

Strengthening Parliamentary Capacity Building in Climate Finance

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Abstract

One of the major global priorities right now is carbon neutrality. Carbon neutrality means that any carbon emission released into the atmosphere must be offset by an equivalent amount removed. Indonesia has a strong commitment to achieving carbon neutrality. This is shown by the ratification of the Paris Agreement, namely through Law No. 16 of 2016. To support this commitment, an energy transition process is needed through a good funding scheme to support the process of realizing carbon neutrality with climate change. To complete this paper, several concepts are used as the basis, such as Carbon Neutrality, Climate Finance, and SDGs. These three concepts are used because they have relevance and interrelation with each other to support document refinement. Based on this explanation, AMF and IAP2 Indonesia, as part of civil society in Indonesia and UNDP Indonesia, designed a climate finance handbook and circular economy module as a framework that supports the implementation of a multi-stakeholder forum to increase parliament's capacity in implementing climate finance. In addition, the output is the implementation of a multi-stakeholder forum workshop to the parliament to increase capacity in climate finance.

Keywords: Climate Finance; Multi-Stakeholder; Carbon Neutrality; SDGs

1. INTRODUCTION

One of the main global priorities today is carbon neutrality which aims to measure and control direct and indirect carbon dioxide emissions and greenhouse gases. Carbon neutrality is also a target for many countries to achieve a better and more sustainable life. This is shown by the existence of the Paris Agreement in 2015 at the 21st Conference of the Parties (COP21) in the United Nations Framework Convention on Climate Change (UNFCCC) (Zhang, Pan, & Liao, 2021). In its development, the discussion on carbon neutrality has expanded to include energy, management, technology and society. Through efforts to achieve carbon neutrality, it also supports the SDGs agenda.

The Republic of Indonesia is committed to participating in achieving world carbon neutrality by 2060 and maintaining an increase in temperature at the level of 1.5 degrees Celsius. Indonesia's real step is to have ratified the Electricity Supply Business Plan (RUPTL) of PT Perusahaan Listrik Negara 2021-2030, in which the portion of EBT-based energy sources exceeds the portion of fossil energy, which is 51.6% or equivalent to 20.9 Giga Watt (GW). In addition, the Government of Indonesia (GOI) is pushing for the acceleration of the energy mix through the utilization of Solar Power Plants (PLTS).

The transition from fossil energy to renewable energy is to reduce significant carbon emissions. This carbon neutrality is also a response to various adverse effects of climate change. Based on that, Indonesia also ratified the Paris Agreement as marked by the existence of Law No. 16 of 2016, which is a form of high commitment to achieving Nationally Determined Contributions (NDC) which contains targets for reducing greenhouse gas (GHG) emissions by 2030 to reduce the impact of climate change. (PPID KLHK, 2021). However, Indonesia is still facing several

challenges, such as energy infrastructure, technology availability, and climate finance issues. (Umah, 2021). The need for climate funding is also one of the most vital things to deal with the impacts of climate change.

According to data, Indonesia's economic losses due to climate change will reach IDR 554 trillion in 2020-2024 without the intervention of climate resilience activities (LCDI, 2022). On the other hand, Indonesia's estimated need for climate change funding is US\$247.2 billion (2018-2030), and the average annual need is US\$20.6 billion (Ministry of Finance of the Republic of Indonesia, 2019). According to calculations by the Ministry of Finance of the Republic of Indonesia, the need for climate finance in Indonesia reaches IDR 3,779 trillion if it follows the National Contribution Document (NDC) roadmap. This means that each year the required budget reaches IDR 200 trillion - IDR 300 trillion. This amount equals 7-11 percent of the 2022 state budget. If you look at the funding sourced from the APBN, in 2020, the budget allocation for climate change mitigation and adaptation is IDR 77.81 trillion. Previously, in 2018 and 2019, the government had budgeted IDR 132.47 trillion and IDR 97.66 trillion. The need for funding increases in line with Indonesia's increasing commitment to dealing with climate change listed in the NDC. The NDC is a document that contains the commitments of each country in efforts to reduce the impact of climate change. Based on the NDC, this funding deals with climate change. It is divided into five sectors: forestry and land, agriculture, energy and transportation, waste and industrial processes, and product use (Indraswari, 2022).

