Licensing Policy on Mineral and Coal Mining in the Concept of Division of Authority

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Abstract

The mineral and coal mining licensing policy currently in force is law Number 3 of 2020 concerning Amendments to law Number 4 of 2009 concerning Mineral and Coal Mining. However, this policy is considered too centralistic because the role of the Central Government is more dominant than the Role of the Local Government. This research uses a normative approach to analyze related licensing policies in the Mineral and Coal Law in the concept of division of authority. The results show that in the provisions of the legislation, the central government has the authority to grant permits for minerals and coal mining. In contrast, local governments can obtain power through delegation from the central government. This policy tends to be centralistic, even though the Indonesian state adheres to the principle of decentralization. The government needs to consider several things, such as the policy implementation needs to pay attention to the “content of the policy” and “context of implementation.” The government policy must follow the values held by the state and display combinations (top-down and bottom-up), balance, and integration in building good policies.

A. Introduction

Indonesia makes various efforts to improve the country’s economy, one of which is by increasing investment interest, including investment in Mineral and Coal mining. Poor governance in Mineral and Coal Mining investment is one of the problems, so efforts are made, such as revising mineral mining policies and new ones to improve management that has a complicated bureaucratic system.1

These improvements include licensing policies in the mineral and coal mining sectors.


Indonesia, based on the Constitution of the State Indonesia carrying out its government holds the principle of Decentralization, Decentralization in the provisions of Law Number 23 of 2014 on Local Government (Law/23/2014) is a handover of government affairs from the central government transferred to autonomous regional governments based on the Autonomous Principle.2

Mineral and coal mining policies are also part of the principle of decentralization. The provisions regarding implementing the principle of decentralization still provide a place for the central government to implement the general government in the regions,3

2 “Undang-Undang Republik Indonesia Nomor 23 Tahun 2014 Tentang Perintahan Daerah,” n.d.
3 Mia Kusuma Fitriana, “Peran Peraturan Daerah
so in the implementation of licensing policies based on decentralization between the central government and local governments, they are interconnected to achieve common goals. In its provisions, the Mineral and Coal Mining policy in Law Number 3 of 2020 on Amendments to Law Number 4 of 2009 on Mineral and Coal Mining (Law/3/2020) is more centralized. A too-centralized policy is feared to change the State system that adheres to the principle of decentralization into re-centralization.

It is undeniable that the Local Government cannot entirely hold authority related to local affairs because it is feared that there will be an abuse of power by the Local Government. So it is necessary to assess what kind of division of authority concept is ideal for applying.

The previous research discussed the Mineral and Coal Mining Licensing Policy. First, the research was written by Ahmad Redi and Luthfi Marlungah, entitled “Perkembangan Kebijakan Hukum Pertambangan Mineral dan Batubara di Indonesia.” The study discusses policy developments before and after independence. Post-independence is divided into pre-reform and post-reform. The second research was written by Suparji and Rafiq Mizi, entitled “Penataan Regulasi Mineral dan Batubara Untuk Kesejahteraan Rakyat.” This study discusses the Work of Contract into Mining Business Permits, The Establishment of Government Regulation No.1 of 2017, and the follow-up of Government Regulation No.1/2017. The third research is Ledyawati entitled “Kewenangan Pemerintah Daerah Dalam Pengelolaan Sumber Daya Alam Pertambangan Minerba di Era Otonomi Daerah.” This research discusses Local Government Authority and Its Impact on Mining Management.

In the research written by the author, the main problem is the policy related to the authority to grant permits for mineral and coal mining and its implementation. As for the formulation of the problem to be studied, namely:

1) What is the Licensing Policy in the Mineral and Coal sector; and
2) How is the implementation of the Division of Authority in the Licensing Policy in the Mineral and Coal Mining Sector?

B. Research Methods

The research method is a normative legal research method, namely conducting legal research using an internal perspective by making legal norms the object of study. The approaches used in the study are the statutory and the Analysis approach. The legal materials used are primary legal materials in the form of legislation, secondary legal materials in the form of results from undergraduate scientific work results from research journals and other scientific works, and tertiary legal materials. The analysis related to legal materials used is descriptive-analytical based on the writings of Jan Gijssels and Mark Van Hoecke cited in “Metode penelitian Hukum: Normatif dan Empiris” descriptive-analytic, that is, assessing a legal concept consisting of legal understandings, norms that exist in law and legal systems.

