

# **“Governing Housing Policies in Indonesia: Challenges and Opportunities”**

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## Session G2. Urban Governance and Housing Policies in the Global South

### “Governing Housing Policies in Indonesia: Challenges and Opportunities”<sup>1</sup>

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#### Abstract

Housing backlogs in Indonesia is estimated at 15 millions in 2014, doubled than what was estimated in 2009. The government realized that it is beyond their capacity to provide affordable housing for the people as more than 80% are self-help. What frameworks and mechanism for housing provision exist in Indonesia and how to improve the system in order to meet the demand? To answer these questions, this study first identified and defined the existing frameworks on Indonesia’s housing sector, especially to low-income housing. From identifying these frameworks, fieldworks were conducted in two cities in Indonesia in order to identify how those frameworks work at local level. During the fieldworks official documents related to housing sector that each city has were collected, and interviews with local leadership and key actors in institutions that are most familiar with housing sector were also conducted. Information collected from the fieldworks was used to analyze the existing frameworks in order to identify the gaps in the frameworks and the constraints behind the implementation.

The findings suggest that there is a paradigm shift in regulatory framework on housing development, from citizen’s responsibility to become State’s responsibility and performed by the Government. Meanwhile, regional governments have been given more tasks and authorities on housing and settlement affairs than the central government, especially on the issue of low-income housing. However, the institutional setting of Indonesian housing development is still untidy. There needs to be clearer division between government agencies, especially the State Ministry of People’s Housing and the Directorate General of Human Settlement in the Ministry of Public Work. Besides these two national agencies, there are other institutions involved in the Indonesian housing policy arenas, including private developers. However, it is realized that the number of houses built is still behind the demand, especially for the low-income housing, as it is not attractive for private developers. Thus more innovative mechanism is needed to meet the greater demand, which recognizes more local stakeholders.

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<sup>1</sup> Based on a study “Indonesia: State of Low Income Housing Policy and Finance. Legislative, Institutional, Planning, and Regulatory Frameworks” for the World Bank Office of Jakarta (Salim, 2011).

## **1. Introduction**

Housing backlogs in Indonesia is estimated at 15 millions in 2014, doubled than what was estimated in 2009. The government realized that it is beyond their capacity to provide affordable housing for the people as more than 80% are self-help (Utomo, 2014). Previous studies had been conducted to cope with this issue, mainly from financial aspect, in which mechanism to reform housing market to work was laid out (Hoek-Smit, 2005). However, the backlog seems to increase despite the reform. Monkkonen (2013) suggested that the regulatory reform had some impacts on housing production in Indonesia, however it does not affect as expected. This paper aims to scrutinize the frameworks and mechanism for housing provision that exist in Indonesia in order to improve the system in order to meet the greater demand. This study first identified and defined the existing frameworks on Indonesia's housing sector, especially to low-income housing, i.e. the legislative, institutional, and regulatory frameworks governing Indonesia's housing sector, in particular the production and delivery systems of low-income housing at national and local levels. These frameworks are influenced by policies, strategies, instruments, and actions, which enable the provision of and access to infrastructure, land, finance, etc.

From identifying these frameworks, fieldworks were conducted in two cities in Indonesia in order to identify how those frameworks work at local level. Cities visited for the fieldworks are Semarang in Central Java and Manado in North Sulawesi. During the fieldworks official documents related to housing sector that each city has were collected, and interviews with local leadership and key actors in institutions that are most familiar with housing sector were also conducted. Information collected from the fieldworks was used to analyze the existing frameworks in order to identify the gaps in the frameworks and the constraints behind the implementation.

After the introduction, this paper will be divided into sections as follow:

1. Legislative and regulatory frameworks. In this section existing laws, rules, policies, and instruments regarding housing affairs will be identified and assessed.
2. Institutional framework. In this section actors and institutions involved in the housing sector, their roles and responsibilities will be identified. Relationship between national and local levels of governance will also be identified. This section will also assess capacity of those institutions in order to identify the needs for additional capacity and suggestions on how to develop their capacity.
3. Plan for low-income housing. In this section plans and strategies for low-income housing will be identified and assessed, including planning and decision-making processes and the costs and duration of the planning and development processes.
4. Housing development in two cities. This section will describe how those frameworks applied in different cities in order to identify which city is working well in the implementation of legislative, institutional, planning, and regulatory frameworks on housing sector.
5. Conclusions and recommendations. This final section of the report summarizes the key findings and highlights the areas of gaps and constraints in the present frameworks, as well as suggesting recommendations to improve the present frameworks.

