

# ENVIRONMENTAL ECONOMIC INSTRUMENTS AND SUSTAINABLE DEVELOPMENT

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## RESEARCH ARTICLE

### ENVIRONMENTAL ECONOMIC INSTRUMENTS AND SUSTAINABLE DEVELOPMENT

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#### ABSTRACT

From Constitution Number 32 of 2009 about concerning Environmental Protection and Management regulates environmental economic instruments and regulations under them which are grouped under control measures, especially in the context of preventing environmental pollution and/or damage. The Constitution give the mandates "in order to preserve environmental functions, the government and regional governments are required to develop and implement Environmental Economic Instruments including: development planning and economic activities; Environmental Funding; and incentives and/or disincentives". With economic instruments it is intended that environmental management in Indonesia is able to run effectively and efficiently, fulfill the precautionary principle, and really lead to sustainability. This economic instrument approach emphasizes the existence of economic benefits for those in charge of a business and/or activity if they comply with environmental requirements as stipulated by laws and regulations. It is also necessary to stimulate those in charge of businesses and/or activities to comply with environmental requirements in order to avoid paying penalties or being penalized, to save expenses for using efficiency practices, and to get incentives if their activities have a positive impact on efforts to prevent damage and preserve the environment. Economic instruments through development planning and economic activities are expected to achieve sustainable development. The research method used is normative legal research by conducting legal studies and legal analysis of the application of Environmental Economic Instruments in realizing sustainable development. The main issues in this paper are: First, how are environmental economic instruments regulated in Indonesian laws and regulations? Second, is the regulation of environmental economic instruments capable of realizing sustainable development?

## INTRODUCTION

A good and healthy environment is a fundamental right of every Indonesian citizen as mandated in Article 28H of the 1945 Constitution of the Republic of Indonesia.<sup>1</sup>The government in carrying out its activities in the field of national economic development as mandated by the 1945 Constitution of the Republic of Indonesia shall be organized based on the principles of sustainable development<sup>2</sup>and environmental insight in the era of regional autonomy in the administration of the Unitary State of the Republic of Indonesia has brought changes in the relationship and authority between the Government and regional governments, including in the

field of environmental protection and management<sup>3</sup>. As a result of the declining quality of the environment, it has threatened the survival of humans and other living things, so it is necessary to protect and manage the environment seriously and consistently by all stakeholders. Climate change<sup>4</sup>caused by increasing global warming resulting in aggravating the decline in the quality of the environment because it is necessary to protect and manage the environment. To guarantee legal certainty and provide protection for the right of everyone to get a good and healthy environment as part of the protection of the entire ecosystem, it is necessary to have laws and regulations that regulate environmental funding in environmental

<sup>1</sup>The 1945 Constitution, Article 28H paragraph (1) Everyone has the right to live in physical and spiritual prosperity, to have a place to live, to have a good and healthy environment and has the right to receive health services.

<sup>2</sup>Law from Constitution No. 32 of 2009 concerning the Protection and Management of the Environment, Article 1 point 3: "Sustainable development is a conscious and planned effort that integrates environmental, social and economic aspects into a development strategy to ensure environmental integrity as well as safety, capability, welfare and quality of life of present and future generations."

<sup>3</sup>Law from Constitution Number 32 of 2009 Article 1 point 2 "Environmental protection and management are systematic and integrated efforts made to preserve environmental functions and prevent environmental pollution and/or damage which includes planning, utilization, control, maintenance, supervision, and law enforcement."

<sup>4</sup>Law from Constitution Number 32 of 2009 Article 1 point 19: "Climate change is a change in climate that is caused directly or indirectly by human activities, causing changes in the composition of the global atmosphere and besides that it is also in the form of changes in natural climate variability observed in comparable time periods."

instruments in order to realize sustainable development for the current generation and for generations to come. Under conditions of climate change it is very important for Indonesia, because the Unitary State of the Republic of Indonesia is an archipelagic country consisting of more than 17,000 large and small islands with a land area of up to 187.8 million hectares, which consists of 95.6 million hectares of forested land million Ha (50.9) and non-forested land area of 92.1 million Ha (49.1%).<sup>5</sup> Indonesia's territory is vulnerable to climate change, of course there will be risks from climate change itself, such as water scarcity which includes increasing levels of floods and severe droughts which of course have an impact on exacerbating scarcity of clean water. Land ecosystem damage occurs, for example due to land and forest fires which can cause loss of ecosystems, biodiversity, and changes in biomass. Causing damage to marine ecosystems, such as rising sea surface temperatures which can damage coral reefs, seaweed, mangroves, some biodiversity and marine ecosystems. Other consequences such as a decrease in the quality of health and food scarcity for life and living things.<sup>6</sup> Climate change can also increase the risk of hydrometeorological disasters, which currently account for 80% of the total disasters that occur in Indonesia<sup>7</sup> with Indonesia's potential economic losses reaching 0.66% to 3.45% of GDP in 2030.<sup>8</sup> Environmental Economic Instruments Article 42 (1) In order to preserve environmental functions, the Government and regional governments are obligated to develop and implement environmental economic instruments. (2) Environmental economic instruments as referred to in paragraph (1) include: a. development planning and economic activity;<sup>9</sup> b. environmental funding;<sup>10</sup> and c. incentives and/or disincentives.<sup>11</sup> Article 43 (1) Development planning instrument<sup>12</sup> and economic activities as referred to in Article 42 paragraph (2) letter a include: a. natural resource balance<sup>13</sup> and the environment;<sup>14</sup>; b. preparation of gross domestic product<sup>15</sup> and gross regional domestic product<sup>16</sup> which includes the depreciation of natural resources and environmental

damage;c. inter-regional environmental service compensation/reward mechanism;<sup>17</sup> and D. internalization of environmental costs.<sup>18</sup> Paragraph (2) Environmental funding instruments as referred to in Article 42 paragraph (2) letter b include: a. environmental restoration guarantee fund;<sup>19</sup> b. fund for overcoming pollution and/or damage and restoration of the environment;<sup>20</sup> and c. trust fund/assistance for conservation.<sup>21</sup> (3) Incentives and/or disincentives as referred to in Article 42 paragraph (2) letter c among others are implemented in the form of: a. procurement of goods and services that are environmentally friendly;<sup>22</sup> b. implementation of environmental taxes, fees and subsidies;<sup>23</sup> c. development of environmentally friendly financial institutions and capital market systems;<sup>24</sup> d. development of a trading system for waste disposal permits and/or emissions;<sup>25</sup> e. development of a payment system for environmental services;<sup>26</sup> f. development of environmental insurance;<sup>27</sup> g. development of an environmentally friendly label system; and h. performance award system in the field of environmental protection and management.<sup>28</sup>(4) Further provisions regarding environmental economic instruments as referred to in Article 42 and Article 43 paragraph (1) to paragraph (3) are regulated in a Government Regulation.

