

Implementation of 10% Participating Interest and Its Impact on Regional Own-Source Revenue (PAD) in Jambi Province

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ARTICLE INFO



Received: 25 Mei 2026

Received in revised:
28 Mei 2026

Accepted: 29 Mei 2026

Published: 01 June 2026

Open Access

ABSTRACT

This study examines the role of 10% Participating Interest (PI) in strengthening local business and increasing Regional Own-Source Revenue (PAD) in Jambi Province. Using a literature review, regulatory analysis, and secondary WK Jabung production data, this study projects PI contributions for 2026-2030. The results show significant economic potential, with cumulative contributions above IDR 9 trillion under professional and transparent management. Effective implementation requires stronger BUMD capacity, good governance, economic diversification, and central-local fiscal synergy. The study recommends institutional strengthening, transparent reporting, productive investment, and fiscal policy harmonization for sustainable regional development.

Keywords: Participating Interest 10%, PAD, BUMD, oil and gas, Jambi.

1. Introduction

Indonesia, as an oil and natural gas producing country, possesses strategic natural resources that contribute significantly to national revenue and regional economic development. Revenue generated from oil and gas working areas (WK) is utilized through various national and regional fiscal mechanisms, including Revenue Sharing Funds (Dana Bagi Hasil/DBH) and the Participating Interest (PI) scheme, which are designed to expand direct economic benefits to producing regions (OG Indonesia, 2025).

The 10% Participating Interest is a right granted to regional governments through Regional-Owned Enterprises (BUMD) to own equity shares in oil and gas working areas as a form of direct involvement in upstream oil and gas activities (Minister of Energy and Mineral Resources Regulation No. 37/2016). This policy is rooted in the principle of fiscal justice, which stipulates that regions producing natural resources are entitled to receive a fair share of the benefits derived from the exploitation of natural resources within their territories (OG Indonesia, 2025).

In the theory of fiscal equalization, the allocation of natural resource wealth among levels of government is an important instrument for ensuring equitable and sustainable local economic growth. Empirical studies in Indonesia indicate that revenues obtained through shared revenue schemes can encourage non-oil and gas economic growth in producing regions, particularly when managed effectively (Brehm et al., 2026).

Studies distinguishing the effects of resource booms and shared revenue have found that shared revenue significantly increases local non-oil GDP in producing regions, whereas resource booms alone have limited aggregate impact without strong distribution mechanisms (Brehm et al., 2026). Fiscal policy in Indonesia's oil and gas sector is not solely about offering PI but also concerns how such revenues can be allocated for sustainable regional development. Within the context of decentralization, revenue sharing from natural resources should be implemented in a manner that reflects the principles of fiscal autonomy and local community welfare (Sumerta Yasa, 2021).

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Furthermore, research on revenue-sharing funds (DBH) for producing regions shows that the allocation amount has a significant relationship with regional budget revenues, and the greater the DBH allocation, the higher the regional revenue in the long term (Arifin et al., 2021).

International academic discourse regarding local content policies in the oil and gas industry suggests that policies supporting local participation can strengthen domestic industrial capacity, create employment opportunities, and expand the technical skill base of local communities (Prasetio & Kumalasari, 2021).

In many countries, local content policies have been developed as mechanisms to ensure that the added value generated by oil and gas activities is not enjoyed solely by foreign investors or international contractors but also strengthens the domestic economic base through technology transfer, local workforce participation, and the development of local supply chains (Prasetio & Kumalasari, 2021).

Various international models demonstrate that such policies require strong institutional frameworks so that expanded local participation can generate positive outcomes for industrial structures and domestic technological capabilities (Nwankwo and Iyke, 2022). Regional dependence on oil and gas revenues without economic diversification risks hindering long-term growth; therefore, distribution mechanisms such as PI and DBH must be complemented by inclusive local economic development strategies (Sumerta Yasa, 2021).

In the Indonesian context, the primary challenge in implementing PI is not merely regulatory in nature but also concerns the readiness of BUMDs to respond to equity participation offers, including capital availability, corporate governance, and operational capabilities to maximize investment returns (Nugrahani, 2023). Recent legal studies emphasize that the role of BUMDs as PI management entities must be accompanied by good and transparent governance to reduce the risks of corruption, collusion, and nepotism, while also building public trust in the management of regional resources (Suhariyanto et al., 2024).

In addition, the effectiveness of utilizing funds derived from PI and DBH depends heavily on regional governments' ability to design productive budget allocation strategies, such as infrastructure investment, human resource development, and economic diversification (Arifin et al., 2021). Within the national framework, Indonesia is strengthening synergy between central and regional policies to optimize the benefits of natural resource-based policies, including enhanced institutional coordination, fiscal transparency, and cross-sector development planning to ensure that PI outcomes genuinely improve local community welfare (Sumerta Yasa, 2021)).

