirdly, it is imperative to guarantee the effective implementation of community proposals recommended by the government through enhanced coordination and continuous monitoring.

In general, the optimization of CSR management mechanisms in the Pelalawan, Bengkalis, and Rokan Hulu Regencies necessitates a continuous process of evaluation and improvement across a range of areas. It is anticipated that the increased involvement of companies, the optimal utilization of digital technology, and the effective implementation of CSR programs will result in the transformation of CSR contributions into a potent instrument for the advancement of sustainable development and the enhancement of community well-being across the three regencies.

Barriers in CSR Implementation

The following section will present a number of the principal challenges encountered during the course of this study.

1. It is notable that there has been a paucity of responses from companies engaged in corporate social responsibility (CSR) to invitations to collaborate issued by the local government. One of the most significant challenges is the absence of coordination between CSR companies and Bappeda Bengkalis. Despite Bappeda Bengkalis's active engagement through the dissemination of correspondence and the facilitation of limited meetings, the response from CSR companies remains largely unresponsive. Efforts to extend invitations to companies to attend quarterly meetings frequently fail to elicit the anticipated response. Indeed, official missives from the regents are frequently met with indifference by the companies in question, thereby exacerbating the challenge of procuring the necessary information and data.
2. The lack of coordination and reporting on corporate social responsibility (CSR) activities represents a significant challenge for local governments. Without routine reporting, it is difficult for local governments to capture and monitor the implementation of CSR programs in real time. Consequently, many companies' initiatives and contributions remain undocumented, which hinders future evaluation and strategic planning.
3. The implementation of the e-TJSP application in order to overcome the obstacles presented by communication and reporting, the Local Government initiated the implementation of the Electronic Corporate Social Responsibility (e-TJSP) application during the period of the global pandemic caused by the SARS-CoV-2 virus. The objective of this application is to facilitate digital communication and reporting of CSR activities. Nevertheless, the implementation of this application continues to encounter considerable obstacles. Despite the provision of straightforward access, including passwords and document upload forms, many companies have not optimally utilized

this application. The primary challenge lies in the lack of awareness and commitment among companies to utilize this platform.

4. Fluctuations in Corporate Social Responsibility (CSR) Fund Allocation Fluctuations in the amount of corporate social responsibility (CSR) funds allocated by companies present a significant challenge to the effective management and monitoring of company contributions. It is not uncommon for companies to refrain from disclosing comprehensive information regarding their total budgetary allocation and CSR operations. This lack of transparency can impede the ability of local governments to engage in effective planning and resource allocation. This also impairs Bappeda's capacity to guarantee that CSR funds are utilized in an optimal and targeted manner.
5. Reporting and Documentation Limitations A considerable number of companies are either reluctant or fail to provide comprehensive reporting on their CSR activities. It is not uncommon for activities that have been planned in the APBD but not fulfilled to be documented in a perfunctory manner. Despite the availability of online platforms for the submission of reports and the creation of company profiles, a considerable number of companies remain reluctant to utilise these facilities. These limitations render it challenging for local governments to obtain a comprehensive understanding of the extent of corporate social responsibility (CSR) contributions made by companies.
6. One of the key challenges in building cooperation is the difficulty local governments face in engaging with and fostering closer collaboration with CSR companies. Notwithstanding the implementation of initiatives entailing the utilization of official correspondence and the direct solicitation of companies to upload their activities on the e-TJSP application, the persisting lack of response and the fluctuations in commitment exhibited by companies continue to constitute significant obstacles. In order to overcome this challenge, it is necessary for Bappeda to pursue more effective communication strategies and approaches with the objective of developing stronger relationships with CSR companies.