5Ministry of Environment and Forestry, Directorate of Inventory and Monitoring of Forest Resources, Directorate General of Forestry Planning and Environmental Management, Year 2021, page. 4.

6Ministry of Finance of the Republic of Indonesia, Carbon Tax in Indonesia, Climate Change Mitigation Efforts and Sustainable Economic Growth , 2 Desember 2021.

7 Nationally Determined Contribution (NDC) 2016.

8 Nationally Determined Contribution (NDC) 2020.

9Explanation of Article 42 paragraph (2) letter a; "What is meant by "economic instruments in development planning" are efforts to internalize environmental aspects into the planning and implementation of development and economic activities."

10Explanation of Article 42 paragraph (2) letter b; "What is meant by "environmental funding" is a system and mechanism for collecting and managing funds used to finance efforts to protect and manage the environment. Environmental funding comes from various sources, such as levies, grants, and others."

11Explanation of Article 42 paragraph (2) letter c; "Incentives are an effort to provide monetary and/or non-monetary encouragement or attraction to everyone or the Government and regional governments to carry out activities that have a positive impact on natural resource reserves and the quality of environmental functions." What is meant: "Disincentives are monetary and/or non-monetary imposition of burdens or threats to everyone or the Government and regional governments in order to reduce activities that have a negative impact on natural resource reserves and the quality of environmental functions."

12Explanation of Article 42 paragraph (2) letter a; "What is meant by "economic instruments in development planning" are efforts to internalize environmental aspects into the planning and implementation of development and economic activities."

13Explanation of Article 43 paragraph (1) letter a; "What is meant by "natural resource balance" is a description of natural resource reserves and their changes, both in physical units and in monetary value."

14Law No. 32 of 2009, Article 1 point 1 The environment is a spatial unit with all objects, power, circumstances, and living things, including humans and their behavior, which affect nature itself, the continuity of life, and the welfare of humans and other living things.

15Explanation of Article 42 paragraph (1) letter a; " What is meant by "gross domestic product" is the value of all goods and services produced by a country in a certain period."

16Explanation of Article 42 paragraph (1) letter b; "What is meant by "gross regional domestic product" is the value of all goods and services produced by a region in a certain period."

17Explanation of Article 43 paragraph (1) letter c "What is meant by "compensation mechanism/reward for environmental services between regions" are ways of compensation/return carried out by people, communities, and/or regional governments as utilization of environmental services to service providers environment."

18Explanation of Article 43 paragraph (1) letter d; "What is meant by "internalization of environmental costs" is to include costs of environmental pollution and/or damage in the calculation of production costs or costs of a business and/or activity."

19Explanation of Article 43 paragraph (2) letter a; "What is meant by "environmental recovery guarantee fund" is a fund prepared by a business and/or activity for the restoration of the quality of the environment damaged by its activities."

20Explanation of Article 43 paragraph (1) letter b; "What is meant by "countermeasures fund" is a fund used to tackle environmental pollution and/or damage arising as a result of a business and/or activity."

21Explanation of Article 43 paragraph (1) letter c; "What is meant by "trust/assistance funds" are funds originating from grants and donations for the benefit of environmental conservation."

22Explanation of Article 43 paragraph (3) letter a; "What is meant by "procurement of goods and services that are environmentally friendly" is procurement that prioritizes goods and services labeled as environmentally friendly."

23Explanation of Article 43 paragraph (3) letter b; "What is meant by "environmental tax" is a levy by the Government and regional governments on everyone who utilizes natural resources, such as a tax on extracting ground water, a tax on fuel oil, and a tax on swallow's nests."What is meant by "environmental levies" are levies made by the regional government on everyone who utilizes the facilities prepared by the regional government such as levies for waste water treatment.What is meant by "environmental subsidy" is the facilitation or reduction of the burden given to everyone whose activities have an impact on improving environmental functions..

24Explanation of Article 43 paragraph (3) letter c "What is meant by "environmentally friendly financial institution system" is a financial institution system that implements the requirements for environmental protection and management in the financing policies and practices of the bank and non-bank financial institution system.

What is meant by "environmentally friendly capital market" is a capital market that implements environmental protection and management requirements for companies entering the capital market or public companies, such as implementing environmental audit requirements for companies that will sell shares in the capital market.

25Explanation of Article 43 paragraph (3) letter d; "What is meant by "trading of waste and/or emission disposal permits" is buying and selling of waste and/or emission quotas that are permitted to be discharged into environmental media between those in charge of a business and/or activity."

26Explanation of Article 43 paragraph (3) letter e; "What is meant by "payment for environmental services" is the payment/compensation provided by the utilization of environmental services to providers of environmental services.."

27Explanation of Article 43 paragraph (3) letter f; "What is meant by "environmental insurance" is insurance that provides protection in the event of environmental pollution and/or damage."

28Explanation of Article 43 paragraph (3) letter g; "What is meant by "environmentally friendly labeling system" is the giving of marks or labels to products that are environmentally friendly."



The Environmental Law has also regulated an environment-based budget as stipulated in Article 45 (1) The Government and the People's Representative Council of the Republic of Indonesia as well as the regional government and the Regional People's Representative Council are required to allocate an adequate budget to finance: a. environmental protection and management activities; and b. environmentally sound development program. (2) The government is obligated to allocate sufficient environmental special allocation fund budget to be given to regions that have good environmental protection and management performance. Regarding environmental funding as a follow-up to the provisions of Article 43 paragraph (4) and Article 55 paragraph (4), Government Regulation Number 46 of 2017 concerning Environmental Economic Instruments was issued, as a follow-up to implementing Article 55 (1) Environmental permit holders as referred to in Article 36 paragraph (1) must provide a guarantee fund for the restoration of environmental functions. (2) The guarantee fund is kept in a government bank appointed by the Minister, Governor or Regent/Mayor in accordance with their authority. (3) The Minister, Governor or Regent/Mayor in accordance with their authority may appoint a third party to restore the function of the environment using the guarantee fund. (4) Further provisions regarding guarantee funds as referred to in paragraph (1) to paragraph (3) are regulated in a Government Regulation.