## **2. Legislative and Regulatory Framework**

The State of Indonesia guarantees its citizen the right to employment and decent living for humanity as stated in the 1945 Constitution. A decent living starts from living in a decent shelter or home. Home is human basic right in order to lift up self-esteem, quality of life and a self-reflection toward improving standard of living, as well as to build character of the nation. In the Amendment of 1945 Constitution, it is stated that a house is one of the people's basic rights, thus every citizen is entitled to housing and live in a decent and healthy neighborhood.

Following the 1945 Constitution, the Government of Indonesia issued a Government Regulation in place of Law (*Perpu*) No. 6 of 1962 on Principles of Housing as the first regulation on housing. It is regulated that every citizen and private entity may built housing independently and may determine its use whether for own use or for rent. As the demand for housing increased that *Perpu* was replaced by Law No. 1 of 1964, which specified the task and authority of government as well right and obligation of citizens. It is stated that every citizen is entitled to have and enjoy a decent housing, according to social, technical, healthiness, and behavior norms.

In 1992 the Government of Indonesia issued Law No. 4 of 1992 to replace the old law on housing and settlement. One of the basic change in this law is in Article 5 which stated that “every citizen has the obligation and responsibility to participate in housing and settlement development”, as well as Article 29, which stated that “every citizen has equal and extensive rights and opportunity to participate in the housing and settlement development”. This law also emphasizes that housing and settlement development must be executed based on a comprehensive and integrated spatial plan, either for urban or rural areas, which has been approved by local government after considering all related aspects, as well as existing plans, programs and development priorities of housing and settlement area. By this, it is expected that housing and settlement development will be sustainable.

Around the same time a regulatory framework on spatial planning was established in the formulation of spatial management law (Law No. 24 of 1992 on Spatial Management). This law officially replaced the Dutch-era law (SVO 1948) and exemplified a hierarchal structure in the spatial planning system according to administrative region, i.e. national, provincial and district/city levels, meant to ensure efficiency and optimal use of space. The law established that the scope of spatial management consists of spatial planning, implementation of spatial plan and the control of plan implementation. Based on this law, spatial plans at national, provincial as well as local levels were formulated. The spatial plans at the local (district or city)

level are supposed to guide housing and settlement development in Indonesia. As the Law No. 4 of 1992 left much responsibility to individual and private entities to develop housing and settlement areas, the spatial plan was the only instrument that shows government's role in housing and settlement area development. This was along the line of liberalization movement that the central government initiated in the late 1980s, with its deregulation policy in urban development sector, including the housing and industrial estates development. Property development is then dominated by private, rather than the public sector. Their interests, of course, were virtually on profitable housing markets, not the low-income housing.

In the late 1990s Indonesia went through an economic crisis, due largely to domino effect of Asian monetary crisis, but domestically, to some extent might have been caused by excessive property development by private sector and sloppy private bank practices that financed property development excessively. The crisis led to a political reform, in which resulted in administrative decentralization of government functions and authorities from central to regional governments in 1999 (with Law No. 22 and No 25 of 1999). Between 1999 and 2004 Indonesia went through transitional period, in which several amendments to the 1945 Constitution were made and the two laws on regional government were revoked and new laws were issued in 2004 (Law No. 32 of 2004 on Regional Government and Law No. 33 of 2004 on Fiscal Balance between Central and Regional Government). According to these laws, other than foreign, defense and security, monetary and fiscal, judicial, and religious affairs, all other affairs are transferred from central to provincial and local governments. Housing and settlement development is one of them.

Along with the enactment of the two laws on regional government, other laws on development planning and spatial planning were also enacted. The Law No. 25 of 2004 on National Development Planning System was enacted to set the planning framework at all levels of government. Then the Law No. 26 of 2007 on Spatial Management was enacted to replace the Law No. 24 of 1992, which was outdated since the

administration structure changed following decentralization. This law stipulates that a settlement area is planned as an integrated system and must have functional relationship with other areas in space. However, housing is not the concern in this law, not even the low-income housing. Finally, the Law No. 1 of 2011 on Housing and Settlement Area is just recently enacted as this study is underway. This law replaces the Law No. 4 of 1992 and there are several differences between the two laws..