Encouraging the Role of CSR in Oil and Gas DBH Redistribution

The objective of the FITRA Riau study is to provide strategic guidance for local governments, village governments, and oil and gas companies in the implementation of effective corporate social responsibility (CSR) programs in areas where oil and gas production occurs. In consideration of the roles and responsibilities of the respective parties, the collaboration between local governments, village governments, and oil companies should adhere to the following principles:

1. It is essential that local governments employ persuasive strategies and establish transparent memoranda of understanding (MOUs) to enhance corporate involvement in CSR initiatives. It is recommended that regular forums be held involving representatives from the government, companies, and communities to facilitate discussion of CSR issues. Moreover, it is crucial to provide training and socialization for companies on the utilization of the e-TJSP application to enhance digital reporting capabilities. Furthermore, local governments should implement a responsive technology-based monitoring and evaluation system to facilitate the real-time monitoring of CSR program implementation. It is imperative that regulatory revisions be enacted to render CSR/TJSP policies more targeted and oriented towards community needs. Furthermore, the establishment of policies that compel companies to report on the allocation of CSR funds and activities on a regular basis is essential;
2. It is essential that village governments enhance their capabilities in developing proposals and reporting on CSR activities that align with local needs. It is imperative that a dedicated team be established in each village to oversee the management of relationships with external entities and to monitor the implementation of corporate social responsibility (CSR) programs. It is imperative that communities be included in the planning and implementation of CSR programs, as this will ensure the sustainability and long-term positive impact of such initiatives. It is recommended that regular village meetings be held for the purpose of discussing village development, with funding for these meetings to be sourced from company CSR budgets;
3. It is recommended that oil and gas companies implement a policy of regular reporting of their CSR activities to local governments and communities. This will ensure transparency and accountability. It would be optimal for companies to utilize digital platforms such as e-TJSP to upload comprehensive

reports and documentation of their CSR activities, organized according to their respective development priorities. It is recommended that priority be given to corporate social responsibility (CSR) programs that focus on economic empowerment, education, and skills development within local communities. It is essential to conduct periodic evaluations of CSR programs to ascertain their long-term positive impact on the community. Furthermore, oil and gas companies should enhance their collaboration with local and village governments in the planning and implementation of CSR programs. Joint CSR forums should be held to discuss and identify solutions to challenges encountered in the implementation of future CSR programs, including the quality of life of workers and their families, the local communities, and society as a whole. This is explicitly outlined in Article 2 of PP 47/2012, which delineates the corporate social responsibility (CSR) obligations of businesses in Indonesia;

4. It is essential to encourage the implementation and evaluation of CSR programs, which should be conducted in collaboration between companies and local governments. Doing so will ensure that CSR programs are more targeted and beneficial for social welfare. The Regulation of the Minister of Social Affairs of the Republic of Indonesia No. 9 of 2020 concerning the Social and Environmental Responsibility of Business Entities can be utilized as a normative guide for the implementation of CSR for the purpose of improving welfare and protecting the environment. In this manner, CSR can be utilized to fulfill the company's stated objectives and ongoing commitment to act in an ethical and legal manner, while also contributing to the enhancement of the quality of life for workers and their families, local communities, and society at large. This is explicitly stated in Article 2 of PP 47/2012, which delineates the obligations of corporations with regard to corporate social responsibility.

V. Non-State Actor and Social Accountability: sustainability framework to support continuous initiatives to strengthen Oil and Gas DBH redistribution

The concept of social accountability underscores the significance of civil society in monitoring and demanding accountability from governmental or public institutions, particularly with regard to the utilization of resources and public policies. In the context of ADD Migas (village fund allocation sourced from oil and gas revenues), this theory is relevant insofar as it pertains to the capacity of communities and non-state actors, such as Fitra Riau, to play an instrumental role in ensuring transparency and fairness in the distribution of oil and gas revenues.

According to Ackerman[26], the concept of social accountability encompasses two fundamental elements: public scrutiny and the response of government institutions. The term "public scrutiny" denotes the capacity of the general public or non-state actors to oversee and demand accountability. The institutional response pertains to the manner in which the government reacts to these demands or grievances. Ackerman posits that social accountability is achieved when there is a robust interaction between community oversight and the government's willingness to respond. In the case of ADD Migas, communities or organizations such as Fitra Riau require access to comprehensive information regarding the utilization of funds, and the government must demonstrate transparency and a commitment to address feedback or criticism.

