DOKUMENTASI ARTIKEL DAN BERITA LINGKUNGAN HIDUP

SURAT KABAR : JAKARTA POST EDISI : 19/FEBRUARI/2014

SUBYEK : PERUBAHAN IKLIM

GCF and the future of $100 billion climate finance commitment

This week, board members of the Green Climate Fund (GCF), a new multilateral financing mechanism envisioned to be the primary channel for international climate finance within the United Nations Framework Convention on Climate Change (UNFCCC), are meeting for three days starting today in Bali to negotiate on business model frameworks of the fund. The GCF was established during the 2010 UNFCCC meeting in Cancun, Mexico and is currently undergoing a transition from its design phase into its operational phase. Indonesia, as a developing country that will benefit from the flow of international climate finance, has shown great interest in the GCF and has continued to strive to ensure that its interests and those of other developing countries are properly represented.

In fact, Indonesia has secured a seat on the GCF board, composed of an equal number of members from developing and developed countries, with its deputy finance minister, Bambang Brodjonegoro, acting as one of the 24 members of the board, and the director of Climate Change Financing and Multilateral Policy, Irfa Ampri, acting as the alternate board member. Developing countries in particular are very keen to see the GCF up and running as soon as possible. The GCF is strongly linked to the commitment of developed countries, made during the 2009 UNFCCC in Copenhagen, to make available US$100 billion per year in climate financing by 2020 to assist developing countries adapt to climate change and reduce their emissions. But since a significant portion of the $100 billion fund is to flow through the GCF, developed countries have demanded clarity over the fund’s business model before they decide to make any formal funding commitments. As a result, delays in the operation of the GCF would mean delays in the realization of commitments of developed countries.

Indeed, questions regarding the business model of the GCF that would determine its course of action include how it would mobilize the required financial resources it needs, define its focus and allocate its resources in an efficient and fair manner.Thus, many view that the GCF is on track to answering such questions. After five rounds of board meetings since 2012, the board has managed to make many important decisions. For instance, the board has decided that the GCF financing will initially focus on design and planning of cities, energy efficiency, transportation, power generation, land use and forest management including Reducing Emission from Deforestation and Forest Degradation+ (REDD+), adaptation activities, readiness and capacity building and development of knowledge hubs. In deciding the allocation of the fund, the board has also decided to allocate a balance of funding respectively for adaptation and mitigation activities and to provide sufficient funding to support readiness and preparatory activities of recipient countries, especially to help countries gain access to and to meet the fiduciary standards of the GCF.

Nevertheless, challenges persist. On the issue of resource mobilization, developing countries have been skeptical with the emphasis on private sector funding as the primary source of funding for the GCF, as championed by developed countries, and prefer that the majority of the funding source comes from public funding instead. Albeit admitting that funding from private sectors is crucial, they argue that it should only be a complementary source of funding due to its lack of predictability and its tendency to be clouded with commercial interests. Another contentious point is on the modalities of access that would determine the way developing countries access the GCF funding.Albeit so, the result of the Paris board meeting last October has shed some light on the above challenges. Should the developed countries be allowed to delay making a tangible commitment of funding until the entire business model of the GCF has clearly operated, the future of the GCF will remain unclear.

Therefore, in Paris, the board has decided that funding commitments from developed countries should start flowing to the GCF after the adoption of only eight key policies and procedures perceived to be substantial for the GCF to be able to receive, manage, and distribute funding, without having to wait for the completion of the negotiations on all issues.
Furthermore, it is agreed that the GCF should start receiving grants from public and private sources as well as capital contributions and concessional loans from public sources, within three months of the adoption of the key policies and procedures.

The good news is that discussions on many of these key policies and procedures have progressed so much after the last five board meetings that have been taking place since 2012. In fact, most parties are confident, provided that everything goes smoothly, that adoption of the said policies and procedures can be completed at the next board meeting, scheduled to be held in May. That means, according to the agreed resource mobilization roadmap, developed countries should start delivering their funding commitments as early as September this year, crucial momentum that would allow us to evaluate whether developed countries can meet their commitments to mobilize $100 billion per year of climate finance by 2020.

For this meeting, as a host, Indonesia is in an excellent position to influence the course of negotiations to ensure that the shared global interest of addressing climate change remain on track. In Bali, the board will discuss many crucial issues to ensure the smooth transition toward the operation of the GCF. One particular matter of importance for Indonesia and developing countries, in general, is the negotiation on access modalities that would determine the way countries gain access to the GCF. There is great demand from developing countries to simplify access to the fund, citing that the current practices of access modalities of other similar climate financing funds are too complicated and
limiting.

Aside from that, there is also a push toward embracing country ownership over the climate activities supported by the GCF as well as the need to align the international climate change efforts and financing with existing national strategies and priorities, making it specifically catered to each country’s needs, characteristics and circumstances.

Evan Oktavianus,, The writer is an analyst at the Center for Climate Change Financing and Multilateral Policy, Indonesia Finance Ministry, and a graduate of the Oxford University Environmental Change Institute. The opinions expressed are his own.