General impression we can get from the new law is that it covers more details than the old law. The law is also quite comprehensive and responsive to the demand for a more responsible government in providing decent housing for the citizens, which is in contrast with the Law No. 4 of 1992. Several stipulations that need to be appreciated in this law are as follows:

1. The new law emphasizes the State's responsibility in housing and settlement area affairs in which its management is performed by the government, either at national, provincial and local levels.
2. The new law regulates two aspects that were not regulated before, i.e. the low-income housing and the slum settlement area. Low-income housing appears in a section under chapter on housing affairs, while slum settlement area appears in a chapter on prevention and quality improvement of slum housing and settlement.
3. Along the line of decentralization, provincial and local governments have more tasks and authorities in housing and settlement area affairs than central government. All governments have equal tasks to facilitate housing and settlement provision for the people, especially for the low-income groups, and to allocate funds and/or housing costs to materialize low-income housing. However, provincial and local governments have the authority to coordinate land banking for the development of housing and settlement for low-income groups. Moreover, the local government (district or city) has the authority to provide infrastructure to build housing for the low-income groups.
4. The new law stipulates that land provision for housing and settlement area development is the responsibility of central and regional governments and its

delineation in the spatial plan is the responsibility of regional government, while in the old law it was not specified whose responsibility land provision is.

5. The minimum floor size of a single or row house is set at 36 sq m, while in the old law the minimum floor size was not set. This is following the international standard of a livable house (9 sq m per person) for a family of four.

However, there are several implementing regulations needed to make the law effective, i.e. 20 Government Regulations (*PP*), 4 Ministerial Regulations (*Permen*) and 3 Regional Regulations (*Perda*). They include government regulation on criteria for facilities and assistance to build and own house for low-income group, and ministerial regulation on criteria for low-income group to get the facility, as well as government regulation on prevention of slum housing, and regional regulation for delineation of slum housing location. Land consolidation will also need a government regulation in order to implement it.

### **3. Institutional Framework**

Historically, an agency in charge of housing affairs was the Bureau of People's Housing and People's Housing Support Office under the Department of Public Works and Power, based on Presidential Decree No. 65 of 1952. However, according to *Perpu* No. 6 of 1962, housing affairs in Indonesia is managed by the Minister of Social Affairs. Then according to *PP* No. 17 of 1963 as an implementing regulation for that *Perpu*, the Minister of Public Works and Power was requested to provide basic pattern of a healthy, cozy, long-lasting, and meeting social norms house in order to smooth housing development. Besides that, the roles of Head of Regional Government to support the implementation of housing development were also mentioned. Later on, in the Law No. 1 of 1964 it was mentioned that the Minister of Social Affairs maybe assisted by an agency which is formed by President, meanwhile the coordination to implement housing affairs could be transferred to provincial and further on to local governments. It was also mentioned that the regional government is assisted by a



Housing Committee in performing its task. Thus in the past, there were only few agencies involved and roles of central and regional governments have been specified.

After the New Order government started in the late 1960s, some advances in the authority of housing affairs occurred. At the beginning, Directorate General of Settlement was formed in the Department of Public Works and Electric Power and in charge of housing affairs. In 1974, National Housing Policy Agency (*BKPN*) was established by Presidential Decree No. 35 of 1974. Around the same time, the National Housing Corporation (*Perum Perumnas*, which later on became *PT. Perumnas*) was established to serve public needs for housing and build up the capital for that purpose (Siregar, 2006: 118) and the National Savings Bank (*BTN*) was assigned by the Minister of Finance to manage Home Ownership Loan (*KPR*). Then in 1978 a Junior Minister of People's Housing position was established under the Department of Public Works. Until then the housing affairs was still run by the Department of Public Works. However in 1983, the status of Junior Ministry was upgraded to State Ministry of People's Housing, based on Presidential Decree No. 25 of 1983. Then in 1994, the *BKPN* was transformed into National Housing and Settlement Development Control and Coordination Agency (*BKP4N*) by Presidential Decree No. 7 of 1994. From its name we know that this agency has tasks to coordinate and control all affairs related to housing and settlement development, supporting the Minister of People's Housing. These key actors remain the same until the political reform that took place in 1998.