Observing the mandatory context for the central government and regional governments as referred to in Article 42 paragraph (1) of Law Number 32 of 2009 concerning the Protection and Management of the Environment, various economic instruments must be developed for various environmental instruments, in accordance with the intended use of the economic instruments, namely so that environmental management in Indonesia is able to operate effectively and efficiently, comply with the precautionary principle, and truly lead to sustainability.<sup>29</sup> Government Regulation Number 22 of 2021 concerning the Implementation of Environmental Protection and Management also regulates the Guarantee Fund for the Restoration of Environmental Functions to be used for activities: a. prevention of environmental pollution and/or environmental damage; and/or; b. restoration of environmental functions as a result of environmental pollution and/or environmental damage, which arises as a result of a business and/or activity.<sup>30</sup> Environmental economic instruments regulated in Law no. 32 of 2009 concerning Environmental Protection and Management in the form of guarantee funds for environmental restoration, funds for handling pollution and/or damage and environmental restoration; and trust funds/conservation assistance.<sup>31</sup> With the climate change agenda already started with the Paris Agreement at COP 21 of 2016 it was agreed to reduce the rate of emissions from business as usual in 2030, to hold the global temperature rate below 2°C from before the industrial revolution. The G20 has encouraged countries' commitment to climate change issues, including phasing out subsidies for fossil fuels. The G20 finance track also forms a Sustainable Finance Working Group (SFWG). At COP-26 in November 2021 climate finance is one of the main themes to achieve Net Zero Emissions globally by 2050. Furthermore, the European Union has launched a Border Carbon Arrangement policy or the imposition of import taxes for goods that produce emissions according to the amount of emissions produced. Carbon pricing is an instrument that is relied on and promoted in various forums, and its implementation in the world continues to grow. The Global Trend of ESG Funds (funds that pay attention to ESG principles in their investment activities) has increased rapidly since 2020.<sup>32</sup> The emission reduction target per sector covers 5 sectors, namely 1. Forestry, 2. Energy and Transportation, 3. Industrial Process and Product Use (IPPU), 4. Waste, and 5. Agriculture with a total cost of 3,779.63 trillion needed and needed policies to ensure funding needs

can be met.<sup>33</sup> Indonesia's commitment to climate change funding is included in the agenda of each sector. This commitment has financial consequences that are not insignificant. Estimated Cost of Climate Change Mitigation includes 1. Cost of climate change mitigation to achieve Nationally Determined Contribution (NDC)<sup>34</sup> with an estimated cumulative cost of Rp. 3.461 trillion (Indonesia Rupiah) by 2030.<sup>35</sup> Climate change mitigation costs to achieve the NDC (using the mitigation action cost approach) with an estimated cumulative mitigation cost from 2020-2030 reaching Rp. 3,779 trillion (Indonesia Rupiah) (Rp. 343.6 trillion per year).<sup>36</sup> From the very large allocation of funding in fulfilling the NDC, Law Number 7 of 2021 concerning Harmonization of Tax Regulations was issued which regulates Carbon Tax in Chapter VI, Article 13 (1) Carbon tax is imposed on carbon emissions that have a negative impact on the environment. (2) The imposition of carbon tax as referred to in paragraph (1) is carried out by taking into account: a. carbon tax roadmap; and/or b. carbon market roadmap.<sup>37</sup> Environmental economic instruments that have been regulated start from the Environmental Law, Government Regulation concerning Environmental Economic Instruments, Presidential Regulation Number 77 of 2018 concerning Management of Environmental Funds, Minister of Finance Regulation Number 133/PMK.05/2020 concerning Agency Service Fees General Services of the Environmental Fund Management Agency at the Ministry of Finance, Regulation of the Minister of Finance Number 137/PMK.01/2019 concerning the Organization and Work Procedure of the Environmental Fund Management Agency, and the last issued related to Law no. 7 of 2021 concerning Harmonization of Tax Regulations, needs to be further studied and researched in relation to the First. How is the regulation of Environmental Economic Instruments as a source of environmental funding? Second. Can environmental economic instruments achieve sustainable development in Indonesia?

## RESEARCH METHODS

Research is a fundamental tool in the development of science and technology. This is because research aims to reveal the truth systematically, methodologically, and consistently. Through this research process analysis and construction of the data that has been collected and processed is carried out.<sup>38</sup> The research method is a principal tool in the development of science and technology. This is because research aims to reveal the truth systematically, methodologically, and consistently. While the research method is a procedure or way of obtaining correct knowledge or truth through systematic steps.<sup>39</sup> The specifications of the research used are analytical descriptive research, and the legal research method used in this research is a normative juridical approach<sup>40</sup> or legal research normative legal research or literature with the approach used is conducting legal studies on the regulation of environmental economic instruments in realizing sustainable development, especially related to the provision of environmental economic instruments, both those regulated in Laws, Government Regulations, Presidential Regulations, Regulations Minister of Finance and other related regulations. The legal materials used are primary legal materials and secondary legal materials. Primary legal material can be sourced from legal sources in the form of laws and regulations related to environmental law. While other secondary data obtained from literature studies that are relevant

29 Explanation of Government Regulation No. 46 of 2017.

30 Government Regulation Number 22 of 2021 concerning Implementation of Environmental Protection and Management. Article 471 paragraph (1).

31 Law No. 32/2009 Article 43 paragraph (2)

32 Ministry of Finance of the Republic of Indonesia, Carbon Tax in Indonesia, Climate Change Mitigation Efforts and Sustainable Economic Growth, 2 December 2021.

33 Second Biennial Update Report (2018) & Roadmap NDC Mitigasi (2020)

34 Regulation of the President of the Republic of Indonesia Number 98 of 2021 concerning Implementation of Carbon Economic Value to Achieve Nationally Determined Contribution Targets and Control of Greenhouse Gas Emissions in National Development, Article 1 point.

35 Second Biennial Update Report, KLHK 2018.

36 Roadmap NDC Mitigasi Indonesia, KLHK (2020).

37 Law Number 7 of 2021 Concerning Harmonization of Tax Regulations, Article 13.

38 Soerjono Soekanto dan Sri Mamudji, Penelitian Hukum Normatif, Suatu Kajian Singkat, PT. Raja Grafindo Persada, Jakarta, 1994, page 1.

39 Lili Rasjidi dan H.R. Otje Salman Soemadinigrat, Handbook for Thesis and Dissertation Preparation, Postgraduate Program, Universitas Padjajaran, Bandung, 2003, page. 14.

