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Implementation of Minister of Finance Regulation Number 137PMK.012019 in Environmental Fund Management by the Indonesia Environmental Fund to Achieve Inclusivity in Environmental Fund Distribution

DEVA SHAKILLA¹, IKOMATUSSUNIAH² AND FERINA ARDHI CAHYANI³

ABSTRACT

PMK Number 137/PMK.01/2019 mandates BPD LH to distribute environmental funds equitably and efficiently, empirical conditions reveal disparities in fund distribution due to limited access to information. The research problems identified are how the duties and functions of BPD LH are implemented in environmental fund management, and what obstacles arise in executing these duties and functions to achieve an inclusive distribution of funds. This study employs the theory of authority and the theory of justice as its analytical framework. The research method applied is empirical legal research using a descriptive-analytical approach, examining both primary and secondary data. The findings indicate that BPD LH's authority in managing environmental funds is a form of delegated authority granted by the Ministry of Finance. BPD LH is tasked with managing funds across various sectors, including forestry, energy, carbon trading, environmental services, industry, transportation, agriculture, as well as marine and fisheries. However, the actual implementation of these duties is currently limited to the forestry and energy sectors. This partial execution indicates that the exercise of authority is suboptimal and reflects injustice due to the unequal distribution of funds. There are four primary obstacles in implementing BPD LH's duties and functions: inflexible fund management, limited human resources, disparities in community capacity, and the risk of failing to meet distribution targets through intermediary institutions. Rigid financial management and a lack of human resources within BPD LH are barriers that hinder the optimal execution of its delegated authority. Additionally, the risk of unmet distribution targets via intermediaries fails to satisfy the principle of distributive justice due to disproportionate funding allocations. Lastly, the

¹ Author is a Student at Sultan Ageng Tirtayasa University, Indonesia.

² Author is a Lecturer at Sultan Ageng Tirtayasa University, Indonesia.

³ Author is a Lecturer at Sultan Ageng Tirtayasa University, Indonesia.

capacity gap among beneficiaries restricts public access to funding, thereby contravening the concept of justice as fairness.

Keywords: *BPDLH, environmental funds, inclusive distribution.*

I. INTRODUCTION

Indonesia's efforts to achieve climate goals and implement environmental recovery programmes require substantial funding. According to a study conducted by the International Energy Agency (IEA), the projected value of public funding required to achieve climate goals by 2030 stands at US\$21.2 billion, equivalent to Rp339.2 trillion.⁴ Given the dynamics of economic growth and the state budget, funding to achieve climate goals cannot rely solely on the state budget. In concrete terms, the Indonesian Government needs to seek new alternative sources of funding to launch climate change mitigation programmes in Indonesia.⁵

Indonesia's commitment to environmental restoration and climate change mitigation is realised, in part, through the establishment of the Environmental Fund Management Agency (BPDLH) under Ministry of Finance Regulation No. 137/PMK.01/2019 on the Organisation and Operational Procedures of the Environmental Fund Management Agency, which serves as the legal framework. The BPDLH is tasked with managing environmental funds in the sectors of forestry, energy and mineral resources, carbon trading, environmental services, industry, transport, agriculture, marine and fisheries, and other sectors. The establishment of the BPDLH represents an innovation in environmental funding aimed at increasing funding from various sources and distributing it effectively and efficiently.

The BPDLH serves as a manifestation of the state's responsibility in environmental management and forms part of Indonesia's *Nationally Determined Contribution* (NDC), demonstrating the state's commitment to addressing climate change. In addition to managing funds from the State Budget, the BPDLH acts as a facilitator in managing international grants from developed nations and international organisations.⁶ BPDLH's fund management activities encompass several functions, namely fund mobilisation, fund accumulation, and fund disbursement. In this regard, BPDLH acts as *a trustee* responsible for channelling funds from grantors to selected beneficiaries. Fund distribution by BPDLH is carried out through various schemes, including grants, financing, or incentives to communities, institutions, or the

⁴ Ricky Karunia Lubis & Amrie Frmansyah, *Mendesain Kelembagaan Perantara Nasional untuk Memobilisasi Pendanaan Iklim di Indonesia: Studi Kasus BPDLH*, 9 J. PENGELOLAAN LINGKUNG. HIDUP BERKELANJUTAN 15 (2025).