There is still a gap in the need for and availability of climate finance in Indonesia. Climate finance is one of the vital needs in responding to the various impacts of climate change. For this reason, climate funding requires the role of various parties, one of which is Parliament. In the Indonesian context, Parliament is reflected by the existence of the People's Representative Council of the Republic of Indonesia (DPR RI). The complete functions and authorities of the DPR RI make the position of the DPR RI very strategic. Many studies illustrate that climate change's impact requires various stakeholders' roles and commitment. In addition, the existence of policies also plays a crucial role in implementing roadmaps and steps to reduce the adverse effects of climate change. The DPR RI is also the party that can directly supervise GOI in the process of implementing climate finance and encourages various parties to participate in presenting climate funding that is ideally suited to their needs.

Based on the previous explanation, the purpose of this study is to increase the capacity of the DPR RI to establish a climate scheme through the Multi-Stakeholder Forum. This multi-stakeholder forum is expected to become an environment designed to maximize the participation and cooperation of various parties on a local, national, regional and international scale relevant to the climate framework scheme. Furthermore, the DPR RI can ensure that all voices are heard and represented so that alternative solutions are created to encourage climate adjustment in Indonesia to deal with the impacts of climate change.

2. RESULTS AND DISCUSSION

a. Climate Finance

Indonesia, as reported, is experiencing increased vulnerability to the impacts of climate change, such as floods, droughts and rainstorms (Arif, 2023). The impact of climate change is not only felt by a few parties. Therefore, climate finance is a major challenge for all parties. Furthermore, handling the adverse effects of climate change is one of the most challenging problems currently faced by Indonesia. The destructive impact of climate change is very disruptive to various sectors. Then, the COVID-19 pandemic also had a significant impact. This creates a large gap between the losses and the needs of the Indonesian economy related to climate change so that the need for a good climate funding scheme is needed to support the process of dealing with the impacts of climate change.

Climate finance refers to funding from public, private, and alternative funding sources that aim to support mitigation and adaptation actions in overcoming the impacts of climate change. Climate funding is also not limited to the local, national, regional and international scope. Apart from the various adverse impacts of climate change, climate finance in Indonesia is necessary because Indonesia has stated its commitment to reducing GHG emissions and contributing to the Paris Agreement. The NDC said they reduced GHG emissions by 29% with national efforts and up to 41% with international assistance in 2030. Therefore, the DPR RI and the Government of Indonesia (GOI) need to increase and expand cross-sectoral and inter-agency collaboration and new partnerships at all levels in climate finance in Indonesia.

Based on Law No. 17 of 2003, the DPR RI plays a very important role because it can hold the government accountable for effectively using public funds. Then, Law No. 17 of 2014 also states that the DPR RI is mandated to ensure that funds are used properly, efficiently and effectively. The DPR RI, through its functions as legislation, oversight and budget, needs to ensure GOI commitment and encourage the involvement of various parties to be involved in the flow of funding in the APBN and planning laws. This needs to be done so that it follows the SDGs agenda and supports national and global commitments to climate. Through its functions, the DPR RI can ensure that all processes in climate financing can be according to needs and used effectively.

b. Circular Economy

A circular economy can be understood as a concept that implements sustainable development goals related to responsible and sustainable levels of consumption and production. The application of this circular economy can also increase environmental resilience, and social welfare of the community, reduce environmental damage, and increase the formation of added value for new products while increasing green economic growth in line with the goals of the SDGs.