40 Soerjono Soekanto dan Srimamudji, Op.cit, page. 13-14.

<sup>1</sup> to the object of research. The analysis of research results was carried out using normative juridical studies.<sup>41</sup>

## Arrangement of Environmental Economic Instruments and Discussion of Research Results

### Arrangements for Environmental Economic Instruments:

Arrangements for environmental economic instruments In order to carry out the mandate of Article 43 paragraph (4) and Article 55 paragraph (4) of Law Number 32 of 2009 concerning Environmental Protection and Management, it is necessary to stipulate a Government Regulation concerning Environmental Economic Instruments. Environmental economic instruments that are grouped under control efforts, particularly in the framework of preventing environmental pollution and/or damage. Market Provisions 42 paragraph (1) of Law Number 32 of 2009 concerning Environmental Protection and Management states that: "In order to preserve environmental functions, the government and regional governments are required to develop and implement Environmental Economic Instruments. Environmental Economic Instruments include: a. development planning and economic activity b. Environmental Funding and c. Incentives and/or Disincentives Observing the obligatory context for the central government and regional governments as referred to in Article 42 paragraph (1) of Law Number 32 of 2009 concerning Protection and Environmental Management, various economic instruments must be developed in accordance with the intended use of these economic instruments, namely so that environmental management in Indonesia is able to operate effectively and efficiently, comply with the precautionary principle, and truly lead to sustainability. Economic instruments are important to develop because they strengthen regulatory systems. This approach emphasizes the existence of economic benefits for those in charge of a Business and/or Activity if they comply with environmental requirements as stipulated by laws and regulations. An economic approach is needed to stimulate those in charge of businesses and/or activities to comply with environmental requirements because among other things they avoid paying penalties or getting punished, saving expenses for using efficiency practices, and getting incentives if their activities have a positive impact on efforts to prevent damage and preserve the environment. life. The application of economic instruments as incentives and disincentives is like a coin with 2 (two) sides of a coin. Convenience and encouragement are given when obedience is fulfilled, and even the amount of incentives can continue to increase in line with improving performance. On the other hand, burdens and additional obligations are imposed when performance continues to fall and there are even indications of disobedience. The application of economic instruments is necessary because most natural and environmental capital, including ecosystems and biodiversity, are shared resources or public goods.

Public goods have the characteristics of open access, often have no formal market, and are generally undervalued. Economic instruments through development planning and economic activities, among others, prioritize a valuation approach that includes non-market ecosystem benefits as a value that must be calculated in real terms. In practice, an approach like this will make it easier for users to appreciate environmental services and be motivated by the desire to maintain sustainability.<sup>42</sup> Taking into account Article 43 paragraph (2) explains that the environmental fund system consists of recovery guarantee funds, relief funds, and grants/assistance funds. However, it is not clear how these funds will be collected, managed and used. Furthermore, when compared to similar funding in the United States, the funding system in Indonesia cannot explain whether guarantee funds and countermeasure funds will function like "superfunds" or more similar to performance bonds in the US.<sup>43</sup>

<sup>2</sup> Environmental Economic Instruments aim to: a. ensure accountability and legal compliance in the implementation of environmental protection and management. b. change the mindset and behavior of stakeholders in development and economic activities. c. strive for systematic, regular, structured, and measurable management of environmental funding. d. building and encouraging public and international trust in the management of Environmental Funding.<sup>44</sup> The Environmental Recovery Guarantee Fund as referred to in Article 20 paragraph (1) letter a is used to carry out the following activities: a. management of environmental emergencies in the business area and/or activity caused by the business and/or activity; and b. restoration of the post-operational environment in the business area and/or activity caused by the business and/or activity. Activities to deal with environmental emergencies as referred to in paragraph (1) letter a are carried out by: a. isolation of environmental pollution and/or damage; b. termination of sources of pollution and/or environmental damage; and/or c. other ways in accordance with the development of science and technology. Post-operation environmental recovery activities as referred to in paragraph (1) letter b are carried out by: <sup>2</sup> cleaning of polluting elements and/or environmental damage; b. remediation; c. rehabilitation; d. reparation; and/or (1) (2) (3) e. handling efforts in other ways that are in accordance with the development of science and technology or in accordance with laws and regulations.<sup>45</sup>

The Environmental Recovery Guarantee Fund is provided in the form of: a. time deposit; b. joint savings; c. Bank guarantee; d. insurance policy; and/or e. others in accordance with laws and regulations. Placement of Environmental Recovery Guarantee Funds in the form of time deposits and collective savings as referred to in paragraph (1) letters a and b must be kept at a government bank appointed by the Minister, minister/head of non-ministerial government institutions, provincial Regional Government, or Regional Government district/city. Evidence of the placement of the Environmental Recovery Guarantee Fund as referred to in paragraph (1) shall be submitted to the Minister, ministers/heads of non-ministerial government agencies, provincial Regional Governments, or regency/city Regional Governments according to their authority. Further provisions regarding the mechanism, procedure for calculating, and determining the amount of the Environmental Recovery Guarantee Fund as referred to in paragraph (1) are regulated by the minister in charge of each business and/or activity in accordance with their authority.<sup>46</sup> The use of the Environmental Recovery Guarantee Fund is used by the person in charge of the Business and/or Activity after obtaining approval from the agency issuing the business license or in accordance with statutory regulations. Person in charge of Business and/or Activity is obliged to fulfill the financing shortfall if the funds as referred to in paragraph (1) are insufficient.<sup>47</sup> The existence of an Environmental Recovery Guarantee Fund also does not relieve the obligation of the person in charge of the Business and/or Activity to prevent environmental pollution and/or damage as a result of the Business and/or Activity.<sup>48</sup>

In addition to the recovery guarantee fund, a Pollution and/or Damage Management and Environmental Recovery Fund is also regulated. The Central Government and Regional Governments prepare Funds for Combating Pollution and/or Environmental Damage and Restoration as referred to in Article 20 paragraph (1) letter b for: a. ensure the availability of funds for prevention of environmental pollution and/or damage and restoration of environmental functions; b. ensure the restoration of environmental functions; and c. ensure the preservation of the function of the atmosphere'. prevention of pollution and/or environmental damage. b. ensure the restoration of environmental functions; and c. ensure the preservation of the function of the atmosphere.<sup>49</sup>

41 Soerjono Soekanto dan Sri Mamudji, Normative Legal Research, A Brief Study, PT. Raja Grafindo Persada, Jakarta, 1994, page 7.

42 Explanation of Government Regulation Number 46 of 2017 concerning Environmental Economic Instruments.

43 Andri G. Wibisana, Environmental Law Enforcement Through Civil Liability, Publishing Agency FHUI, Depok 2017, page 236.

