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Redefining Local Government Authority in Natural Resource Management Following Centralization

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Abstract: This article examines the legal framework governing the role of local governments in the management of natural resources in Indonesia, focusing on the latest legal framework, which includes Law No. 23 of 2014 on Local Government, Law No. 1 of 2022 on Financial Relations between the Central Government and Local Governments (HKPD Law), Law No. 3 of 2020 on Minerals and Coal, and Law No. 32 of 2024 on the Conservation of Biological Natural Resources. The study covers: (1) the constitutional basis for the state's control over natural resources under Article 33 of the 1945 Constitution; (2) the legal status of local governments as legal entities in the management of natural resources; (3) the distribution of authority between the central and local governments across various natural resource sectors; (4) the Natural Resource Revenue-Sharing Fund (DBH) mechanism as regulated in the HKPD Law and its implementing regulations; and (5) conflicts of authority and recommendations for improvement. This article argues that the trend toward centralization of authority over natural resources—particularly following the enactment of the Mining Law No. 3 of 2020—threatens the principle of regional autonomy and must be counterbalanced by strengthening the DBH mechanism and regional oversight capacity.

Keywords: legal status of local governments; natural resource management; Natural Resource Revenue Sharing (DBH); the Regional Government Law (UU HKPD); decentralization; regional autonomy; mining; constitutional law.

I. Introduction

Indonesia is one of the countries with the greatest wealth of natural resources in the world. Its subsoil holds reserves of oil, natural gas, coal, nickel, bauxite, gold, and various other strategic minerals. Its vast waters yield fisheries, geothermal energy, and marine biodiversity. Its widespread forests contain invaluable forestry resources and biodiversity. The issue is not the availability of these natural resources; the issue is who has the authority to manage them and what their legal status is.

The Indonesian Constitution provides a clear answer through Article 33, paragraph (3) of the 1945 Constitution: "The earth, water, and natural resources contained therein are controlled by the state and utilized for the greatest prosperity of the people." The phrase "controlled by the state" (state control) has become both the starting point and the subject of ongoing debate in Indonesian constitutional law: who is meant by "the state"—is it only the central government, or does it include local governments within the framework of decentralization?

This issue has become increasingly complex since Indonesia fully implemented regional autonomy in 2001. During the first two decades of regional autonomy, local governments—particularly regencies and cities that produce natural resources—gained fairly broad authority to grant mining business permits and manage natural resources within their territories. However, this trend reversed dramatically with the enactment of Law No. 3 of 2020 on Mineral and Coal Mining (the Minerba Law), which transferred nearly all mining authority from local governments to the central government.

On the other hand, recent developments indicate efforts to expand the role of local governments once again. Law No. 1 of 2022 on Regional Revenue Sharing (HKPD) updates the mechanism for Natural Resource Revenue Sharing (DBH SDA) by expanding the categories of recipient regions. Law No. 32 of 2024 on the Conservation of Biological Natural Resources explicitly expands the responsibilities of local governments in conservation. Meanwhile, the revision of Law No. 23 of 2014 on Regional Government is currently on the 2025 National Legislation Program (Prolegnas) agenda.

This article aims to: first, examine the constitutional basis for the state's control over natural resources; second, analyze the legal status of local governments in natural resource management; third, map the distribution of authority by natural resource sector between the central and local governments; fourth, analyze the Natural Resource Revenue Sharing (DBH SDA) mechanism based on the HKPD Law and its implementing regulations; and fifth, identify conflicts of authority along with recommendations for improvement.

II. Constitutional Foundation Of State Control Over Natural Resources

A. Article 33 of the 1945 Constitution: State Control as the Foundation

Article 33 of the 1945 Constitution, specifically paragraph (3), is the single most important constitutional foundation for the law governing natural resource management in Indonesia. Through its various rulings, the Constitutional Court has provided a comprehensive interpretation of the meaning of "state control" over natural resources. In Constitutional Court Decision No. 001-021-022/PUU-I/2003 (the electricity case), the Constitutional Court affirmed that "state control" encompasses five dimensions: (1) formulating policy (beleid); (2) exercising administrative functions (bestuursdaad); (3) establishing regulations (regelendaad); (4) management (beheersdaad); and (5) oversight (toezichthoudensdaad). These five dimensions, known as the "Five Functions of State Control over Natural Resources," serve as the benchmark for the constitutionality of any regulation governing the management of natural resources. It is important to understand that "the state" in the context of Article 33 is not synonymous with the central government alone. Within the framework of the Unitary State of the Republic of Indonesia (NKRI), which practices decentralization, "the state" encompasses the entire state apparatus, including local governments that exercise the authority delegated or transferred by the central government.