⁵ Ade Bebi Irama, *Perdagangan Karbon Di Indonesia: Kajian Kelembagaan Dan Keuangan Negara*, 4 INFO ARTHA 83 (2020).

⁶ Lubis dan Frmansyah, *supra* note 1.

government. The BPDH's fund distribution programme is carried out in accordance with the agreement between the donor organisation and the BPDH. However, the current programme remains highly centralised and is not distributed evenly due to the limited role of the BPDH in environmental funding management and the limited public access to information regarding the programmes being implemented.⁷

II. MATERIALS AND METHOD

The research method used in this study is a juridical-empirical approach that seeks to examine the operation of the law within the community. The research approach employed is a descriptive analysis using two types of data sources: primary data and secondary data. Primary data was obtained through in-depth interviews with the BPDH and the community as recipients of the funds. Secondary data served as supporting data, comprising primary legal materials, secondary legal materials, and tertiary legal materials.

III. IMPLEMENTATION OF THE DUTIES AND FUNCTIONS OF THE BPDH IN THE MANAGEMENT OF ENVIRONMENTAL FUNDS

The mechanism for environmental funding in Indonesia is managed by the BPDH in accordance with the provisions of PMK No. 137/PMK.01/2019. Article 2 of PMK No. 137/PMK.01/2019 explicitly mandates the BPDH to carry out the task of managing environmental funds in the sectors of forestry, energy and mineral resources, carbon trading, environmental services, industry, transport, agriculture, marine affairs and fisheries, and other sectors related to the environment.

The BPDH also performs crucial functions that serve as operational instruments within Indonesia's environmental funding ecosystem. Referring to Article 3 of PMK No. 137/PMK.01/2019, the functions of the BPDH broadly encompass the collection, accumulation, and disbursement of environmental funds. Acting as a trustee, the BPDH has a duty to bridge the gap between the objectives of donors and the funding needs of the prospective beneficiary communities.

The performance of the BPDH's functions cannot be separated from the concept of authority. According to Ateng Syarifudin, authority is what is referred to as formal power directly granted by law.⁸ The BPDH, as a Public Service Agency (BLU) operating under the Ministry of Finance, constitutes a form of delegated authority that exercises powers in the management of

⁷ Devy Kusumaningrum, *Distribusi Dana Pengelolaan Lingkungan : Studi Pada Fasilitas Dana Bergulir Dengan Jaminan Pohon*, 5 J. ACITYA ARDANA 1 (2025).

⁸ W. RIWAN TJANDRA, HUKUM ADMINISTRASI NEGARA (2018).

environmental funds in accordance with Minister of Finance Regulation (PMK) No. 137/PMK.01/2019 in a flexible manner, whilst remaining bound by the rules established by the Ministry of Finance.

Ministerial Regulation No. 137/PMK.01/2019 serves as a strong foundation for BPD LH to exercise full authority in the management of environmental funds; however, the execution of these duties is heavily dependent on the mandates provided by donors, which creates performance disparities across sectors. Of the eight areas of fund management assigned to the BPD LH under Article 2 of PMK No. 137/PMK.01/2019, only two areas of fund management have been implemented effectively and have concrete funding support, namely forestry and energy. Meanwhile, the implementation of tasks in the areas of carbon trading, environmental services, industry, transport, agriculture, and marine and fisheries has not been optimal or has not been carried out at all.

This disparity in task implementation indicates that the delegated authority held by the BPD LH has not been fully exercised. This reality demonstrates that the fund management carried out by the BPD LH has not yet demonstrated the principle of equity. Fund management that is dominated by the forestry and energy sectors serves as clear evidence that the system currently operated by the BPD LH does not fulfil the aspect of equity due to the imbalance in the implementation of environmental funding tasks.

Environmental funds managed by the BPD LH are channelled through two main mechanisms: direct disbursement of expenditure funds to beneficiaries or intermediary institutions, and disbursement through loan schemes in accordance with applicable regulations. The disbursement of programme funds by the BPD LH is partly carried out through third parties, namely other ministries/agencies related to the environmental sector and through Intermediary Institutions (Lemtara). Lemtara are third parties tasked with acting as a bridge between the BPD LH and the community, particularly those in remote areas.