C. Result and Discussion

1. Licensing Policy In The Mineral and Coal Mining Sector

To create the welfare of the people, the government made various policies to increase the welfare of the people. In conjunction with the establishment of the government, various policies were carried out to achieve this goal. This is in line with what was written by Ahmad Redi and Luthfi Marlungah, in their research entitled “Perkembangan Kebijakan Hukum Pertambangan Mineral dan Batubara di Indonesia.” The study discusses policy developments before and after independence. Post-independence is divided into pre-reform and post-reform. The second research was written by Suparji and Rafiq Mizi, entitled “Penataan Regulasi Mineral dan Batubara Untuk Kesejahteraan Rakyat.” This study discusses the Work of Contract into Mining Business Permits, The Establishment of Government Regulation No.1 of 2017, and the follow-up of Government Regulation No.1/2017. The third research is Ledyawati entitled “Kewenangan Pemerintah Daerah Dalam Pengelolaan Sumber Daya Alam Pertambangan Minerba di Era Otonomi Daerah.” This research discusses Local Government Authority and Its Impact on Mining Management.
investment to improve the economy, including investments related to Mineral and Coal Mining. Coal is a mainstay energy source that is used as power for power plants. The reason is the costs that need to be incurred to produce electricity cheaper. In mining activities, environmental issues must be a priority of the government due to the use of coal, namely by improving the efficiency of power plants.  

Indonesia is still wide open to investment opportunities in mineral and coal mining. It can be seen in the realization of investment in the 1st quarter of 2021 in domestic direct investment in the mining sector, reaching $4,887.8 B with 648 projects, while foreign direct investment in the mining sector is $508.8 B with 247 projects.  

In the realization of this investment, the mining sector investment in Indonesia is still high. Due to the high value of an investment in the mining sector, including Mineral and Coal Mining (Minerba), the government should pay attention to the efficiency of the Mineral and Coal mining policy.  

Indonesia is trying to increase investment, but various problems result in investors needing to think twice when they want to invest in Indonesia. According to the World Bank, several problems hinder the investment environment in Indonesia, such as the many overlapping rules and the complicated import process, so investors want to avoid investing in Indonesia.  

In Indonesia, many mining investments have problems caused by the vagueness and indecisiveness of a rule related to the limits of authority between central and local governments and investor obligations.  

The government is trying to solve overlapping regulatory problems by improving investment conditions in mineral and coal mining permits, such as the government trying to deburaucratization and devolve investments, including licensing in mineral and coal mining.  

According to Bagir Manan, cited in the Ombudsman Website, permission is broadly defined as an agreement given by the ruling party based on the law to allow the commission to do a prohibited act. According to Utrecht, cited in “Konsep Hukum Perizinan dan Pembangunan,” a permit is an act that is not generally prohibited by policymakers but is allowed on the condition that its implementation is determined for each factual matter so that the administrative action of the State by allowing the act is a permit.  

The licensing policy on mineral and coal mining is a policy that regulates allowing individuals or community groups in the form of legal entities to carry out mineral and coal mining activities. Law/3/2020 Article 1 paragraph (6c) explains that business licensing is the legality to start and conduct a business and/or its activities given to business actors.  

The Government’s policy must be based on Pancasila and the Preamble to the Constitution of the Republic of Indonesia as a crystallization of the values of life in Indonesian society, including those related to licensing and supervision policies in the Mineral and Coal Mining sector.  

The policy on Mineral and Coal Mining contained in Law Number 4 of 2009 on Mineral and Coal Mining (Law/4/2009), amended in Law/3/2020. Changes in the provisions of the legislation are broadly related to the transition of licensing and supervision of mineral and coal mining. The Mineral and Coal Law was amended to Law Number 11 of 2020 on Job Creation, which is currently

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16 “Undang-Undang No. 3 Tahun 2020 Perubahan Atas Undang Undang No. 4 Tahun 2009 Tentang Pertambangan Mineral Dan Batubara,” n.d.
conditionally unconstitutional.

When referring to Law/3/2020 Article 35 paragraph (3), the permits contained in the business license consist of a) a mining business license, b) a special mining business license, c) a special mining business license as a Continuation of Contract Operation or agreement, d) a people’s mining permit, e) a rock mining license, f) an assignment permissions, g) a permit for carriage and sale, h) a mining service business license, i) a mining business license for sale. Based on Mineral One Data Indonesia (MODI), in 2020, the number of mining business licenses reached 4,301, Special mining business license 8, Contract of Work 31, and Coal Mining Concession Work Agreement 60. According to the Regulation of the Minister of Energy and Mineral Resources Regulation of the Republic of Indonesia Number 25 of 2015 on the Delegation of Authority to Grant Permits for Mineral and Coal Mining in the Context of Implementing One-Stop Integrated Services to the Head of Investment Coordination Board. The Ministry of Energy and Mineral Resources, which has the authority to grant Mineral and Coal Mining Permits, delegates its power to the Head of the Investment Coordinating Board (BKPM) as an implementation of a one-stop integrated service.