Article 33, paragraph (1) of the 1945 Constitution	The economy is organized as a collective endeavor based on the principle of kinship. The foundation of the national economy is oriented toward the common good.
Article 33, paragraph (2) of the 1945 Constitution	Sectors of production that are vital to the state and that control the livelihoods of the people shall be controlled by the state. Natural resources fall into this category.
Article 33, paragraph (3) of the 1945 Constitution	The earth, water, and the natural resources contained therein are controlled by the state and utilized for the greatest possible prosperity of the people. This is the primary foundation for the management of natural resources.
Article 33, Paragraph (4) of the 1945 Constitution	The national economy is organized based on economic democracy with the principles of solidarity, efficiency with justice, sustainability, environmental awareness, self-reliance, and maintaining a balance between progress and national economic unity.
Article 18A, paragraph (2) of the 1945 Constitution	Financial relations, public services, and the utilization of natural resources and other resources between the central government and local governments shall be regulated and implemented fairly and harmoniously in accordance with the law. The constitutional foundation for the decentralization of natural resources.

B. Constitutional Court Decisions and the Evolution of Interpretations Regarding Natural Resource Control

The Constitutional Court has established a series of important precedents in interpreting Article 33, particularly in determining the constitutional limits on the delegation of natural resource authority to local governments and the private sector. Several relevant landmark rulings include:

- Constitutional Court Decision No. 001-021-022/PUU-I/2003: established five dimensions of state control; invalidated the privatization of the electricity sector, which was deemed to exceed constitutional limits.

- Constitutional Court Decision No. 36/PUU-X/2012: invalidated Oil and Gas Law No. 22/2001, which was deemed too liberal; affirmed that BP Migas (now SKK Migas) must remain under full state control.
- Constitutional Court Decision No. 10/PUU-XI/2013: reviewed the Forestry Law; clarified the limits of regional authority within forest areas.
- Constitutional Court Decision No. 91/PUU-XVIII/2020: Declared the Job Creation Law conditionally unconstitutional; this had implications for the provisions on natural resources in the Omnibus Law.

III. Legal Status Of Local Governments In Natural Resource Management

A. Local Governments as Public Legal Entities

Under Indonesian constitutional law, local governments are public legal entities with the capacity to act on behalf of their respective regions in legal relationships pertaining to natural resource management. This legal capacity derives from Article 18 of the 1945 Constitution in conjunction with Law No. 23 of 2014 on Regional Government. The legal status of local governments in natural resource management can be examined from several dimensions:

Legal Status of Local Governments	Substance	Legal Basis
The Region as a Legal Entity (Rechtsgemeinschaft)	Local governments are legal entities that can act on behalf of the region in legal relationships, including in the management of assets and natural resources	1945 Constitution, Article 18; Law No. 23 of 2014
The Region as Manager of Regional Assets	Local governments manage Regional-Owned Assets (BMD), including natural resource assets that have been transferred to their custody	Government Regulation No. 27 of 2014 as amended by Government Regulation No. 28 of 2020 on State-Owned Assets (BMN) and Regional-Owned Assets (BMD)
Local Governments as Implementers of Government Affairs	Local governments carry out governmental affairs within their authority in accordance with the principles of decentralization and assistance	Law No. 23 of 2014; Law No. 1 of 2022 (HKPD)
Regions as Recipients of Natural Resource Revenue Sharing	Producing regions and surrounding regions are entitled to receive Revenue-Sharing Funds from natural resources exploited within their territories	Law No. 1 of 2022 (HKPD); PMK 67/2023
Regions as Issuers of Environmental Permits	Regions have the authority to issue environmental permits as part of the sustainable management of natural resources	Law No. 32 of 2009; Job Creation Law of 2023

B. The Evolution of Decentralization: From Expansion to Centralization

The process of decentralizing natural resource authority to local governments has gone through two contrasting phases. The first phase (2000–2019) was marked by the expansion of authority for regencies and cities to issue Mining Business Permits (IUPs), manage production forests, and determine fisheries zoning. The second phase (2020–present) is marked by a return to centralization: Law No. 3 of 2020 on Mineral and Coal Mining transferred authority over IUPs from local governments to the central government.