During President Wahid's administration (1999-2001) the Ministry of People's Housing was liquidated and its functions are transferred to Directorate General of Housing and Settlement under the Department of Settlement and Regional Infrastructure, the new name for Department of Public Works, which remained until 2004 when Yudhoyono became President. Then the State Ministry of People's Housing (*Kemenpera*) was re-established with a Presidential Decree No. 187 of 2004 by President Yudhoyono. Thus, two national agencies in charge of housing and settlement affairs in Indonesia are the

State Ministry of People's Housing (*Kemenpera*) and the Directorate General of Cipta Karya under the Ministry of Public Works.

#### *Ministry of People's Housing (Kemenpera)*

The task of *Kemenpera* according to Presidential Decree No. 9 of 2005 is to assist President in policy formulation and coordination of people's housing affairs. Its roles include the management of State's property under its responsibility, monitoring and evaluation, as well as giving suggestion and opinion to the President. *Kemenpera* is also tasked to implement housing provision policy and neighborhood development as part of settlement area, including the provision of flat housing and its infrastructures. The vision of *Kemenpera*, "every family living in a habitable house", is elaborated in its medium term policies.

*Kemenpera* also has a specific policy for the low-income groups (MBR or *Masyarakat Berpenghasilan Rendah*), which are differentiated according to household income level. The income levels are actually quite low, factory labors would fall into group IV in this income level. It means that the program should reach the lowest income groups, which may consist of people working in informal sectors. List of assistance and provision provided by *Kemenpera* either for credit-related or non-credit-related schemes for different income groups is summarized in the table below.

#### *Directorate General of Cipta Karya of Ministry of Public Works*

As we know the housing and settlement development affairs are not exclusively *Kemenpera's* task, other ministries have similar tasks according to the portfolio, even though the division of functions between ministries seems to be overlapping. For example, based on Presidential Decree No. 10 of 2005, the Directorate General of Cipta Karya (*DJCK*) in the Department of Public Work is tasked to formulate and implement policy and technical standards in building and construction, which include

for housing and settlement. *DJCK* has a program called Neighborhood Upgrading and Shelter Sector Project (NUSSP) with some objectives, such as: to improve the quality of housing and settlement for low-income community (KBR or *Komunitas Berpenghasilan Rendah*) by giving assistance to local government that has cooperation with community and private sector; to facilitate KBR in provision and renovation of inhabitable house by giving housing micro credit; and to build the capacity of local government and community at large to perform participatory planning with emphasis on division of role and responsibility between community, local government and private sector, harmoniously. This project is partially funded by Asian Development Bank and was implemented between 2005 and 2009.

Output from this project is the establishment of several institutions at local level, namely: Regional Housing and Settlement Development and Construction Coordination Agency (*BKP4D*), which is similar to *BKP4N* at regional level; Local Financial Institution; and Community Self-help Agency (BKM or *Badan Keswadayaan Masyarakat*). Meanwhile the expected outcomes of this project are: the formulation of Regional Housing and Settlement Development and Construction Plan (RP4D); institutionalized financing system for housing and settlement for the KBR; and the formulation of Neighborhood Upgrading Plan (NUP) to improve the quality of housing and settlement. The initial project was implemented in 32 districts and municipalities in Java, Sumatera, West Kalimantan, West Nusa Tenggara, and Sulawesi. Those regions were competitively selected using criteria set by inter-departments team. For main components of NUSSP are: formulation of housing and settlement development plan; facilitating housing micro credit for the KBR; construction of settlement infrastructure for the KBR; and capacity building of local government and the community through training and assistance. In a way what the project does is something that *Kemenpera* has to do, since it's dealing with the low-income bracket. However, to make it sounds different instead of using the term MBR, the project uses the term KBR.

### *Other Institutions: Policy Arena and Network*

Even though we have discussed several institutions involved in housing affairs, which are now greater compared to those in the 1960s, there are institutions that have not been mentioned above. According to Siregar (2006), there are 12 government agencies at national level involved, directly or indirectly, in housing policy arenas. *Kemenpera*, Dept. of Public Works, Dept. of Home Affairs, *Bappenas*, and Dept. of Finance involve directly, to a certain degree, in housing policy-making. Meanwhile, National Land Agency, Dept. of Cooperative, Dept. of Industry, Dept. of Transmigration, Dept. of Social Affairs, Ministry of Environment, and Bank of Indonesia involved indirectly in housing policy-making. Besides those government institutions there are other key players in the housing sector that may not be involved in the policy-making.