The alteration in the mineral and coal mining provisions causes a problem. Many parties rejected the existence of the new mineral and coal law, considered inconsistent with the laws and regulations above. Even though various parties refused the policy regarding Mineral and Coal Mining, the government still passed the Mineral and Coal Law.

2. Implementation of The Division of Authority in Licensing Policy in the Mineral and Coal Mining Sector

a. Decentralization Principles in Mineral and Coal Mining Policy

Indonesia, as a democracy, uses the principle of decentralization in determining policies. Based on Law/4/2009 on Mineral and Coal Mining in the context of implementing Decentralization and Regional Autonomy, the Government and Regional Governments participate in the management of Mineral and Coal mining which is implemented based on the principles of externality, accountability, and also efficiency.

In the concept of Decentralization, there is a delegation of responsibilities contained in the Government at the central level to the regional level government. According to the power perspective, it is referred to as a vertical division of power or area division of power, placing the responsibility of part of the power on the local Government.

Based on Law/3/2020, the Central Government has a power related to mineral and coal mining permits. According to Article 35, Paragraph (4), the Central Government can delegate the authority about the granting of business licenses, namely a) business identification number, b) standard certificates, and/or c) permits to local governments as following laws and regulations.

The terms delegation used in the transition of authority for Mineral and Coal Mining means that with the decentralization mechanism, there is a handover of authority to the provincial as autonomous regions, assistance tasks are handed over to the local government, and a delegation to the deputy of the central government, namely the governor, using the deconcentration mechanism.
Although in the Mineral and Coal Policy, there are provisions for Delegation of Authority in issuing permits to the provincial government. However, there is no delegation of supervision as stated in Article 140 of the Mineral and Coal Law.24

There are democratic values such as similarity, participation, efficiency, and the need for division in power as essential points in carrying out the democratic process of decentralization of authority that occurs in the central government to local governments.25 Decentralization must be carried out following its objectives. If the government is not ready to carry out the law’s mandate, such as its function, then this situation can be one of the solid factors for corruption in the region.26

b. Principles of Centralization in Mineral and Coal Mining Policy

In the provisions of Article 4, Paragraph (2) of Mineral and Coal Law, it is explained that the State controls Minerals and Coal for the maximum welfare of the people carried out by the central government following the provisions of the Mineral and Coal Law.27 In these provisions, mineral and coal mining implementation is held centralistically. In the Mineral and Coal Mining Policy, the local Government has authority related to licensing only if the task is delegated to the Regional Government. Although there is a statement that Indonesia applies the principle of decentralization, there is also centralistic in the policy. It is undeniable that in making an administrative policy, a policy should not be utterly decentralized because there is a need for a balance between the government and the Regional Government.

Revising the Mineral and Coal Law is a good thing for business actors or investors because the regulations will become more flexible so that it can realize the government’s goals of building an investment climate.28

c. Permasalahan dalam Pembagian Kewenangan pada Perizinan Pertambangan Minerba

In mineral and coal legislation, centralization has become more dominant, and this is certainly something to worry about because it allows for the concentration of power in a government. The problem can arise as a result of the more dominant authority of the Central Government compared to local government related to licensing and supervision in the Mineral and Coal Mining Activity is the disharmonization of the established regulations. Authority held more by the central government than by local governments will tend to lead to re-centralization. This alteration will change the state order because minimizing regional authority will limit provincial governments in regulating their regions.

The centralization for the debureaucratization of the mining business is feared to impact environmental damage significantly due to mining activities. The 0,5 yield given to the government is inappropriate for the damage obtained.29 Debureaucratization of licensing in the mineral and coal law is in the form of repealing control of production and exports. Previously, the government was required to consult with the House of Representatives. The debureaucratization also eliminates the concept of Mining-Business Licenses dualism, where exploration and operation are carried out.30 In addition, the-
re was a withdrawal of authority from local government affairs to provincial government affairs. Apart from ecological reasons (externality), economy (efficiency), and capacity of some local governments. According to the autonomy perspective, this condition is a fundamental redesign that may lead to partial re-centralization, or it can also be called micro re-centralization.  