While this mechanism is administratively permitted to enhance the efficiency of fund disbursement, the substantive implementation of sub-delegation risks reducing the state's accountability. The delegation of environmental fund disbursement functions to Lemtara may lead to a shift in control and the transfer of risk. The BPD LH, as the state's representative in the management of environmental funds, no longer ensures directly that funds reach the people, but instead relies on the discretion and capacity of these intermediary institutions. This impacts the quality of the BPD LH's implementation of its duties, where the success of fund distribution becomes heavily dependent on the performance of third parties, rather than on the bureaucratic

system operated by the BPD LH.

The implementation of this intermediary mechanism also has implications for social justice. Justice in this context relates to the fair allocation of resources to every member of society. The principle emphasises that everyone must have equal access to the same goods and services.⁹ The reality on the ground shows that community access to environmental funds is unequal. Communities in areas supported by major Lemtara partners have easier access to environmental funding compared to communities in areas without intermediary partners, even though the level of environmental damage in those areas is more severe. The implementation of tasks through this intermediary channel effectively creates an accessibility bias that undermines the principle of inclusivity in the distribution of funds.

The accessibility bias arising from the reliance on intermediary mechanisms for disbursement, as well as the inequitable distribution of environmental funds across certain sectors, indicates that the implementation of the BPD LH's duties and functions in the management of environmental funds has not yet reflected the principle of distributional inclusivity. Building on these accumulated issues, the analysis in this section will proceed by examining the two main sectors with the largest portfolios, namely forestry and energy. A detailed explanation of the implementation of duties and functions in these two key sectors is as follows:

1. Implementation of the BPD LH's duties and functions in the management of environmental funds in the forestry sector

The forestry sector is a key pillar of the BPD LH's funding portfolio. Ministerial Regulation No. 124/PMK.05/2020 lists the BPD LH's priority programmes. Furthermore, funding in the forestry sector is also based on the objectives of donor institutions, the majority of which aim to achieve Net Zero Emissions. BPD LH funding focused on the forestry sector also has a strong scientific basis. Forest restoration is one of the most effective measures for reducing greenhouse gas emissions, as forests play a role in absorbing carbon emissions by storing carbon dioxide in the form of biomass and carbon.¹⁰ Efforts to reduce carbon emissions through forest conservation have also proven cost-effective. Therefore, the management of funds in the forestry sector is a crucial aspect requiring greater attention from BPD LH.¹¹

⁹ Muhammad Taufik Rahman, *Prinsip-Prinsip Keadilan Distributif dalam Pemikiran Sayyid Qutb*, 2 J. IMAN DAN SPIRITUALITAS 211 (2022).

¹⁰ Nur Ramadhani, Rezky Lasekti Wicaksono & Rissa Rahmadwiati, *Carbon Storage Potential and Economic Valuation in the Arboretum of Forest Area with Special Purpose (KHD/TK) Aek Nauli, Indonesia*, 11 J. SYLVA LESTARI 79 (2023), <https://doi.org/10.23960/jsl.v12i2.734>.

¹¹ Ben Groom, Charles Palmer & Lorenzo Sileci, *Carbon emissions reductions from Indonesia's moratorium on forest concessions are cost-effective yet contribute little to Paris pledges*, 119 PROC. NATL. ACAD. SCI. U. S. A. 1 (2022).

The implementation of the BPD LH's duties and functions in managing funds in the forestry sector is carried out through various strategic programmes with funding sourced from the State Budget (APBN) and international grants, including the Indonesia REDD+ RBP GCF, the TERRA Fund, the Norway – Indonesia Forest and Other Land Uses (FOLU) Net Sink 2030, the Forest Carbon Partnership Facility, Mangroves for Coastal Resilience (M4CR), and the TERRA Fund for Customary Forests (TERRA-CF).

The BPD LH strives to achieve proportional distributive justice, a principle that emphasises proportional fairness in the distribution of rights or resources. This is achieved by aligning environmental performance with financial incentives. Through the Indonesia REDD+ RBP GCF programme, BPD LH channels funds under a results-based payment scheme allocated for social forestry and forest fire control. This approach aligns with the principle of justice that positions local communities not merely as objects, but as subjects entitled to recognition for their services in safeguarding forest conservation. This distribution of funds reflects BPD LH's efforts to provide access to economic justice for forest-adjacent communities who contribute directly to the reduction of national carbon emissions.

