

## **National Policy Dialogue on the Urban Nexus in Indonesia Jakarta, 26 October 2015**

### **REPORT**

The National Policy Dialogue on the Urban Nexus in Indonesia took place on 26 October 2015, in Jakarta, Indonesia, and was organized by ESCAP in partnership with GIZ and ICLEI. The National Policy Dialogue was organized in the context of the project “Integrated Resource Management in Asian Cities: The Urban Nexus”, financed by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by GIZ in partnership with ESCAP, and ICLEI.

The workshop was attended by over 40 participants from local governments, provincial governments, various line ministries, private sector and state-owned enterprises, international organisations, meso-level organisations and financial institutions.

Opening remarks were delivered by Mr. Mas Wedar Haryagung Adji, Acting Head of Subdirector of Urban Affairs, Ministry of National Development Planning (BAPPENAS), Indonesia, Mr. Lorenzo Santucci, Economic Affairs Officer, Sustainable Urban Development Section, ESCAP and Ms. Ruth Erlbeck, Project Director, Urban Nexus Project, GIZ.

The workshop highlighted the relevance of the urban nexus approach for Indonesia and allowed discussing key challenges and opportunities related to its adoption, including in terms of financing and governance. The workshop emphasized the need to move from sectoral to integrated approaches, an underlying principle of the nexus approach and one of the highlights in the “APUF-6 Jakarta Call-for-Action” adopted at the sixth Asia Pacific Urban Forum, organized by ESCAP on 19-21 October 2015 in Jakarta.

It was noted that Indonesia had experienced rapid urbanization in recent years, a trend bound to continue, and that a number of gaps persisted in terms of economic growth and access to services between urban areas and regions. The newly developed National Urban Development Road Map 2015-2045 aimed to close these gaps and achieve sustainable urban development through three milestones, namely “liveable cities” (having all cities attain minimum urban service standards), “green cities” and “smart and competitive cities”. It was noted that the nexus approach could help addressing current gaps in infrastructure and basic services while already allowing cities to transition towards the “green” and “smart” stages.

It was emphasized that the implementation of future city plans required urgently enhancing the capacities of local governments to adopt integrated approaches such as the urban nexus, as well as mobilize the required financial resources. The workshop allowed discussing current challenges and opportunities in designing and implementing nexus projects by reviewing the experiences of the two partner cities of Pekanbaru and Tanjungpinang.

The workshop identified a number of barriers hampering the adoption of a nexus approach at city level, including: fragmented institutional roles across line ministries and departments resulting in limited coordination; dependency of local governments on budgetary allocations from provincial and national government; complicated procedures to access funds; limited capacity to access private and international financing; asymmetries across levels in approvals and endorsements of project proposals; lack of mandates for local governments in setting tariffs and fees; and lack of understanding of the nexus concept among key stakeholders, including government and citizens at large.

In relation to financing, the workshop highlighted opportunities for mobilizing financial resources for infrastructure projects, in particular from state-owned enterprises such as PT Sarana Multi Infrastruktur (SMI) and PT Indonesia Infrastructure Finance (IIF). SMI, established by the Ministry of Finance, is an infrastructure financing company that can provide loans to local governments, which can be used to leverage additional funds from central government. For example, capital investment can be provided by SMI, while funds for feasibility studies can be provided by the central government. It was recommended that government should focus on financing what private investors would not provide. IIF can instead stimulate private sector investment by providing long-term fund-based products to private investors.

It was noted that a number of regulations supporting nexus initiatives, in particular in relation to waste and wastewater management, were in place, such as targets of 30% waste reduction by 2020, or feed-in tariffs. However, a lack of standards and guidelines in certain domains hampered the uptake of innovative nexus technologies. For example, no guidelines exist for vacuum sewer technologies.

In order to promote the uptake of a nexus approach to meet current and projected resource needs against a backdrop of rapid urbanization, the workshop recommended mainstreaming the nexus into urban planning and development frameworks, strengthening institutional capacities of local governments and increase their ability to raise local revenues and access different sources of financing, improving communication and coordination across different levels of government and departments, and developing guidelines and standards in support of nexus solutions.

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