In order to implement effective policies that will facilitate the DBH Migas redistribution initiative, it is essential to prioritize the strengthening of non-state actors at the village and community level. This prompted Fitra Riau to establish a women's care and empowerment group with the objective of enhancing women's capacity to oversee and engage in village-level development planning and budgeting. It is anticipated that this will facilitate the inclusive benefit of the community from the village's DBH Migas-allocated budget. Additionally, the program serves to fortify the capacity of village governments, thereby facilitating the creation of accessible public spaces for the involvement of community members in the formulation of the village's development agenda. Mitigating the risk

26 Ackerman, John M. 2005. "Social Accountability in the Public Sector: A Conceptual Discussion." World Bank.

of inappropriate policy implementation at the village level requires two key measures: firstly, the technical capacity of village government administrators must be strengthened to enable them to design appropriate programs; secondly, the role and authority of the Village Consultative Body (BPD) must be reinforced.

Cassava Chips Production in Bonai Village – Rohul Regency

As a civil society organization, establishing trust and collaboration with local governments is a challenging process. The stigmatization and pejorative labeling of NGOs by local governments as "nuisance organizations" and other derogatory designations present a significant challenge for Fitra Riau and its local facilitators in the regions.

Fitra Riau adheres to the values espoused by the organization while offering constructive criticism of the government, particularly with regard to budgetary policies. However, the organization remains receptive to external feedback and scrutiny. It is imperative to reinforce the principles of evidence-based advocacy and to uphold the organization's values by refraining from any actions that could be perceived as detrimental to the advocacy agenda, such as engaging in moral hazard or advocating for the benefit of individuals or organizations.

The consistent efforts to maintain Fitra Riau's institutional values serve as a means of fostering trust with key stakeholders, thereby facilitating communication with the government, universities, mass media, and other pertinent parties. The enhancement of personnel capabilities represents a strategy that is widely accepted within the context of government forums. For this reason, Fitra Riau is engaged in the regional development assessment team of Bappeda Riau Province, the social forestry special working group team, and other collaborative initiatives established between Fitra Riau and the local government.

In the context of policy advocacy, a number of key strategies have been identified. These include maintaining the agreed-upon values of the organization while remaining receptive to external criticism of the institution; strengthening evidence-based advocacy; influencing the pattern of civil society in policy advocacy; offering more than just recommendations, but also demonstrating technical expertise in the implementation of policy recommendations; and understanding the importance of public policy in the work of Fitra Riau personnel in conducting advocacy. Finally, an approach is advocated that focuses on promoting the success of new policies and learning from the process of their development.

The objective of the agenda to encourage the redistribution of oil and gas DBH to villages is to provide evidence and arguments that will persuade the government to implement the policy. Fitra Riau engages in collaborative research with academic institutions to reinforce the rationale behind the advocacy agenda. The efficacy of policy advocacy is contingent upon the establishment of a robust communication network comprising regional heads, department heads, and relevant stakeholders. Furthermore, Fitra Riau works to reinforce the support and cohesion of village governments in order to fortify the policies that will be advocated.

One of the fundamental principles underlying the encouragement of policy is the alteration of the operational pattern of civil society organizations engaged in policy advocacy. The prevailing practice has been the formulation of criticisms and recommendations devoid of any tangible action to facilitate change. In addition to offering policy recommendations, Fitra Riau is now providing technical assistance on the implementation of these recommendations. An understanding of the budgeting process is of paramount importance for Fitra Riau personnel in conducting advocacy. In order for Fitra Riau to become a strategic partner of the government in the development of policy innovation at the regional level. It is not uncommon for governments to lack the motivation to innovate. However, there are instances when they require guidance on how to effectively implement policy innovation.

The success of advocacy efforts in a particular region can also facilitate the establishment of trust. Fitra Riau frequently employs a promotional strategy, advocating for policies at the regional and national levels, which directly enhances stakeholder confidence in Fitra Riau. This is evident in the absence of any negative labeling of Fitra Riau when communicating with local governments.