2. Implementation of BPD LH's duties and functions in managing environmental funds in the energy and mineral resources sector

BPD LH also manages environmental funds in other sectors, one of which is the energy and mineral resources sector. Fund management in this sector is focused on supporting the state's efforts to facilitate energy transition.¹² The mechanism for channelling incentive funds is carried out directly to beneficiaries selected by the BPD LH. The total incentives distributed for this project amount to Rp23,004,201,544, with four categories of beneficiaries covering household customers, businesses, industry, social organisations, and the government.

The substantial allocation of incentives for the Rooftop Solar Power Plant project demonstrates Indonesia's commitment to the energy transition process. However, data from the 2023 Implementation Report confirms a concentration of beneficiaries in the regions of Java, Madura, and Bali, with a total of 348 beneficiaries, whilst other regions account for only 9% of the total allocation. This distribution imbalance indicates that the funding allocation policy is not yet fully aligned with the principle of energy justice, as it has not been able to reach remote areas proportionally.

This reality underscores that the incentive policy has failed to meet John Rawls's principle of

¹² Rayful Mudassir, *Catat! Ini Sederet Insentif Pengembangan EBT di Indonesia*, BISNIS.COM (2021), <https://ekonomi.bisnis.com/read/20211124/44/1469956/catat-ini-sederet-insentif-pengembangan-ebt-di-indonesia>.

‘justice as fairness’, which aims to achieve socio-economic objectives without sacrificing the interests of other communities. Resource allocation is instead biased towards regions that already have established infrastructure, whilst remote areas outside Java receive only a minimal share of 9%. This situation indicates that the mechanism for channelling BPDH funds in the energy sector remains centralised and has not yet been able to reach the groups in society most in need of equitable access to energy.

IV. OBSTACLES IN THE IMPLEMENTATION OF THE BPDH’S ROLES AND FUNCTIONS IN ENVIRONMENTAL FUND MANAGEMENT

Since its inception, the BPDH has successfully established a system capable of bridging the interests of international donors with the national environmental recovery agenda. This success is concretely demonstrated by the BPDH’s ability to mobilise and manage a massive funding portfolio, with total managed funds exceeding Rp5 trillion. The implementation of BPDH’s duties and functions in achieving an inclusive distribution of funds is not without various challenges. Based on the data compiled, these obstacles are not merely technical in nature but have direct implications for the exercise of BPDH’s authority as a manager of environmental funds and the fulfilment of justice for all sections of society.

1. Inflexible management of environmental funds

A structural obstacle to achieving inclusiveness in the distribution of environmental funds is the rigid nature of the BPDH’s fund management. The composition of the BPDH’s funding is dominated by international grants and state budget funds with specific allocations, which complicates the BPDH’s efforts to expand the scope of its fund management. The exercise of BPDH’s authority, as regulated by PMK No. 137/PMK.01.2019, is constrained by the BPDH’s limited role as a trustee. The BPDH’s authority under the trustee framework is bound by the grant agreements concluded with donors. This rigid environmental fund management system has implications for equity. From a justice perspective, this situation creates structural inequality, as the distribution of funds is not based on the urgency of environmental damage or community needs, but must align with the preferences of the fund providers.

2. Limited human resources

The exercise of the delegated authority held by the BPDH is not functioning optimally due to inadequate implementation mechanisms. Conditions on the ground indicate that the BPDH faces a gap between its workload and institutional capacity. The total funds under management,

amounting to over Rp5 trillion, cannot be managed optimally with the BPDH's human resources, which consist of only 127 staff members. Human resource constraints make it difficult to exercise delegated authority with the utmost prudence without third-party assistance. Consequently, the BPDH must exercise its authority by relying on intermediary mechanisms. These risks undermining the essence of government authority, which should be directly present in ensuring public welfare, as mandated by the constitution.

3. Potential failure to meet distribution targets by intermediary institutions.

The BPDH's efforts to address limitations in reach and risks associated with beneficiary capacity are carried out by utilising intermediary organisations (Lembara) or NGOs as a channel for distribution. The low administrative capacity of local communities increases the risk of difficulties in verifying eligibility criteria by the BPDH. The BPDH considers that direct distribution carries a high risk; consequently, Lembara were selected to facilitate verification and oversight. The mechanism for channelling programme funds through Lembara subsequently creates a dependency that has the potential to distort the principle of distributive justice due to the disproportionate distribution of funds. The over-capacity experienced by Lembara means that the distribution of funds is not based on the actual needs of the community, but rather on the availability and capacity of NGOs in the region.