By incorporating both local and international perspectives, this study demonstrates that the 10% PI policy is not merely a revenue-sharing instrument but also a strategic local content tool which, when designed and managed effectively, can serve as a catalyst for sustainable and inclusive regional economic development.

Although the implementation of the 10% PI has been underway, empirical studies quantitatively examining its direct contribution to Regional Own-Source Revenue (PAD) in Jambi Province remain very limited. Previous studies have tended to be descriptive and have not provided multi-year projections based on oil and gas production data combined with regulatory reviews and academic literature. This gap creates a research deficiency regarding the medium-term financial contribution of PI and its implications for regional development planning. Therefore, this study presents a five-year projection (2026–2030) of 10% PI contributions, analyzes its impact on PAD growth, and evaluates policy implications for BUMD management and regional economic diversification strategies.

2. Literature Review

In modern economic studies related to the extractive sector, revenue sharing schemes, including the distribution of oil and gas revenue between central and regional governments, are considered important instruments to ensure more equitable sub-national economic growth. This is supported by empirical evidence indicating that oil and gas revenue-sharing systems can increase non-oil GDP in recipient regions, and that such growth is strongly influenced by how the revenues are allocated and spent on local public investment (Brehm et al., 2026). These studies emphasize that the growth effect is highly dependent on the allocation and utilization of funds, where productive investment has a more positive impact than routine expenditure.

However, other studies show that revenue-sharing schemes from natural resources, such as the Natural Resource Revenue Sharing Fund (DBH SDA) in Indonesia, do not always correlate positively with local economic growth, because the intensity of fund usage is often directed toward routine expenditure rather than productive investment such as infrastructure and human resources development (Hidayat et al., 2024). The theoretical perspective on natural resource distribution emphasizes the need to consider inter-regional equity and fiscal stability; revenues from non-renewable resources such as oil and gas present unique distribution challenges due to their finite and volatile nature, necessitating effective and fair distribution mechanisms (Qiao & Shah, 2021).

The concept of Participating Interest itself represents a concrete implementation of regional involvement in oil and gas management activities, granting regions through BUMD the right to own a percentage of shares in oil and gas working areas, expected to provide direct financial benefits for producing regions (at least 10%) (Yulianingsih and Algasahri, 2020). Nevertheless, legal studies highlight that PI implementation in practice faces regulatory and institutional capacity constraints; BUMD participation is often hampered by capital obligations and insufficient private sector involvement to support capital enhancement and operational management (Yulianingsih and Algasahri, 2020).

Regional development literature also emphasizes the importance of the local content policy context in the oil and gas industry: government-

mandated local content policies aim to strengthen domestic industrial bases through the involvement of local suppliers, labor, and technology, ensuring that the added value of extractive activities is more widely felt by local communities. In other local policy studies, the dividend system for oil and gas revenue sharing must be integrated with policies that support human resource development and infrastructure to maximize the multiplier effect on regional economic growth (Hidayat et al., 2024).

A development approach oriented toward utilizing revenue-sharing funds must also consider aspects of governmental governance—research shows that governance quality significantly affects local governments' ability to maximize regional own-source revenue and local economic growth (Fauji and Syafitri, 2024). Internationally, local content policies in the energy industry serve not only as economic instruments but also as strategic industrial policy tools that theoretically support the creation of local employment and the enhancement of domestic production capacity, although in practice the quality and price of local products remain a challenge (Prasetio & Kumalasari, 2021).

Cross-country empirical studies indicate that local content targets and frameworks explicitly designed considering domestic supplier capacity can improve policy outcomes, for example by setting realistic targets reflecting local market capabilities (Precision Policies, 2022). Furthermore, global experiences in natural resource revenue sharing highlight the challenge of balancing equalization and fiscal incentives, where direct revenue transfers to producing regions, if not designed with proper equalization structures, may exacerbate inter-regional disparities (Akita et al., 2021).

Literature on regional economics also warns that exclusive dependence on oil and gas revenues can increase regional fiscal vulnerability to global commodity price fluctuations, making it crucial for regions to prioritize economic diversification (Hidayat et al., 2024). Within the fiscal decentralization framework, other studies show that variables such as central allocation funds (General Allocation Fund) and local capacity to manage own revenues contribute more to growth than reliance solely on DBH SDA; fiscal transfer dynamics are important factors in promoting local development (Sofilda et al., 2023).

