## 1. Facts

**Implementing partners**
- Ministry of Transportation (MoT)
- Ministry of Finance
- Ministry of National Development Planning (BAPPENAS)
- Ministry of Public Works and Housing
- Ministry of Environment and Forestry
- PT Sarana Multi Infrastruktur (PT SMI)
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

**NAMA Facility funding**
- EUR 14 million

**Project duration**
- five years

**Status**
- implementation

## 2. Towards a New Paradigm

SUTRI NAMA is a NAMA Support Project (NSP) that aims to transform urban transportation in Indonesia into a sustainable low-carbon sector. This overall project goal requires a paradigm shift – in technology and governance.

SUTRI NAMA will support an emerging technology trajectory that replaces individual passenger transport with non-motorised, shared transport solutions. More energy-efficient public transport and infrastructure improvements for pedestrians and cyclists will supplement this move toward more sustainable mobility.

In governance, SUTRI NAMA will focus on the establishment of a coherent national urban transport policy. New institutions established within the scope of the NSP will enable the cooperation of relevant actors on different levels. Appropriate funding mechanisms, an additional programme component, will leverage public and private financing sources and attract investments in sustainable urban transport infrastructure.
3. Clear Commitment to Change Linked with Challenges

Though Indonesia has pledged to mitigate global warming, a number of challenges may jeopardize this commitment and impede the development of greener transportation.

In 2009, the Government of Indonesia committed to a 26% reduction in greenhouse gas emissions by 2020. With international support, this commitment would increase to 41%. In November 2016, under the Paris Agreement, the Indonesian government additionally submitted its nationally determined contribution (NDC) targets, which include the transport sector as part of the energy-based emissions and emission reduction.

Transport in Indonesia is a fast-growing sector and already the third-largest source of energy-related CO2 emissions (23% of national emissions, which translates to 68 Mt CO2e for 2005). Road-bound transport represents 89% of CO2 emissions and 91% of energy consumption in the sector. Based on a 2006 study conducted by the Asian Development Bank (ADB), vehicle numbers in Indonesia are predicted to double between 2010 and 2035. In those same years, the percentage of people living in cities will grow from 50% to 66.6%.

These clear trends toward motorisation and urbanization continue to aggravate urban congestion. Individual transport solutions exacerbate air pollution, leading to health problems and a decreased quality of life in Indonesian cities. Yet as more and more residents choose to commute with cars and motorbikes, urban mobility becomes increasingly difficult. With a rapidly growing, increasingly urban population, Indonesian cities are under pressure to meet a growing demand for public transportation.

When Indonesia was decentralised in 1999, the responsibility for this sector was transferred to local governments and cities. But this shift has left most local governments overwhelmed and faced with a variety of institutional, technical and financial barriers to the development of sustainable urban transport systems. City transportation departments (operation) and regional authorities (planning) lack consistent coordination and technical expertise in sustainable transport measures. While local governments have a limited fiscal capacity for infrastructure financing, national-level financial support to cities is often mismatched and ineffective. Current practices, such as the provision of buses as direct assets, are limited in scope and often not suitable for use with the existing infrastructure.

Currently, there is also no coherent national urban transport policy in Indonesia. Two ministries divide the responsibilities of infrastructure development and urban transport policy, with often conflicting policies. This has resulted in fragmented planning processes with little continuity. The lack of a clear regulatory framework and unattractive conditions for operating urban transport systems discourage private sector companies from investments in public transport, and commercial banks offer financing at unattractive conditions (short payback periods and high interest rates).

4. How to Achieve Transformational Change

With a kick-off in five pilot cities, the NSP follows a three-pronged approach consisting of institutional, technical and financial interventions to achieve transformational change in the transport sector:

Institutionally and technically, the NSP enhances coordination, cooperation and expertise by establishing:

- A National Steering Committee to improve coordination between institutions and ensure inter-ministerial coordination and streamlining of strategies. This will include the establishment of a coherent national urban transport policy. Committee members will include MoT and BAPPENAS.
- A Technical Support Unit (TSU) within the MoT to guide local governments on effective project development and implementation. By applying quality standards, local governments are capacitated in the preparation, contracting, supervision and quality control of urban transport projects.
Financially, the NSP will establish a funding mechanism to support the implementation of public transport projects and manage transport demands by leveraging both public and private sector financing. The funding mechanism comprises two instruments:

1. **Concessional loans**
   The public financial intermediary PT Sarana Multi Infrastruktur (PT SMI) will administer the loan scheme. Investors, including government-owned companies, will be eligible to apply for concessional loans for investments in energy-efficient public transport vehicles.

2. **Investment grants**
   Local governments can receive investment grants to co-fund pilot projects selected by the TSU. The investment grants will be channelled through the Ministry of Finance (MoF) who, through the TSU, will launch calls in which pilot cities can apply for the co-funding of specific projects. Applying local governments can receive up to 20% of the total project investment costs as a grant. Domestic public funds will cover the remaining 80%.

5. **Scope, Financing and Partners**
   The NSP aims to prepare at least twenty funding proposals for low-carbon transport projects, including technical design documents and related policy draft documents. These investment projects will demonstrate improvements in public transport and transport demand management and serve as good practice examples for other cities.

SUTRI NAMA contains a financial component of EUR 8.5 million, which will be supplemented by an additional EUR 17m to be allocated by the Ministry of Transport. The Government of Switzerland, represented by its State Secretariat for Economic Affairs (SECO), has provided up to EUR 7m for additional technical cooperation. Thanks to SECO’s co-financing for the Indonesian Bus Rapid Transit Corridor Development Project (INDOBUS), which is coordinated by BAPPENAS, the NSP can provide dedicated support for the implementation of comprehensive bus rapid transit (BRT) systems in pilot cities. On the national level, SUTRI NAMA will assist the Ministry of National Development Planning (BAPPENAS) with the drafting of a regulative framework and the coordination of relevant ministries, as well as with blueprints for BRT systems. On the local level, cities will receive implementation support for sustainable BRT systems.

6. **Expected Outcomes**
   SUTRI NAMA aims to achieve the following targets:

   - GHG mitigation: 0.9 to 1.7 Mt CO₂e per year by 2030 in the pilot cities.
   - Cumulative mitigation within the first 15 years: 7 to 13.9 Mt CO₂e.
   - Total leveraged financing: EUR 100 million (public / private breakdown: 70% / 30%).

   In addition, the NSP will generate several co-benefits in the pilot cities. Better public transport services and walkability will reduce travel times, improve air quality and enhance road safety.

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1 Assuming a shift of 10 to 20% of passengers from private cars, minibuses and motorcycles to formal public transport and non-motorised transport, as well as a 0 to 10% improvement in the energy efficiency of public transport vehicles.
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