44 Government Regulation Number 46 of 2017, Article 2.

45 Government Regulation Number 46 of 2017, Article 21.

46 Government Regulation Number 46 of 2017, Article 22.

47 Ibid, Article 23

48 Ibid, Article 24.

49 Ibid, Article 26.



Funds for Prevention of Pollution and/or Damage and Environmental Recovery are sourced from: a. state budget; b. regional income and expenditure budget; and/or c. other sources of funds that are legal and non-binding in accordance with the provisions of laws and regulations. Sources of funds can come from environmental taxes and levies.<sup>50</sup> Furthermore, there is the Trust Fund/Conservation Assistance which comes from grants and donations. Trust Funds/Conservation Assistance are managed based on an agreement between grantors and donations with the Central Government and/or the community. The Trust Fund/Conservation Assistance to the Central Government is carried out in accordance with statutory provisions.<sup>51</sup> Management of Environmental Funding originating from the Fund for Combating Pollution and/or Damage and Environmental Recovery and the Trust Fund/Conservation Assistance managed by the Central Government through the following mechanisms: a. patterns of financial management of public service agencies; or b. other patterns of financial management in accordance with laws and regulations. The mechanism for managing public service agency finances as referred to in paragraph (1) letter a can appoint and determine a custodian bank. Further provisions regarding the management of Environmental Funding using the mechanism referred to in paragraph (2) shall be regulated by a Presidential Regulation.<sup>52</sup>

Environmental Economic Instruments applied as Incentives and/or Disincentives include: a. development of an Environmentally Friendly Label system; Procurement of Environmentally Friendly Goods and Services; implementation of environmental taxes, fees and subsidies; d. development of an environmentally friendly Financial Services Institution system; e. development of the Waste Disposal and/or Emission Permit Trading system; f. development of Environmental Insurance; g. development of payment system for environmental services; and h. performance award system in the field of environmental protection and management.<sup>53</sup> The follow-up to the regulation of environmental economic instruments in Government Regulation Number 46 of 2017 is Presidential Regulation Number 77 of 2018 concerning Management of Environmental Funds. Management of environmental funds is a system and mechanism used to fund efforts to protect and manage the environment.<sup>54</sup> From the regulatory point of view of environmental economic instruments, this Presidential Regulation only regulates funds for overcoming pollution and/or damage and environmental restoration<sup>55</sup> and Trust funds/conservation assistance<sup>56</sup> as stipulated in the meaning of Article 1 point 2. The management of environmental funds is carried out through the following activities: a. fundraising; b. fund fertilization; and c. distribution of funds.<sup>57</sup>

Fundraising includes: a. Funds for overcoming environmental pollution and/or damage and environmental restoration; b. trust fund/legal aid.<sup>58</sup> The accumulation of environmental management funds is carried out through: a. banking instruments; b. capital market instruments; and/or c. other financial instruments in accordance with laws and regulations.<sup>59</sup> The distribution of environmental funds is carried out in accordance with the agreement in the contract/agreement, the distribution of which can be carried out through the following mechanisms: a. carbon trading, b. loans, c. subsidies, d. grant; and/or e. other mechanisms in accordance with the provisions of the legislation.<sup>60</sup> To carry out environmental fund management, a non-echelon organizational unit is formed which

carries out the function of environmental fund management using the pattern of financial management of public service agencies. Non-echelon organizational units are formed by the Minister of Finance in accordance with statutory provisions.<sup>61</sup> Follow up on Article 8 of Presidential Regulation No. 77 of 2018 concerning Management of Environmental Funds, the Minister of Finance needs to form a non-echelon organizational unit that carries out environmental and management functions to optimize the management of all Environmental Funds including the Reforestation Fund,<sup>62</sup> as well as guaranteeing environmental protection and management programs, the Minister of Finance of the Republic of Indonesia issued Regulation Number 137/PMK.01/2019 concerning the Organization and Work Procedure of the Environmental Fund Management Agency. The Environmental Fund Management Agency has the task of carrying out environmental fund management in the areas of forestry, energy and mineral resources, carbon trading, environmental services, industry, transportation, agriculture, marine and fisheries, and other fields related to the environment in accordance with the policies stipulated by Minister of Finance and based on statutory regulations.<sup>63</sup> The Environmental Fund Management Agency carries out functions: <sup>64</sup> Implementation of preparation of strategic business plans, business plans and annual budgets, as well as work plans and work unit budgets, budget management, accounting and financial reporting, management of human resources, general affairs, housekeeping, public relations and information services, management of information technology systems and database of the Environmental Fund, as well as coordination of task implementation;

- Preparation, implementation, supervision and reporting of fundraising and development plans, mobilization of funding sources, formulation, planning and implementation of service development and marketing, development and placement of funds in investment instruments, management of funding cooperation, settlement of Environmental Funds, implementation loan restructuring, and management of cooperation with custodian banks, commercial banks, and/or other parties;
- Preparation and implementation of fund distribution plans, analysis of the feasibility of proposals, determination of objects for distribution of funds, transfer of analysis results to Ministries/Institutions, custodian banks, commercial banks, and/or other parties, distribution of loan funds, program funds, profit sharing and sharia funds, monitoring and evaluation of the distribution of funds, as well as guidance to recipients of funds;
- Reviewing the legal aspects of regulations and agreements, preparing the formulation of regulations, agreements and legal studies, handling legal issues, documenting all legal documents, regulations and agreements, as well as implementing risk management; and
- Implementation of internal checks on the implementation of the duties of the Environmental Fund Management Agency.

The Minister of Finance has issued Regulation of the Minister of Finance Number 133/PMK.01/2020 concerning Service Fees for the Public Service Agency for the Environmental Fund Management Agency at the Ministry of Finance. Debtors who are Indonesian citizens or domestic business entities who obtain forestry business financing or environmental investment financing from forestry business financing revolving funds or environmental investment

50 Ibid., Article 27.

51 Ibid., Article 28.

52 Ibid., Article 30.

53 Ibid., Article 3.

54 Presidential Regulation Number 77 of 2018 concerning Management of Environmental Funds, Article 1 number 1.

55 Funds for prevention of pollution and/or damage and restoration of the environment are funds prepared by the Central Government and/or Regional Governments to tackle and restore environmental pollution and damage.

56 Trust Funds/conservation assistance are funds originating from grants and donations for the benefit of environmental conservation.