Law No. 3 of 2020 on Mineral and Coal Mining fully transfers the authority to issue Mining Business Permits (IUP) from regency/city and provincial governments to the central government (the Ministry of Energy and Mineral Resources). As a result, local governments have lost a source of Local Own-Source Revenue (PAD) from the mining sector and no longer possess the legal tools to regulate mining activities within their jurisdictions. Compensation through the Mineral and Coal Revenue Sharing (DBH Minerba) has not fully offset this loss of authority.

C. Update: Law No. 32 of 2024 Expands the Role of Local Governments

In contrast to the trend of centralization in the mineral and coal sector, Law No. 32 of 2024 Amending Law No. 5 of 1990 on the Conservation of Biological Natural Resources and Their Ecosystems actually expands the role of local governments. Previously, responsibility for the conservation of biological natural resources (SDAH) rested solely with the central government and the public. Through Law No. 32 of 2024, local governments are explicitly included as parties responsible for and obligated to provide adequate funding for the conservation of biological resources. This expansion of local governments' role in conservation is a crucial step, particularly in light of the increasing pressure on biodiversity and ecosystems due to deforestation, encroachment into conservation areas, and climate change. By involving local governments, it is hoped that the monitoring and management of conservation areas can be carried out more effectively, as local governments possess geographical proximity and local knowledge that the central government lacks.

IV. Distribution Of Natural Resource Authority Between The Central And Local Governments

A. Map of Authority by Natural Resource Sector

The distribution of authority between the central and local governments in natural resource management varies significantly depending on the sector in question. The following table maps out the authority by sector based on applicable regulations:

Natural Resource Sector	Central Government Authority	Local Authority	Key Regulations
Minerals and Coal Mining (Minerba)	Entirely under the Central Government (Ministry of Energy and Mineral Resources)	No authority to grant permits at the regional level	Law No. 3 of 2020 took over authority from local governments
Oil and Natural Gas (Migas)	Central Government through SKK Migas / BPMA	Local governments have no direct authority; they only receive DBH	Law No. 22 of 2001 on Oil and Gas; KKS Contractors
Forestry	Ministry of Forestry (central government)	Provinces have limited authority (production forests within provincial areas)	Law No. 41/1999 as amended by the Job Creation Law (Law No. 6/2023)
Fisheries	Central Government for the EEZ; Provinces for 12 nautical miles; Regencies/Cities for 4 nautical miles	Tiered authority based on maritime zone classification	Law No. 45 of 2009; Law No. 23 of 2014
Marine and Coastal Affairs	Provinces: 0–12 nautical miles; Regencies/Cities: 0–4 nautical miles	Provincial authority is broader than that of regencies/cities following Law No. 23 of 2014	Law No. 23 of 2014 transferred authority from regencies/cities to provinces
Geothermal	Central Government (Ministry of Energy and Mineral Resources)	Local governments are involved in environmental permitting and area management	Law No. 21 of 2014 on Geothermal Energy
Conservation of Biological Resources	Central and local governments jointly (expanded following Law No. 32 of 2024)	Local governments now have broader responsibilities and rights	Law No. 32 of 2024 expands the role of local governments

B. Analysis of Law No. 23 of 2014: Division of Natural Resource Affairs

Law No. 23 of 2014 on Regional Government serves as the primary legal instrument governing the division of governmental responsibilities among the central government, provinces, and regencies/cities, including in the natural resources sector. This law classifies governmental affairs into three categories: (1) exclusive governmental affairs that fall entirely under the authority of the central government; (2) concurrent governmental affairs shared among the central government, provinces, and regencies/cities; and (3) general governmental affairs. In natural resource management, most sectors now fall under concurrent affairs, with a significant portion at the central government level. Notably, Law No. 23 of 2014 transferred maritime authority from regencies and cities to provinces: regencies and cities no longer have authority over the management of maritime areas, while provinces have management authority extending up to 12 nautical miles from the coastline.

Article 12(1) of Law No. 23 of 2014 stipulates that local governments have authority in the following areas: (a) forestry; (b) marine affairs; (c) energy and mineral resources; and (d) the environment. However, further elaboration in the law's annex indicates that local authority over energy and mineral resources is highly limited, particularly following the enactment of the Mining and Energy Law No. 3 of 2020. One issue currently drawing attention is the planned revision of Law No. 23 of 2014, which is included in the 2025 National Legislation Program (Prolegnas). This revision is expected to restructure local government authority over natural resource management, including providing adequate compensation for the loss of mining authority and increasing the flexibility of local budgets for programs based on local ecology.