What has Fitra Riau done?
What can Fitra Riau do?

Fitra Riau has established excellent relations with all levels of government, from the regency to the village level. They express gratitude and appreciation for the contributions made by Fitra Riau. Notably, this is particularly evident in relation to the DBH redistribution advocacy that Fitra Riau has undertaken thus far. The village governments in both regencies acknowledged the significance of Fitra Riau's efforts in advocating for the redistribution of DBH to villages. Local governments in both regencies also experienced the consequences of Fitra Riau's contributions to the discourse surrounding the DBH policy.

Production process of shredded cork fish – Mak Teduh Village

Fitra Riau also encourages local governments to disseminate information regarding the outcomes of DBH policies, as well as insights gained from such experiences, at both cross-regional and national levels. Fitra Riau is well-positioned to sustain this commendable work in the future, while simultaneously maintaining constructive and collaborative relationships with local governments. Nevertheless, Fitra Riau acknowledges the necessity for a more comprehensive strategy to guarantee the effective implementation of DBH in rural communities. This entails a direct and sustained engagement with local communities, particularly those comprising women, to ensure the smooth functioning of community empowerment programs.

As outlined previously, this situation provides a general overview of the utilization of DBH as an established standard for DBH in accordance with the legal mandate. This encompasses the protection, service, empowerment and enhancement of the community's welfare through increased equity in a specific region. The frank acknowledgment by local governments of their failure to undertake monitoring and evaluation pertaining to the utilization of DBH, including the guideline, presents an opportunity for Fitra Riau to extend assistance to these governments.

In terms of conceptualization, Fitra Riau has initiated the concept of community-based management of DBH Migas. The concept posits that the fruits of development often fail to reach the most vulnerable members of society. This is, in part, attributable to the centralized and uniform approach to development. The focus is on the government, whereas the community requires the autonomy to devise its own development plan based on its specific needs. Such a development approach fails to accommodate the micro-level interests of the lower community, which remains trapped in poverty.

The concept posits that the community is engaged at every stage of the development process. This signifies that the community is engaged from the outset, participating in the identification of problems and subsequently formulating policy. The responsibility for development does not reside exclusively with the government; it also falls upon the local community. This concept pertains to the notion of bolstering social capital in the context of resilience. It is essential to consider the potential for resilience, even if it may still require enhancement. Consequently, the implementation of engineered mitigation strategies to alleviate poverty may contravene the objective of enhancing resilience, thereby placing the community in a vulnerable position.

Accordingly, in accordance with the aforementioned concept of Fitra Riau, the preliminary prerequisite for the implementation of community involvement is the capacity of the community to identify issues, delineate their potential and needs, formulate development goals, and manage the resources available within the community. This signifies the necessity for the community to cultivate capacity within the framework of community empowerment.

In light of the ongoing discourse among local governments regarding the perceived unilateral regulation of the DBH percentage by the central government and the positive relationship between local governments and Fitra Riau, it appears that there is an opportunity for Fitra Riau to implement the concept of "community-based management of DBH Migas" in collaboration with local and village governments.

Similarly, the demand for transparency in CSR mechanisms is applicable in this context. Fitra Riau can leverage the CSR forums in both regencies and collaborate with the local government to ensure that CSR funds are subject to regulatory oversight by the local government in accordance with the principle of transparency, thereby preventing any misdirection of these funds. The Regulation of the Minister of Social Affairs of the Republic of Indonesia No. 9 of 2020 on Social and Environmental Responsibility of Business Entities can be utilized as a normative guide. It is only through the restoration of the state's regulatory role in the market that the damage to the environment, contamination of water sources, and industrial waste can be effectively addressed.