57 Presidential Regulation No. 77 of 2018, Article 2.

58 Ibid., Article 3.

59 Ibid., Article 5.

60 Ibid., Article 6.

61 Ibid., Article 8.

62 Law Number 41 of 1999 concerning Forestry, Article 35 paragraph (1) Each holder of a forest utilization business permit as referred to in Articles 27 and Article 29, is subject to Business Permit Fees, fees, Reforestation Funds (RF), and performance guarantee funds. Reforestation Fund is a fund collected from business permit holders for the utilization of forest products from natural forests in the form of timber in the context of reforestation and forest rehabilitation. The funds are only used to finance reforestation and rehabilitation activities as well as their supporting activities.

63 Regulation of the Minister of Finance of the Republic of Indonesia Number 137/PMK.01/2019 concerning the Organization and Work Procedure of the Environmental Fund Management Agency. Article 2.

64 Ibid., Article 3.

financing revolving funds Public Service Agency **Environmental Fund Management Agency** at the Ministry of Finance.<sup>65</sup> Forestry business in the form of: a. industrial plantation forest business; b. community plantation forest business; c. community forest business; d. village forest business; e. community forestry business; f. non-timber forest product utilization business; g. natural forest utilization business with intensive silvicultural enrichment techniques; and h. ecosystem restoration efforts. Environmental investment in the form of: a. waste utilization and/or processing equipment; b. improvement of production processes and/or replacement of environmentally friendly production equipment; c. substitution of environmentally friendly raw materials and auxiliary materials; and D. renewable energy generator.<sup>66</sup>

**Environmental Economic Instruments and Sustainable Development:** Sustainable development implies that in carrying out development, natural resources must be used rationally and efforts must be made to extract them so as not to damage the human environment, carried out in a comprehensive policy taking into account the needs of future generations.<sup>67</sup> The preamble to the 1945 Constitution, among other things, emphasized that the Government of the Republic of Indonesia should protect the entire Indonesian people and Indonesia's bloodshed and promote public welfare, educate the nation's life, and participate in carrying out world order based on freedom, eternal peace and social justice. In addition, the 1945 Constitution states that "Earth and water, and the natural resources contained therein are controlled by the State and used for the greatest prosperity of the Indonesian people."<sup>68</sup> The article contains the essence of the fundamental mandate for the implementation of Indonesia's national development. In environmentally sustainable development, humans can play a role in controlling the climate system through the management of natural resources. For this reason, it is necessary to develop patterns of mutual interaction between the atmosphere, earth and water that can form the climate system. Climate management continues to be developed to support development in various sectors, such as agriculture and forestry.

**Outlines of State Policy, related to the Environment and Foreign Relations,**<sup>69</sup> among other things, confirms the following:

- a. The development of the environment which is an important part of the ecosystem which functions as a support for the life of all living things on earth is directed at realizing the preservation of environmental functions in a dynamic balance and harmony with population development in order to guarantee sustainable national development. Environmental development aims to improve quality, utilize natural resources in a sustainable manner, rehabilitate environmental damage, control pollution, and improve environmental quality.
- b. sustainable development with an environmental perspective, a spatial planning pattern is developed that harmonizes the use of land, water and other natural resources in a harmonious and dynamic environmental management unit and is supported by a harmonious management of population development. Spatial planning needs to be managed based on an integrated pattern through a regional approach by taking into account the nature of the natural environment and the social environment. Land use is developed by paying special attention to preventing the use of productive agricultural land which can disrupt the balance of the ecosystem. In developing water use, special attention needs to

be given to the provision of sufficient, clean and sustainable water, prevention of deterioration in water quality and preservation, as well as saving watersheds. Every change in the condition and function of the environment and all of its elements needs to be continuously assessed and carefully controlled so that security and protection can be carried out as accurately as possible.

- c. The living environment which is damaged or disturbed by its balance needs to be rehabilitated so that it can return to functioning as a life support and benefit the welfare of the community. Guidance and law enforcement to reduce the occurrence of environmental pollution is increased. In an effort to control pollution, various economic devices can be used with the use of appropriate technology so that environmental quality can be maintained. Facilities and infrastructure for waste management including household waste, industrial waste, and hazardous and toxic waste need to be improved so that the quality of a sustainable environment can be guaranteed.
- d. Regional and international cooperation regarding the maintenance and protection of the environment, and participation in the development of international policies and advances in science and technology regarding the environment need to be continuously enhanced for the benefit of sustainable development.
- e. Foreign relations are activities between nations, both regionally and globally, through various bilateral and multilateral forums devoted to national interests, based on the principles of free and active foreign policy and directed to contribute to realizing a new world order based on independence, eternal peace and social justice and aimed at further enhance international cooperation, by further strengthening and enhancing the role of the Non-Aligned Movement.

Sustainable development was developed by The World Commission on Environment and Development in 1987, better known as the Brundtland Report,<sup>70</sup> dengan Judul "Our Common Future" (masa depan kita bersama). Pada laporan tersebut dikemukakan adanya keharusan setiap negara untuk menerapkan *sustainable development*. with the title "Our Common Future" (our common future). The report stated that there is a need for every country to implement sustainable development. Then in 1992 was the culmination of the political process, namely the Earth Summit in Rio de Janeiro, Brazil. The sustainable development paradigm has been accepted as a development political agenda for all countries in the world.<sup>71</sup> (*sustainable development must be ecologically, socially, and economically sustainable*).<sup>72</sup> The Rio Declaration on Environment and Development, which is also called the Earth Charter, is a "soft-law agreement", which contains 27 principles which are important elements of the concept of sustainable development, namely principle 4. the principle integration between environmental protection and development.<sup>73</sup> Sustainable development is a conscious and planned effort that integrates environmental, social and economic aspects into a development strategy to guarantee the integrity of the environment as well as the safety, capability, welfare and environmental quality of present and future generations.<sup>74</sup> Sustainable development requires that we manage natural resources that can be processed, as long as they are rational and wise.<sup>75</sup> For this reason, a development approach is needed with environmental development, namely eco-development.

65 Regulation of the Minister of Finance Number 23/PMK.05/2020 concerning Service Fees for the Public Service Agency for the **Environmental Fund Management Agency** at the Ministry of Finance, Article 1 paragraph (2) letter b.

66 Ibid, Article paragraph(4) dan (5).

67 Erwin Usman dan Arimbi HP, 119 Lexicon Environmental Law, E-Law Indonesia, Jakarta, 2003, page. 77-78.

68 The 1945 Constitution Article 33 paragraph (3).

69 Decree of the People's Consultative Assembly of the Republic of Indonesia Number II/MPR/1993 concerning Outlines of State Policy, especially concerning the Environment and Indonesia's Foreign Relations.