Suppose the re-centralization of mineral and coal policies is used to improve the investment system in Indonesia. Then, the government needs to forecast the amount of risk faced by the government due to policies passed. The inconsistency of the Centralistic policy in the Mineral and Coal Policy with centralized and regional autonomy (as mandated by the Constitution of the Republic Indonesia of 1945 and Constitutional Court Decision No. 10/PUU-X/2012) will have an impact on Mineral management due to the authority to operate centralized mining affairs, including related to licensing.  

Cutting permits is one of the Government’s steps in improving the investment climate but is not intended to reduce the authority of local governments in regulating their regions regarding licensing and supervision of investment in the Mineral and Coal Mining sector. The Government has the authority to protect natural resource management without any partiality to any party. Still, problems related to the Indonesian state system due to overlapping regulations, including those related to mineral and coal natural resources management.

Local and central governments are often in conflict caused by the struggle for authority regarding the amount of contribution in mining regarding economic benefits. The resolution of this conflict is egoism in nature. The selfish nature of the government, both central and local, will create gaps in regulations that are supposed to provide welfare to their people. The hole in the statute can take the form of the incoherence of licensing policies in mineral and coal mining issued by the central and local governments. Regulatory incoherence in policy formation, both from horizontal and vertical aspects, will create confusion in the community and cause legal uncertainty.

In the mining business, disputes between the community and the government, then the community and the company, become two disputes prone to occur. When the conflict resolution process is far from the policymakers, it will take a lot of time to solve the problem, one of which is due to the limited role of local governments in resolving the conflict. The limited role of local governments in mineral and coal mining activities can present various problems because the relationship built between the central government and local governments in regional autonomy has the aim that decision-making is close to making public policy.

The transfer of authority in mining licensing causes a problem, such as the slow practice of processing minerals and coal, resulting from uncertainty from the provincial government or district/city governments related to the transfer of authority. As a result of the negative externality, the governor needs a long time to review and determine the solution. It is different if the district or city government has control authority in the Mineral and Coal Mining sector.  

Tentang Pertambangan Minerba” (university of Paramadina, 2021).


31 32 33 34 35 36 37 38
d. Integrated Mineral and Coal Mining Licensing Policy

In the provision of Law/23/2014, the authority in the development sector concurrently, namely the government and the provincial government, exercises joint power. Mistakes in understanding will result in management in the mineral and coal mining sector whose licensing management and supervision are irregulating and environmental damage. The change in the holder of licensing and supervision authority in mineral and coal mining from the local government to the central government will undoubtedly cause problems because of its incompatibility with the concept of decentralization principles held by Indonesia. A good Licensing Policy on Mineral and Coal Mining requires balance and integration so that the regulation expect to bring good results in the world of investment.

Efficient and straightforward licensing may be achieved by establishing a One-Stop Integrated Servant Technical Implementation Unit. However, too centralized policies are not justified because they need to follow the principle of decentralization adopted by Indonesia.

In the Republic of Indonesia context, the Central and Regional governments have different perceptions of regional autonomy and decentralization, putting the two in different directions. The two sides should be able to create synergy as an essential element in statehood. Apart from that, the urgency in increasing investment cannot be used as an excuse to disharmonize mining regulations related to minerals and coal.

According to Grindle’s theory cited from the book “Strategi Kebijakan Perizinan Terpadu” Written by Ade Irawan, public implementation, namely the content of policy (based on the range of the policies that have been produced) and context of performance (the state of the environment that colors a policy) is a determinant of the success of the public policy.

In the Mineral and Coal Mining Licensing policy, it is necessary to pay attention to the content of the policy and the context of the implementation in implementing a policy to maximize its success rate. The policies must prioritize the values contained in Pancasila and the preamble to the Basic Law. A policy whose implementation is effective is a combination of implementing public policies with a participatory nature, namely top-down and bottom-up.

Regarding Mineral and Coal Mining, discussions related to licensing and supervision should be from the government to the local government and from the Provincial government to the government to ensure positive interaction between actors interested in mineral and coal policy.
D. Conclusion

Licensing and supervision policies on Mineral and Coal Mining serve to improve the Indonesian economy. But its implementation is considered problematic. Although Indonesia adheres to the principle of decentralization, the fact is that there are centralistic provisions in the policy. The problem that can arise due to the Licensing and supervision policies on Mineral and Coal Mining Activities that are too centralized is the disharmonization of the established regulations.

Based on the Grindle theory, a policy on investment licensing needs to pay attention to the content of the policy and also the context of implementation in implementing a policy. A good Licensing Policy on Mineral and Coal Mining requires balance and integration so that the regulation hopes to bring good results in the investment world. The licensing and supervision in Mineral and Coal Mining should be from the government to the local government and from the local government to the government.

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