Oil and Gas DBH Redistribution Policy Advocacy Trip to Producing Villages

The initial stage of the program implementation entailed the introduction of the program plan, process, and locus of the program that would be implemented in the local government. It was imperative that the relevant local government demonstrate commitment and support at this stage. The program was implemented in three regions: Rokan Hulu, Bengkalis, and Pelalawan. The program has been implemented in three stages, as follows;

1. A Discussion held with academics to explore ideas related to poverty alleviation strategies through DBH Migas.

Fitra Riau convened a group of university experts to engage in a discourse and exploration of diverse perspectives from various stakeholders regarding the sharing of experiences and knowledge related to the utilization of the Oil and Gas Revenue Sharing Fund. The objective was to examine activities in general and assess how regional conditions and the policy situation in the region influence this process. It is pertinent to inquire whether oil-producing areas with numerous wells have made a significant contribution to poverty alleviation, ensuring adequate access to education, healthcare, and quality development infrastructure services. Additionally, it is essential to ascertain whether companies situated in proximity to producing villages have provided employment opportunities for local residents. Of the eight oil and gas producing areas in Riau that are currently managed, 10 are operated blocks, while two are still in the exploration stage. The production data for the region is 205,376 bod, which is equivalent to 27.8 percent of the national production for 2019.

2. Implementation of a Review Study of oil and gas DBH policy to reduce poverty.

This study was conducted in collaboration with the Centre for Policy and Development Studies (PSKP) at Lancang Kuning University in Riau. The findings of this study will subsequently inform recommendations for local governments on the optimization of oil and gas DBH management for the alleviation of poverty. One of the recommendations is the formulation of a plan for the redistribution of oil and gas revenues to village governments. Please refer to the attached document for the study results.

3. Introduction of Oil and Gas Redistribution Concept to Local Government.

On Tuesday, August 1, 2023, Muhammad Zaki, STP, MSi, Regional Secretary of Rokan Hulu Regency, presided over the discussion. Fitra Riau was afforded the opportunity to elucidate the concept of the Oil and Gas Revenue Sharing (DBH) Redistribution policy to villages as a recommendation for DBH management policy. Additionally, the discussion involved leaders of pertinent Regional Apparatus Organizations (OPD), including the Head of the Community Empowerment and Village Government Office (DPMPD), the Head of the Development Planning Agency (BAPPEDA), the Secretary of the Regional Financial and Asset Management Office (BPKAD), and the Head of the Rokan Hulu Communication and Information Office.

The concept of oil and gas DBH redistribution policy to the village is an alternative offer of regional financial management policy innovation from oil and gas revenues received annually as part of the central transfer (TKDD). This idea is based on the consideration that the results of oil and gas natural resources currently received by the regions have not been directly beneficial to the producing village communities. There is no special policy in the regions that affirms oil and gas-producing villages in program and development planning. This policy concept was initiated as a form of special attention for regions that receive oil and gas DBH to producing villages as a form of benefit shares.

This concept is analogous to the DBH policy for local governments engaged in the production of oil and gas and other natural resources, as delineated in the Central-Local Financial Relations Law (HKPD).

The central government offers regional incentives in the form of DBH to regions that contribute to state revenues from taxes and non-tax sources. Consequently, the local government is obliged to extend the same privileges to villages that contribute to the production of the DBH received by the region. This approach may be characterized as either a privilege or an affirmation.

In addition, Law 6/2014 on Villages requires the implementation of a redistribution scheme in the form of DBH from regencies to villages. Nevertheless, the legislation remains confined to the distribution of DBH from regional taxes and levies (PDRD). In other words, the government is bound by law to apportion revenue from PDRD received by the regency to the village as village revenue. Nevertheless, there is an avenue through which regions may redistribute additional DBH (in this case, oil and gas DBH) to villages via local government financial schemes.