70 Janine Feretti, Common Future, Penerbit Pollution Probe, Toronto Ontario, 1989, page.vii.

71 I Made Arya Utama, Environmental Law, Environmental Permit System for Sustainable Development, Pustaka Sutra, Bandung, 2007, page. 63.

72 Jenine Feretti, Op.cit. page. 6.

73 Takdir Rahmadi, Environmental Law in Indonesia, Third Edition, Rajawali Pers, PT. RajaGrafindo Persada, Depok, 2019, page. 10.

74 Ibid, Article 1 point 3.

75 Emil Salim, Environmentally Friendly Development, LP3ES, Jakarta, 1993, page 184-185.



Emil Salim further said that there are 5 (five) dimensions to the concept of sustainable development, namely<sup>76</sup> *First*, integrating development issues with environmental issues which previously tended to be contested, *Second*, development is not enough to be interpreted as "merely economic growth, but also includes development in a broad and deep sense, including involving human development as a whole, *Third*, being aware of the limitations of technology and the environment to support the development process. *Fourth*, emphasizing the importance of social, justice and democracy aspects which are inseparable aspects of the environment. *Fifth*, be aware of the imbalanced situation that affects the differences in targets and development priorities developed between developing countries and developed countries.<sup>77</sup> Sustainability as a form of preserving environmental functions is also regulated in the Environmental Law, both new and old. Koesnadi Hardjosoemantri<sup>78</sup> writing about the preservation of environmental functions is a series of efforts to maintain the continuity of the carrying capacity and capacity of the environment. Thus sustainable development has been expressly regulated in Law no. 32 of 2009.

The concept of sustainable development is also in harmony with the principles of environmental protection and management which are environmentally sound and hereinafter referred to as sustainable development. In general, sustainable development has the characteristics of not destroying the environment inhabited by humans, carried out with integrated and comprehensive policies and taking into account the needs of future generations.<sup>79</sup> Sustainable development is also regulated in the Law on the Harmonization of Tax Regulations related to Carbon Tax as well as the Law on Environmental Protection and Management. What is meant by the principle of "sustainability and sustainability"<sup>80</sup> is that everyone bears obligations and responsibilities towards future generations and towards each other in one generation by making efforts to preserve the carrying capacity of the ecosystem and improve the quality of the environment.

In order to realize sustainable development in Indonesia, the need for climate change funding has now been taken into account, of course, this cannot be separated from the country's need for environmental availability, which is very large, reaching Rp. 343.6 trillion per year until 2030. Learning from the difficulty of funding recovery and handling of environmental losses, it seems that the government needs to work harder because of provisions regarding accountability rules and alternative mechanisms for compensation for Law no. 32 of 2009 asking the government to implement economic instruments, including environmental funds and incentive or disincentive instruments have not been implemented properly.<sup>81</sup> The concept of sustainable development is actually one of the very important issues that became the basis for discussion at the Rio Summit (Brazil) 1992, namely the principle of sustainable development as mandated by the Earth Summit requires substantial funding support due to reforming concepts, behaviors, culture, studies or policy studies, and concrete steps in the field which of course require a sizable budget. Fully imposing these costs on just one actor, such as the Government or taxpayers, is definitely unwise because environmental financing is the responsibility of all economic actors/subject.<sup>82</sup>

Bustanul Arifin, also wrote that sustainable development is no longer just a difference between optimistic and pessimistic views as shown in the classic conflict between Paul Erlich Vs Julian Simon. As Thomas Malthus thought about population growth that follows geometric progression and food growth that applies only to arithmetical progression has become a pessimistic initial signal, although the truth is not absolute. One of Malthus's followers was Paul Erlich who wrote Population Bomb (1968) which also seemed to be a symbol of the pessimistic school that natural resources would become increasingly scarce, therefore they had to be preserved to become a reality.<sup>83</sup> In the funding recommendation options offered in environmental funding; namely the establishment of an Environmental Bank, a non-bank financial institution, a trust fund, and an environmental services market.<sup>84</sup> Heny and Dradjad H. Wibowo stated that the soft conditions for sustainability (Weak Condition of Sustainability) are allowing the conversion and extraction of natural resources into man-made capital, with several conditions, namely (1) meeting the Social Cost-Benefit Analysis (SCBA) criteria and the criteria sustainable production, ecology, and social; (2) there is sufficient investment and an optimal contribution to compensate for negative externalities such as deforestation, etc., (3) man-made capital and its results are used as a source of funds to ensure sustainability is achieved; (4) natural resources have resilience to internal and external shocks.<sup>85</sup> While a strict prerequisite for sustainability is absolutely not to allow the conversion and extraction of natural resources into man-made capital for the reasons (1) natural resources are far below the sustainable level, even close to the extinction threshold; (2) there is no adequate system and mechanism to guarantee reinvestment in sufficient amount and optimal distribution; (3) failure to utilize man-made capital to ensure sustainability; (4) the existing natural resources are multifunctional (regional biodiversity, water catchments, etc.).<sup>86</sup> Otto Soemarwoto mentions "continued development"<sup>87</sup> environmental factors needed to support sustainable development are: (i) maintenance of essential ecological processes, (ii) availability of sufficient resources, and (iii) appropriate socio-cultural and economic environment. These three factors not only experience the impact of development, but also have an impact on development. The various definitions of sustainable development by experts, of course regarding the definition of sustainable development, show different perspectives, thus opening up the widest possible opportunities to be interpreted according to their respective perspectives. However, whatever the experts put forward is inseparable from the emphasis on 3 (three) important elements in sustainable development, which by Otto Soemarwoto as sustainable development requirements that cannot be separated from one another, namely: ecological, economic and socio-cultural requirements.<sup>88</sup> Sustainable development in Law Number 32 of 2009 concerning Environmental Protection and Management which is regulated in Article 1 number 3. By Emil Salim<sup>89</sup> Sustainable development that places the environment as an integral part of the dynamics of national development is a reality of state life. According to Paul Stein and Susan Smith, as written by N.H.T. Siahaan<sup>90</sup>, sustainable development as improving the quality of life of the current generation by reserving capital/natural resources for future

Challenges in Achieving Sustainable Investment, Ministry of Environment, Jakarta, 2005, page. 43.

83 Ibid, page.45.

84 Ibid, page. 63-67.

85 Heny and Dradjad H. Wibowo, Banks and the Environment: Financing Needs for Sustainable Development and Risks to Bank Business, in Banking and the Environment: Challenges in Achieving Sustainable Investment, Ministry of Environment, Jakarta, 2005, page. 71.

