

“We will hire an Indonesian financial institution with an international reputation,” he told a press conference at his office on Friday.

Hatta said the financing institution would be one of topics of discussion next week at the second RI-Norway meeting on the implementation of a bilateral climate deal between the two countries.

“We will discuss the continuation of our working agreement to combat deforestation, including the disbursement mechanism,” he said, referring to the two-day meeting to be held from Aug. 18-19.

Presidential Work Unit for Development Monitoring and Control (UKP4) chairman Kuntoro Mangkusubroto will lead the Indonesian delegation.

Indonesia agreed to place a two-year moratorium on new concessions from clearing natural forests and peatlands, under a deal signed by President Susilo Bambang Yudhoyono and Norway Prime Minister Jens Stoltenberg in Oslo in May. In return, Norway has agreed to invest \$1 billion in forest conservation projects.

Norway is expected to provide \$200 million in the first phase of the program between 2010 and 2012. Of the total, \$30 million will be disbursed in 2010, \$70 million in 2011 and another \$100 million in 2012.

The remaining \$800 million would be gradually provided after 2013, based on emissions reductions from the forestry sector.

Yudhoyono’s special assistant on climate change, Agus Purnomo, said many Indonesian entities had demanded the Norway fund be managed by a domestic financial institution.

Norway had initially suggested the World Bank be the management institution, he said.

However, the Indonesian government had responded by recommending using an internationally reputable Indonesian financial institution, such as Bank Mandiri, BNI, Bahana Sekuritas, Danareksa Sekuritas or an infrastructure finance institution PT Sarana Multi Infrastruktur (SMI), he said.

The fund is currently being coordinated by the National Development Planning Agency (Bappenas) and UNDP, as Trustees and secretariat organizer.

Four broad criteria have been discussed for the financial institution that would manage the fund.

First, it must be a domestic institution, either a public sector bank or financial agency that would manage and operate the fund on behalf of the Indonesian government.

Second, it should be a multi-donor trust fund model. It will involve a multilateral institution as the trustee. Indonesia and Norway would both have representatives on the board.

Third, it should be a private sector institution. It should employ a larger international private sector bank to play the role of trustee for the fund. It will also employ private sector institutions with safeguard experience.

Fourth, it should be a hybrid model, splitting fiduciary and safeguarding roles between different institutions.

For example, the fiduciary role should be managed by a private sector bank, while safeguards should be managed by either a multilateral or private sector institution.

Apart from disbursement, Hatta said, the second RI-Norway bilateral meeting would discuss mechanisms for reducing emissions from deforestation and forest degradation (REDD) plus and measuring, verifying and reporting (MRV).

“We will specifically discuss the mechanism for the measurement of our achievements in reducing greenhouse gases from the forestry sector,” he said.

One of five pilot project candidate areas — Jambi, Riau, East Kalimantan, West Kalimantan and Papua — will be chosen by the President in October at the latest.

Under the deal, Indonesia will impose a moratorium on new permits for companies to exploit natural forests and peatlands. (ebf)