V. Mechanism For Natural Resource Share (Dbh) Based On The Hkpd Law

A. Law No. 1 of 2022 (HKPD): Fiscal Decentralization Reform

Law No. 1 of 2022 on Financial Relations between the Central Government and Regional Governments (HKPD Law) serves as the primary legal foundation for the current Natural Resource Revenue-Sharing Fund mechanism. This law replaces Law No. 33 of 2004 on Fiscal Balancing and introduces several significant changes in the fiscal management of natural resources:

- Natural Resource Revenue Sharing (DBH SDA) is now distributed to producing regions, regions directly bordering producing regions, processing regions, and other regions within the same province—a broader scope than under Law No. 33 of 2004, which limited distribution solely to producing regions.
- The allocation of the Natural Resource Revenue Sharing Fund is based on actual first-semester revenue projected through the end of the year (rather than merely on projected revenue, as was the case under Law No. 33 of 2004).
- DBH SDA is categorized as a block grant, giving regions flexibility in its use without specific earmarking (except for the Forest Reforestation Fund).
- New types of DBH have been added, including the Palm Oil DBH, which is focused on maintaining road infrastructure in plantation areas.

B. Types of DBH SDA and Revenue-Sharing Proportions

Based on the HKPD Law and its implementing regulations (PMK 67/2023 and PMK 55/2024), DBH SDA consists of five types with different distribution mechanisms and proportions:

Types of DBH SDA	Revenue Source	Revenue Sharing Proportion	Notes
DBH SDA for Crude Oil	Non-Tax State Revenue (PNBP) from crude oil production per KKKS	Central Government 84.5% / Regional Government 15.5% (Special Autonomy for Papua/Aceh: Central Government 30% / Regional Government 70%)	Law No. 1/2022 (HKPD); PMK 67/2023; Production data from the Ministry of Energy and Mineral Resources
Natural Gas Resource Sharing	Non-Tax State Revenue (PNBP) from natural	Central Government 69.5% / Regional	Producing regions, directly bordering regions, processing

Revenue (DBH SDA)	gas production per KKKS	Government 30.5% (Special Autonomy: Central Government 30% / Regional Government 70%)	regions, regions within a single province
Natural Resource Revenue Sharing (DBH) for Minerals & Coal	Fixed Fee (Land Rent) + Exploration/Exploitation Fee (Royalty)	Central and regional governments; proportions in accordance with the HKPD Law	Authority over mineral and coal management now lies with the central government following Law No. 3 of 2020
DBH for Geothermal Resources	Government Share + Fixed Fee + Production Fee	Divided between the central government and producing regions	Renewable energy; significant potential in Java, Sumatra, and Sulawesi
Forestry Natural Resource Revenue Sharing	Forestry Non-Tax State Revenue (IIUPH, PSDH, Reforestation Fund)	Separated: DR to provinces; IIUPH and PSDH to regencies/cities	Ministerial Regulation No. 55/2024 governs the use of Reforestation Funds for RHL
Fisheries Natural Resources Revenue Sharing	Fisheries exploitation levies	Distributed equally across all regions	Differs from other natural resources: not based on producing regions

C. The Role of Inter-Ministerial Coordination in Calculating DBH SDA

The mechanism for calculating and distributing the DBH for Fisheries Natural Resources involves fairly complex inter-ministerial coordination. Each ministry has a specific role:

- Ministry of Energy and Mineral Resources (ESDM): provides data on oil and natural gas production by KKKS and by oil type; serves as the basis for calculating oil and gas non-tax state revenue (PNBP). This production data serves as the starting point for calculating the DBH for oil and gas.
- Ministry of Finance – DJPK (Directorate General of Fiscal Balance): calculates the allocation of DBH SDA based on data from the technical ministries; determines the revenue-sharing proportions; distributes DBH to the regions in accordance with the established Ministerial Decree (KMK).
- Ministry of Finance – DJKN (Directorate General of State Assets): manages potential state assets derived from natural resources; plays a role in asset valuation and the management of state-owned assets related to natural resources.
- Ministry of Home Affairs: establishes territorial boundaries that serve as the basis for determining resource-producing regions; coordinates with the Ministry of Finance in calculating DBH.
- Ministry of Forestry: provides data on forestry non-tax state revenue (IIUPH, PSDH, Reforestation Fund) for the calculation of forestry DBH.