This circular economy is a concept that was previously introduced, but it has received a lot of attention due to the impact of climate change. This circular economy prioritizes efficiency and maintains the value of products, materials and economic resources as long as possible, thereby minimizing social and environmental damage caused by linear economic practices (OECD & European Commission, 2019). This circular economy approach can be integrated into preparing action plans for climate change impact mitigation and adaptation. Currently, GOI encourages the

implementation of a circular economy as a way to support the achievement of NDC. However, in practice, one of the biggest challenges is the need for more funding (Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2021).

c. Multi-Stakeholder Forum

Following up on the strategic position of the DPR RI in the framework of climate finance in Indonesia, Anwar Muhammad Foundation (AMF) and IAP2 Indonesia, as part of civil society in Indonesia and UNDP Indonesia, designed a climate finance handbook and circular economy module as a framework that supports the implementation of Multi-Stakeholder Forum to increase the capacity of the DPR RI in implementing climate finance. There are two approaches, namely climate funding and circular economy, which will support the implementation of the Multi-Stakeholder Forum to increase the capacity of the DPR RI in climate funding.

First, there is a climate finance guidebook which outlines explanations about; (a) the urgency of climate finance; (b) the vital role of the DPR RI in climate finance in Indonesia; and (c) identifying sources of climate finance that can be optimized. The aim is to strengthen the capacity of the DPR RI in climate finance with the following results; (a) a Climate finance handbook intended for DPR RI; (b) Capacity building report on climate finance; (c) Focus Series Group discussions with several themes; (d) Stakeholder mapping; and (e) Mapping of budget preparation for climate finance.

Second, the circular economy module was developed and aimed to; (a) accelerate the actions of the DPR RI in developing policies and regulations that promote a circular economy; and (b) increase the cooperation of all parties (public, private, academia, philanthropy, etc.) in the development of innovative funding schemes. In pursuit of these objectives, several outputs have been produced, including:

- a. The results of consultations with key stakeholders in formulating program policies include, among other things, budgeting and funding schemes in current policies, implementation gaps and obstacles, as well as areas of alignment of circular economy mainstreaming, which at least consist of (a) Technical Ministries, in this case, Ministry of Industry and Ministry of Environment and Forestry, (b) Ministry of National Development Planning, (c) DPR RI;
- b. The results of the study of the circular economy module will be compared with the results of consultations aimed at overcoming gap areas or strengthening/improving/aligning with existing conditions. This review will involve various stakeholders such as the Indonesian Parliament, academics, GOI, potential private sector and CSOs who are in favour of circular economy mainstreaming;
- c. Tailored circular economy module.
- d. The national dialogue for circular economy mainstreaming refers to the adjusted circular economy module.

Based on the previous explanation, this Multi-Stakeholder Forum can be designed to maximize the participation and cooperation of various parties relevant to the DPR RI in discussions to ensure that all voices are heard and represented. This Multi-Stakeholder Forum will become an instrument

to strengthen and expand cross-sectoral and inter-agency as well as new partnerships at every level from local, national, regional to international so that it is expected to increase transparency and accountability in climate finance both from and for the DPR RI with other stakeholders. In addition, implementing the Multi-stakeholder forum will become a framework for increasing the capacity of parliament to implement climate finance in Indonesia. In addition, the output is holding a multi-stakeholder forum workshop for parliament to increase climate finance capacity.

3. CONCLUSION

Based on the results and discussion, a climate finance and circular economy can be understood as an approach that can be used to reduce the impact of climate change while supporting the implementation of the Multi-Stakeholder Forum. This Multi-Stakeholder Forum is critical because it is an alternative way to increase the DPR RI's capacity to respond to climate needs to deal with the impacts of climate change. Request that the guidebook on climate formation and the circular economy module be maximized as resources and guidelines for the DPR RI to effectively fulfil its legislative, supervisory and budgetary functions and ensure that the allocation of the climate framework helps to achieve the goal of dealing with the impacts of climate change.

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