At the theoretical level, effective oil and gas revenue sharing requires integration between fiscal policy, governance, and local development strategies to maximize natural resource value while reducing dependence solely on resource extraction (Qiao & Shah, 2021). Therefore, this theoretical review emphasizes that schemes such as Participating Interest should be understood not only as revenue-sharing instruments but as part of a broader regional development policy framework, encompassing good governance, proactive local content policies, and sustainable economic diversification strategies.

3. Research Method

This study employs a literature review and secondary data analysis as the primary approaches to un-

derstand the implementation of the 10% Participating Interest (PI) in Jambi Province.

The literature sources utilized include national regulations related to PI, such as Minister of Energy and Mineral Resources Regulation No. 37 of 2016, national and international academic journals discussing local content policy, natural resource revenue distribution policies, as well as media reports and industry publications containing production data from the Jabung Working Area (WK) (Yulianingsih & Algasahri, 2020).

Secondary data were used to construct an empirical analytical framework regarding the contribution of PI to regional revenue. For example, oil and gas production data from the Jabung Working Area were extrapolated to estimate the potential revenue that Regional-Owned Enterprises (BUMD) could obtain from the 10% PI over the next five years. This method combines a quantitative descriptive approach for numerical projections with a qualitative approach to analyze literature, regulations, and policy practices at the local level (Sumerta Yasa, 2021).

In addition, this study employs source triangulation by integrating academic literature as the theoretical foundation, regulations as the legal framework, and industry data as empirical evidence. This approach ensures the validity of the findings and the relevance of the analysis to the actual conditions of PI management in Jambi Province.

Such a holistic approach is consistent with natural resource policy research practices that integrate theory, regulations, and empirical data to produce practical and applicable policy recommendations (Putri and Lujala, 2023).

4. Result and Discussion

This study summarizes oil and gas production data from the Jabung Working Area and relates them to the economic potential of the 10% Participating Interest (PI) over the next five years. The analysis was conducted by projecting annual oil and gas production based on historical production trends and assumptions of moderate commodity prices and stable field operations.

4.1 Jabung Working Area Oil and Gas Production and Potential PI Contribution

Production data from the Jabung Working Area over the last decade indicate a stable trend dominated by natural gas (approximately 65%), with the remainder consisting of crude oil and condensate. Average annual production in the Jabung Working Area has been recorded at approximately 50,000–55,000 BOEPD (barrels of oil equivalent per day), with relatively consistent trends over the past five years.

Based on these assumptions, the estimated contribution of the 10% PI to oil and gas production volume is presented below:

Tabel 1. Projected Contribution of 10% PI to Jabung Working Area Oil and Gas Production Volume

Year	Average Production (BOEPD)	Annual Production (barell)	PI 10% (barels)
2026	50.500	18.432.500	1.843.250
2027	50.750	18.528.750	1.852.875
2028	51.000	18.615.000	1.861.500
2029	51.250	18.701.250	1.870.125
2030	51.500	18.787.500	1.878.750

Source: Processed from secondary data of Jabung WA, 2026-2030.

Note: Annual figures were calculated by multiplying daily production by 365 days. These projections are conservative and do not assume drastic increases or significant declines in production.

4.2. Estimated Economic Contribution of the 10% PI

To provide an economic projection, assuming an oil price of approximately USD 70 per barrel (a moderate medium-term price) and an exchange rate of IDR 15,000 per USD, the contribution of the 10% PI in Indonesian Rupiah can be projected as follows:

Annual PI 10% contribution $\approx 1.843.250 \text{ barell} \times \text{US\$}70 \times \text{Rp}15.000 \approx \text{Rp}1.936 \text{ triliun (2026)}$. Five year total $\approx \text{Rp}9,7 \text{ triliun}$ (cumulative estimate excluding operating costs, taxes, and capital participation obligations).

This projection assumes stable oil and gas production, moderate commodity prices, and that the BUMD/PI receives the full revenue stream corresponding to its ownership percentage.

4.3. Expenditure Analysis and Economic Impact of PI

The projection results indicate that the 10% PI has significant economic value for Jambi Province. If managed productively, the direct impact of this contribution can expand the Regional Own-Source Revenue (PAD) base and be utilized for infrastructure investment, human resource development, and regional economic diversification. This finding is consistent with academic studies showing that shared revenue from oil and gas contributes to increases in non-oil GDP and local economic growth when managed and invested effectively (Brehm et al., 2026).

Furthermore, studies on the allocation of natural resource revenues in Indonesia reveal that revenue-sharing mechanisms are often insufficient to promote broad-based sustainable development because reliance solely on DBH is inadequate without a comprehensive diversification strategy (Hidayat et al., 2024).

4.4. Policy and Implementation Challenges of PI in Regions

The implementation of the 10% PI is not without challenges. Legal studies in Indonesia underscore that BUMD involvement in PI management is often hindered by capital constraints, managerial capacity limitations, and more specific regulatory requirements, including coordination between regional governments, SKK Migas, and KKKS (Suhariyanto et al., 2024).