VI. CONFLICTS OF AUTHORITY AND CHALLENGES IN NATURAL RESOURCE MANAGEMENT

A. Map of Conflicts: Central Government vs. Regions Over Natural Resources

The trend toward centralization of authority over natural resources in recent years has given rise to various institutional and practical conflicts that need to be systematically identified:

Conflict Issues	Description	Impact	Potential Solutions
Centralization of Mineral and Coal Authority (Law No. 3 of 2020)	Full transfer of IUP authority from regencies/cities and provinces to the central government	Loss of local revenue sources; inconsistency with the principle of regional autonomy	Revision of Law No. 3 of 2020 has not yet been included in the National Legislation Program (Prolegnas); compensation through the Mineral and Coal

			Revenue Sharing Fund (DBH)
Conflicts Between Spatial Planning and Environmental Permits	Mining permits issued by the central government often conflict with local spatial plans	Environmental damage; spatial planning disputes; local communities do not benefit	Synchronization of national, provincial, and regency/city spatial plans; strengthening of local environmental permits
Inequities in Natural Resource Revenue Sharing (DBH)	Regions rich in natural resources do not always receive a share of revenue from natural resources that reflects social and environmental costs	Inter-regional fiscal disparities; negative externalities are not compensated	The Regional Revenue Sharing Law (UU HKPD) expands the recipients of DBH; better technical regulations are needed
Weak Regional Capacity for Oversight	Following centralization, regions have lost their role in overseeing mineral and coal operations in the field	Illegal mining is on the rise; environmental damage is not being addressed promptly	Strengthening the capacity of regional mining inspectors; central-regional cooperation
Conflicts with Indigenous Communities	The exploitation of natural resources by the central government and corporations often disregards the rights of indigenous peoples in the regions	Land disputes; violence; degradation of local culture	Recognition of FPIC (Free, Prior, and Informed Consent); strengthening the legal framework for customary rights

B. Impacts of the Centralization of Mineral and Coal Authority

The most tangible impacts of the centralization of mining authority through the Mining Law No. 3 of 2020 can be observed from various perspectives. First, the fiscal aspect: mining-producing regions lose a significant source of local revenue because they no longer have the authority to collect mining permit fees. Although compensation is provided through the Mining Revenue Sharing Fund (DBH Minerba), this mechanism does not always reflect the social and environmental costs borne by local communities. Second, the environmental aspect: with the loss of local authority over mining oversight, there are concerns about a decline in the effectiveness of environmental oversight at the local level. The central government has limited capacity to oversee thousands of Mining Business Permits (IUPs) spread across the archipelago. As a result, encroachment on forest areas and illegal mining are often not addressed promptly. Third, the aspect of community participation: as the role of local governments weakens, the channels through which local communities can voice their concerns in decision-making regarding mining in their areas become more limited. Yet, it is the local communities who are most directly affected by mining activities—both the positive impacts, such as job creation, and the negative impacts, such as environmental damage and disruption to traditional livelihoods.

C. Fiscal Inequality and Natural Resource Externalities

The issue of fiscal inequality between natural resource-producing regions and non-producing regions is one of the most fundamental structural issues in Indonesia’s fiscal decentralization. Natural resource-rich regions such as East Kalimantan, Riau, and Papua face a phenomenon known as the “natural resource curse”: despite their abundance of resources, human development and infrastructure do not always keep pace with this abundance. The HKPD Law seeks to address this disparity by expanding the recipients of natural resource revenue sharing (DBH) to include not only resource-producing regions but also neighboring regions, processing regions, and regions within the same province. However, criticism persists because the proportion of DBH received by regions—for example, 15.5% of the DBH from crude oil—is deemed insufficient to reflect the magnitude of the negative externalities borne by communities in resource-producing regions.