86 Ibid, page. 71.

87 Otto Soemarwoto, Ecology, Environment and Development, Djaban Publisher, 1994 Revised Edition VI, page. 152.

88 Gatot Dwi Hendro Wibowo, Marine Conservation Law, Coral Reef Ecosystem Management Legal Framework for Marine Biodiversity, Kanzun Books, First Printing 2010, page. 54.

89 Emil Salim, "Sustainable Development (Alternative Strategies in the Development of the Nineties Decade), Article, Prima, Jakarta, LP3ES, 1991, page. 1.

90 N.H.T. Siahaan, Environmental Law and Development Ecology, Second Edition, Erlangga, 2002, page. 147-148.

76 Tjuk Kuswatojo, Implementation of Agenda 21 in Indonesia, Center for Environmental Research ITB, Bandung 1996, page.1.

77 Prim Haryadi, Settlement of Environmental Disputes Through Civil Lawsuits, Sinar Grafika Jakarta, page.8.

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79 Ibrahim, "Lecture Materials for Environmental Management Law at the Master of Law Postgraduate University of Jenderal Sudirman", Purwokerto, 2009 inside Hendri Wirastuti Sawitri dan Rahadi Wasi Bintoro, Law Faculty of Jenderal Soedirman University, Purwokerto, Jawa Tengah, Journal of Legal Dynamics, Vol. 10 No. 2 Nei 2010, page. 164.

80 Law No. 32/2009, Explanation of Article 2 letter b.

81 Andri G. Wibisana, Environmental Law Enforcement Through Civil Liability, publishing agency FHUI, 2017, page. 236.

82 Bustanul Arifin, Indonesian Environmental Bank: The Obsession of Sustainable Development Funding in Banking and the Environment:



generations. According to him, the concept of sustainable development can achieve four things:

- Maintenance of results achieved sustainably on renewable resources;
- Preserving and replacing saturated natural resources;
- Maintenance of ecological support systems; and
- Maintenance of biodiversity.

Another view regarding sustainability in forest and environmental management was put forward by Dodik Ridho Nurrochmat, the policy strategy for managing natural resources (forests and the environment) can be implemented effectively if and only if we have a sustainability standard that is not only normative, but also more logical (rational, and empirical), measurable and implementable. The condition of sustainability in the management of natural resources is limited by the "reversibility" or the ability of nature to carry out recovery and human ability to adapt (adaptability) which will form a new balance in life from generation to generation.<sup>91</sup> So, sustainability is not passing on resources and the environment to future generations with (must) be the same as the original conditions, which are often called native ecosystems, but rather passing on resources and the environment that allows future generations to adapt and be creative so that they enjoy a better quality of life. than the current generation.

## 1 Conclusion

In accordance with the main issues in the research and based on the description and discussion of the arrangements for environmental economic instruments and Sustainable Development, the following conclusions can be drawn:

Environmental economic instruments as stipulated in Article 43 paragraph (4) and Article 55 paragraph (4) of Law Number 32 of 2009 concerning Environmental Protection and Management have been stipulated in lower laws and regulations<sup>2</sup> to implement them, namely by enacting Regulations Government Number 46 of 2017 concerning Environmental Economic Instruments, Presidential Regulation Number 77 of 2018 concerning Management of Environmental Funds, Regulation of the Minister of Finance of the Republic of Indonesia Number 137/PMK.01/2019 concerning the Organization and Work Procedure of the Environmental Fund Management Agency, Regulation of the Minister of Finance Republic of Indonesia Number 133/PMK.05/2020 concerning Tariffs for Public Services for the Environmental Fund Management Agency at the Ministry of Finance, and finally according to the Mandate of Law Number 11 of 2020 concerning about Omnibus Law, Government Regulation Number 22 of 2021 concerning Implementation of Protection and Management of the environment, which at the time of the establishment of the Institute. In principle, environmental economic instruments are state policies in achieving sustainable development goals, the 1945 Constitution and the laws and regulations under it regulate that every business activity should pay attention to its sustainability, which includes ecological, economic and social sustainability as well as law. has accommodated every law and regulation in Indonesia both in planning, budgeting and implementation.

## 1 Suggestions and Recommendations

In accordance with the main issues in this study and based on the description of the legal review related to environmental economic instruments, the policy suggestions that can be given are:

- The Environmental Fund Management Agency at the Ministry of Finance<sup>2</sup> which was formed through the Regulation of the Minister of Finance of the Republic of Indonesia Number 133/PMK.05/2020 concerning Public Service Fees for the Environmental Fund Management Agency at the Ministry of

Finance is not in line with what is expected by Law no. 32 of 2009, Government Regulation Number 46 of 2017, Government Regulation Number 21 of 2021 can be seen from the funding side, duties and functions of the Agency that has been formed by the Minister of Finance, so changes need to be made. Presidential Regulation Number 77 of 2018 and Regulation of the Minister of Finance of the Republic of Indonesia Number 133/PMK.05/2020 concerning Public Service Fees for Environmental Fund Management Agencies at the Ministry of Finance which include Reforestation Funds (RF) included in those that must be managed by Environmental Fund Managers revision is necessary because it is not in accordance with the provisions of Article 35 paragraph (1) of Law No. 41 of 1999 concerning Forestry. Reforestation Fund is a fund collected from business permit holders for the utilization of forest products from natural forests in the form of timber in the context of reforestation and forest rehabilitation. The funds are only used to finance reforestation and rehabilitation activities as well as their supporting activities.

- Sustainable development requires the involvement of all parties to make it happen, so that the Environmental Management Agency must have sufficient funds, so that the Environmental Fund Management Agency must also be strong accompanied by sufficient Human Resources as the leading agency in implementing the restoration of environmental damage throughout Indonesia. For this reason, it is necessary to amend the Regulation of the Minister of Finance of the Republic of Indonesia Number 133/PMK.05/2020 concerning Tariffs for Public Service of the Environmental Fund Management Agency<sup>2</sup> the Ministry of Finance in accordance with the Shrimp Trust Law Number 32 of 2009 and Government Regulation Number 46 of 2017.

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Government Regulation Number 22 of 2021 concerning Implementation and Management of the Environment;  
Presidential Regulation Number 77 of 2018 Concerning Management of Environmental Funds;  
Presidential Regulation Number 98 of 2021 concerning Implementation of Economic Value of Carbon to Achieve Nationally Determined Contribution Targets and Control of Greenhouse Gas Emissions in National Development;  
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