4. Cross-sector and sub-regency discussions are to be held to verify the existence of oil and gas producing villages.

The criteria for oil and gas-producing villages are divided into three categories:

a. Ring 1 villages are those that have been designated as drilling areas for oil and gas wells. Following a verification process, six villages have been identified as meeting this criterion.
b. Ring 2 villages are defined as those situated in close proximity to villages with existing oil wells, those providing operational support for the oil industry (such as oil pipelines and transportation), and those located in newly-identified oil and gas exploration areas. Additionally, former exploration villages (those that have previously hosted oil wells) are also included in this category. Following a comprehensive verification process, it was determined that there are as many as 26 villages that fall within this category.
c. Ring 3 villages, on the other hand, are not directly related to the operations of the oil and gas industry. They include other villages that do not meet the criteria for inclusion in either Ring 1 or Ring 2.

5. Socialization of Oil and Gas Redistribution Concept to Cross Sector Local Government.

The Integrated Social Welfare Data (DTKS) indicates that Rokan Hulu Regency, an area with significant oil and gas operations, including the Rokan Block, exhibits elevated poverty rates. The findings of a modest study conducted by Fitra Riau indicated a considerable disparity between regions with abundant natural resources and the well-being of their respective communities. To address this inequality, Fitra Riau successfully proposed a redistribution concept that would allocate a portion of revenues from oil and gas exploitation, approximately 15.5 percent in Rokan Hulu Regency, to affected villages. This concept entails the implementation of a proportional budget allocation system, whereby each village is provided with an allocation commensurate with its specific circumstances.

The proposal to redistribute oil and gas DBH for the purpose of alleviating poverty has previously been discussed with the local government. This discussion took place through the Regional Secretary of Rokan Hulu Regency and the community and village empowerment office. Furthermore, the proposal has been subjected to a verification process at the sub-regency level. Furthermore, the ADD Migas is categorized based on its visibility status into three levels (Ring 1, Ring 2, and Ring 3). The participants in the focus group discussion (FGD) responded to this initiative, but they were reminded that the redistribution concept could be implemented at a later date and could potentially address poverty in Rokan Hulu Regency.

In this context, Fitra Riau proposes the incorporation of several additional indicators into the ADD scheme. In addition to allocations based on the Simpanan Lintas Tahun (SILTAP) and the minimum distribution, there are also allocations based on the performance of the village in question and special allocations for the oil and gas industry. To illustrate, a portion of the ADD derived from 10% of the General Allocation Fund (DAU) could be apportioned based on SILTAP requirements and distributed equitably. Subsequently, 10% of the Tax and Natural Resources Revenue Sharing Fund (DBH Pajak dan SDA) can be distributed based on factors such as population, poverty level, area, geography, and village performance. Furthermore, five percent of the DBH Migas can be distributed based on three areas affected by oil and gas.

6. A discussion was held with Dinas PMD regarding the drafting of a decree on oil and gas ADD.
The implementation scheme from the regency to the village is conducted through the village fund allocation (ADD) policy, which incorporates provisions for the distribution of oil and gas DBH to affected villages. The aforementioned provisions must be elucidated in the articles of the Regent Regulation on the allocation of ADD, as follows:

- The Special Village Fund for Oil and Gas (ADDKM), a fund allocated from the Oil and Gas Revenue Sharing Fund on the basis of affected villages.
- A special allocation of 10% (five percent) of the ADD budget, which is part of the Oil and Gas Revenue Sharing Fund, has been designated for the oil and gas industry.
- In accordance with the stipulations set forth in paragraph 3, the variables that have been identified as being affected in the context of ADDKM, as outlined in paragraph 1, are classified into three distinct categories, as detailed below:
  a. In this context, the term "Category I affected villages" refers to those communities in which oil and gas wells are situated;
  b. Category II of villages is comprised of those situated in close proximity to the aforementioned primary production villages, production support areas, former oil and gas exploitation villages, and new exploration area villages;
  c. Category III affected villages are defined as those that have no direct or indirect impact on the management of the oil and gas industry.

7. Determination, Distribution and Socialization of Policies to Village Governments.
The final stage of implementing the oil and gas redistribution policy is the determination of the subsequent policy to be distributed to village governments. Furthermore, it is essential to disseminate the objectives and applications of DBH Migas. As elucidated in the Perbub ADD, the utilization of DBH Migas is prioritized for poverty alleviation initiatives.


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