VII. Recommendations For Strengthening The Legal Status Of Local Governments Regarding Natural Resources

A. Necessary Legislative Reforms

Based on the above analysis, this article formulates several recommendations for legislative reforms needed to optimize the role of local governments in natural resource management:

1. The revision of the Law on Regional Government (Law No. 23 of 2014), which is currently on the 2025 National Legislation Program (Prolegnas) agenda, must include provisions to strengthen regional authority in environmental oversight of natural resource activities, even in sectors where licensing authority resides with the central government. Oversight and licensing need not always go hand in hand; regions should have the authority to conduct oversight without necessarily having the authority to grant permits.
2. An evaluation of the Mineral and Coal Law No. 3 of 2020 should be conducted to determine whether there is a more proportional mechanism for sharing authority between the central government and local governments—for example, through a binding regional consultation system in the process of the central government issuing Mining Business Permits (IUPs).
3. Strengthening the DBH SDA mechanism in the implementing regulations of the HKPD Law to ensure that the revenue-sharing ratio reflects the social and environmental costs borne by communities in producing regions, rather than being merely proportional to fiscal revenue.

B. Strengthening Local Institutional Capacity

Legislative reform must be accompanied by the strengthening of local government institutional capacity:

1. Establishing or strengthening environmental and natural resource oversight units at the local level, including training inspectors with technical expertise in mining, forestry, and marine affairs.
2. Development of a regional natural resource information system integrated with central government data (Ministry of Energy and Mineral Resources, Ministry of Forestry, Ministry of Environment and Forestry), so that local governments have an adequate information base to carry out oversight.
3. Enhancing local governments' negotiating capacity in forums determining the allocation of DBH and natural resource investment schemes, including by strengthening the role of the Association of Provincial/Regency/Municipal Governments as a platform for policy lobbying.

C. Protection of Local Community Rights

Strengthening the legal status of local governments in natural resource management must always be linked to strengthening the protection of the rights of local communities and indigenous peoples:

1. The implementation of the FPIC (Free, Prior, and Informed Consent) principle must be explicitly stipulated in implementing regulations as a mandatory requirement before natural resource exploitation activities begin in areas inhabited by indigenous peoples or local communities.
2. Local governments must be granted formal authority to act as protectors of indigenous peoples' rights in negotiations with corporations that have received natural resource concessions from the central government.
3. Establishment of a "regional grievance mechanism" that allows local governments to formally raise objections to central government natural resource management policies deemed detrimental to communities in their regions.

VIII. CONCLUSION

Based on the analysis conducted, this article draws the following conclusions:

1. The constitutional basis for the state's control over natural resources in Article 33 of the 1945 Constitution mandates that the "state"—which, within the framework of decentralization, encompasses both the central and local governments—ensure that natural resources are utilized to the greatest extent possible for the prosperity of the people. Local governments possess legitimate legal standing as entities responsible for managing natural resources within the limits of authority established by law.

2. The distribution of authority over natural resources between the central and local governments varies significantly by sector and has undergone a major shift in recent years. The most notable trend toward centralization has occurred in the mineral and coal sector (Law No. 3 of 2020), while Law No. 32 of 2024 actually expands the role of local governments in the conservation of biological natural resources. Authority over marine affairs has been transferred from regencies and cities to provinces since the enactment of Law No. 23 of 2014.
3. The Natural Resource Revenue Sharing (DBH SDA) mechanism under the Regional Revenue and Expenditure Management Law (UU HKPD) No. 1/2022 is the most important fiscal instrument linking local governments to natural resource management. Five types of DBH for natural resources (oil and gas, mineral resources, geothermal energy, forestry, and fisheries) channel a portion of natural resource revenues to local governments, with the HKPD Law expanding the scope of recipients compared to Law No. 33 of 2004. The proportion of DBH received by local governments for petroleum is only 15.5 percent—a figure that remains a subject of debate regarding its adequacy in compensating for negative externalities.
4. Conflicts over natural resource authority between the central government and local governments stem from several structural issues: the centralization of mineral and coal mining permits (IUP), unsynchronized spatial planning, disparities in DBH allocations, weak local oversight capacity, and inadequate protection of local community rights. These conflicts require comprehensive regulatory and institutional solutions.
5. The main recommendations of this article include: strengthening local oversight authority in the revision of Law No. 23 of 2014 (Prolegnas 2025); evaluating the mechanism for local consultation in the issuance of mining permits by the central government; adjusting the proportion of natural resource revenue sharing to reflect social and environmental costs; strengthening local institutional capacity; and reaffirming Free, Prior, and Informed Consent (FPIC) in the protection of local community rights.

Ultimately, optimizing the role of local governments in natural resource management is not merely a legal issue; it is a matter of distributive justice between the central government and local governments, between the state and local communities, and between present and future generations. Well-designed decentralization of natural resource management is the best investment to ensure that Indonesia's natural wealth truly becomes the foundation of sustainable prosperity for all Indonesians.

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