4. Limitations in the capacity of communities as beneficiaries.

Another significant barrier lies in the low administrative capacity of prospective beneficiaries. Field evidence indicates that target communities, particularly those near forests, often lack access to banking services (unbankable) and do not maintain adequate record-keeping. Low financial literacy and limited access to banking services at the local level hinder the administrative verification process required by the BPDH. Consequently, the community groups that should be prioritized are hindered from meeting the criteria for fund disbursement, thereby reducing their chances of receiving financial support for environmental restoration. The fact that access to environmental funds is limited to groups that are already administratively capable serves as an indicator of the failure to fulfil the principle of justice proposed by Rawls.

V. CONCLUSION

The implementation of the BPDH's duties and functions in managing environmental funds through Ministerial Regulation No. 137/PMK.01/2019 forms part of the delegated authority from the Ministry of Finance. The current management of funds relies on international donors, meaning that the BPDH's duties are focused on the forestry and energy sectors, whilst its duties in the fields of carbon trading, environmental services, industry, transport, agriculture,

and marine and fisheries are not being carried out. The imbalance in the implementation of BPDH's duties indicates that the delegated authority held by BPDH's has not been optimally utilised and does not reflect the principle of fairness, as fund management is uneven and dominated by certain sectors. The performance of the BPDH's duties and functions in the process of channelling environmental funds is carried out through two main mechanisms: the direct disbursement of funds to beneficiaries, or through an Intermediary Institution (Lembara), which acts as a facilitator between the BPDH and the beneficiaries to assist with verification, mentoring, and technical disbursement. The use of Lembara constitutes a form of sub-delegation of authority—that is, a tiered or hierarchical form of delegation—aimed at exercising authority more swiftly and efficiently. The implementation of sub-delegation risks creating disparities in access to environmental funding, as programme funds are channelled only to areas supported by Lembara.

There are four obstacles to the implementation of the BPDH's duties and functions: inflexible fund management, limited human resources, disparities in community capacity, and the risk of failing to meet disbursement targets through intermediary institutions. Inflexible fund management hinders the exercise of the BPDH's delegated authority in managing environmental funds because the BPDH's role is limited to that of a trustee and is bound by agreements with donor institutions; consequently, fund distribution is not based on environmental damage and community needs, but is carried out in accordance with the preferences of the fund providers. The disparity between the burden of fund management and the number of human resources available at the BPDH makes it difficult to exercise delegated authority with the utmost prudence without third-party assistance. Consequently, the BPDH must exercise its authority by relying on intermediary mechanisms. The channeling of environmental funds through Lembara as a facilitator then poses a challenge to the fulfilment of distributive justice, as it does not provide proportional funding rights for all sections of society. Another obstacle lies in the uneven capacity of beneficiaries. The strict administrative system and the complexity of the bureaucracy implemented by the BPDH indirectly hinder the public's access to funding.

VI. RECOMMENDATION

The BPDH needs to improve the implementation of its duties and functions as stipulated in PMK 137/PMK.01/2019 by developing more self-reliant innovative funding schemes or optimizing the allocation of flexible state budget funds. This is necessary so that BPDH has the administrative discretion to fund non-priority sectors such as agriculture, transport, or

industry, which have long suffered from a funding gap. Thus, BPD LH will not merely function as a distributor of donor funds but will be able to comprehensively fulfil its mandate of equitable environmental development.

The BPD LH needs to balance its staff-to-funds ratio through proportional recruitment and the development of a digital-based disbursement management system to reduce reliance on third parties. This step must be accompanied by affirmative policy interventions in the form of prioritizing budget allocations for regions outside Java and underdeveloped areas, particularly in the energy sector, to correct distribution imbalances and ensure substantive equitable access. Accessibility barriers for communities must be addressed through the gradual simplification of administrative requirements and the provision of intensive technical support for community groups with limited managerial capacity and financial literacy. Furthermore, it is necessary to map and enhance the competencies of implementing partners at the local level to mitigate the risk of distributional bias, so that the disbursement of funds can reach areas with high ecological urgency that do not yet have adequate institutional infrastructure.

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