Normative studies also reveal that revenue distribution policies must be supported by the principles of fiscal justice and central-regional synergy

to prevent inter-regional disparities and optimize the utilization of natural resources (Sumerta Yasa, 2021).

Globally, the literature suggests that distributed revenues should not only increase PAD but also strengthen local fiscal capacity through financing productive investments, education, and infrastructure—critical conditions for long-term growth in producing regions (Putri and Lujala, 2023).

4.5. Policy Implication for Jambi Province

Based on the analysis of Jabung Working Area production data and a review of international and national literature regarding the 10% Participating Interest (PI) and local content policy, several key policy implications are highlighted for the Jambi Provincial Government to ensure that the 10% PI provides maximum benefits for regional economic development: (1) Strengthening BUMD Capacity: Literature indicates that the success of BUMD in managing PI shares heavily depends on managerial competence, investment experience, and financial capacity to meet initial capital requirements (Suhariyanto et al., 2024). In Jambi Province, this capacity can be enhanced through strategic management training, technical mentoring, and partnerships with experienced national and international upstream oil and gas companies. Such partnerships not only increase capital and operational knowledge but also provide opportunities for BUMD to learn best practices in energy share management (Putri and Lujala, 2023). Consequently, Jambi BUMD will be better prepared to actively participate in the 10% PI, professionally manage dividends and profit shares, and optimally channel economic benefits to local communities. (2) Transparency and Good Governance Principles: Studies on natural resource management indicate that transparency in reporting, internal audits, and public oversight mechanisms are key determinants to prevent fiscal leakage, corruption, and fund misappropriation (Brehm et al., 2026). In Jambi Province, these mechanisms can be implemented through publicly accessible BUMD financial reports, the use of information technology for PI revenue monitoring, and the establishment of independent internal oversight units. Transparent governance not only increases accountability but also strengthens public and investor trust in PI management. In the long term, PI funds can be effectively used for productive development investments, rather than merely increasing routine regional expenditure. (3) Economic Diversification: Strategic diversification is essential to reduce regional dependence on the volatile commodity revenues from oil and gas. International literature emphasizes the importance of allocating natural resource revenue to productive sectors such as education, renewable energy, technology, and infrastructure (Prasetyo & Kumalasari, 2021). In Jambi Province, a portion of the 10% PI revenue can be directed to human capital development programs, local industry development, and clean energy innovation. This approach strengthens regional economic resilience, mitigates risks from global oil price fluctuations, and generates a multiplier effect that promotes sustainable non-oil sector growth. (4) Central-Regional Fiscal Synergy: Synergy be-

tween central and regional governments is crucial to optimize PI benefits. Literature confirms that successful oil and gas revenue distribution depends not only on regional capacity but also on alignment of fiscal policies between central and regional governments (Sumerta Yasa, 2021). In Jambi Province, this can be achieved through fiscal policy alignment, the use of fairer co-fiscal tools such as revenue-sharing mechanisms, and coordination between BUMD, SKK Migas, and KKKS. Such synergy ensures that PI policy operates not in isolation but as part of an integrated resource management system, providing maximum benefits for local development while maintaining national fiscal stability.

Overall, the policy implications for Jambi Province highlight the importance of strengthening BUMD capacity, transparency, economic diversification, and central-regional fiscal synergy. Proper implementation will ensure that the 10% PI functions not only as a revenue-sharing instrument but also as a strategic tool for sustainable, inclusive regional development that enhances real community welfare. Consequently, the 10% PI has the potential to strengthen PAD, create employment, and improve the quality of local development, provided it is supported by mature policy and governance frameworks.

5. Conclusion

based on the literature analysis and Jabung Working Area production data, it can be concluded that the 10% Participating Interest (PI) has significant potential to increase PAD and strengthen local business in Jambi Province.

Five-year projections indicate substantial financial contributions from PI; however, the realization of its benefits strongly depends on BUMD capacity in managing shares, the implementation of transparent governance, and the productive use of funds.

Furthermore, economic diversification is key to reducing dependency on volatile global oil prices. Fiscal synergy between central and regional governments is also critical to ensure that revenue-sharing mechanisms and PI distribution operate effectively and fairly. This study emphasizes that PI is not only a revenue-sharing instrument but also a strategic regional development tool capable of enhancing community welfare, strengthening local industry, and promoting sustainable economic growth if supported by appropriate policies, governance, and institutional capacity.

Thus, successful implementation of the 10% PI in Jambi can serve as a best practice example for other oil and gas producing regions in Indonesia, contributing to inclusive and sustainable local.

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