Out of those institutions, only five that are considered as the primary actors in public housing affairs (Siregar, 2006). Those are: State Ministry of People's Housing, which is the core agency in housing affairs, especially in housing policy coordination; National Housing Corporation (*PT Perumnas*), as the main body that build public housing on behalf of the government; National Savings Bank (*BTN*), which is the main funder of any housing projects; Real Estate Indonesia that represents private developers, and Association of Cooperative Housing (*ASPEK*). However, we need to realize the importance of Department of Public Works, especially the *DJCK*, which develops infrastructures needed for settlement area development, and as discussed above, has programs aiming to improve quality of housing and settlement areas. Those institutions are connected with each other in three housing policy networks (Siregar, 2006), which he constructed from seven housing arenas that he discovered in his research, i.e.: public housing policy network; housing loan policy network; and housing land policy network.

**Table 1 Comparison of Indonesian Housing Policy Networks**

Aspect	Public housing policy	Housing loan policy	Housing land policy
Time of formation	1 <sup>st</sup> to 3 <sup>rd</sup> PELITA periods	4 <sup>th</sup> to 6 <sup>th</sup> PELITA periods	4 <sup>th</sup> to 6 <sup>th</sup> PELITA periods
Type of relationship	Among public or governmental agencies	Between private sectors and government agencies	Between private sectors and government agencies
Members	Kemenpera, BTN, Perumnas, MoF, and DJCK	Kemenpera, BTN, MoF, and REI	Kemenpera, DJCK, Depdagri, local government, and REI
Influential factor	National agenda, support from President, officials and favorable financial resources	New liberal direction in banking & investment policies (Pakto 88, Pakto 93)	New liberal direction in investment policy (Pakto 93) including in land acquisition
Result	Consistent policies and programs on low-cost housing supported with KPR	Increasing disbursement of subsidized KPR housing loan from BTN to REI members, parallel with the growth of REI's members	Facilitation from Kemenpera to private developers in land acquisition, and result in the dispute on large scale and/or KASIBA-LISIBA schemes and programs

Source: modified from Siregar (2006: 229)

The public housing network occurred in early years of the New Order government (1970s). It consists of several government agencies with a purpose of supporting government's mission to establish public housing programs. The output of this network according to Siregar is the relatively consistent public housing policies and programs, i.e. the *Rumah Sangat Sederhana*, or Decent Housing scheme. The housing loan network was established in the 1980s since Real Estate Indonesia (REI) that represents private developers came to the arena. The funds for housing administered by BTN have increasingly been disbursed to private developers and reflected in the number of housing production by private developers which doubled the production of *PT Perumnas*. Private developers have become major players in formal housing production ever since. Housing land policy network was also established in 1980s as a response to the "under-regulated land acquisition by private developers" and government's intention to regulate land provision. Schemes of *Kasiba* and *Lisiba* (sites and services) as well as the 1-3-6 Rule,<sup>2</sup> were some measurements by the government

<sup>2</sup> Rule that requires developers to build 6 "simple" houses and 3 "mid-standard" houses for every "luxury" house constructed.

to control housing development through specific land provision. However, they were not very effective, since in reality private developers are the ones who acquired lands for development in major quantities. This can be observed from the number of large-scale housing projects and new town development that took place since the 1990s. In short, the earlier network was dominated by government agencies, but later on private entities have played major roles in housing policy networks. Comparison of the three networks is provided in the table above.

### *Implication of Decentralization*

Following the decentralization reform, besides the central government, regional governments are also responsible for housing and settlement affairs. In Government Regulation (PP) No. 38 of 2007 on Division of Affairs between Government, Provincial Government and District/Municipality government, which is the implementing regulation of Law No. 32 of 2004, housing development is one of obligated affairs of regional government. The central government is only tasked to provide supports to regional government. For example, the Stimulus Assistance for Self-help Housing Development (BSP2S) program by Deputy of Self-help Housing under *Kemenpera* provides stimulus assistance for 22,000 housing units across the country, amounting to Rp. 171 billion of the ministry budget, with a mechanism shown in the diagram below. This program is meant as a model to develop self-help housing by forging a partnership between governments as well as with the community. The NUSSP as mentioned above is another program by central government to encourage local governments to get more involved in housing and settlement affairs by formulating RP4D as well as institutionalizing financing system for housing and settlement of the low-income groups. With the new Law No. 1 of 2011 that specifically assigns task and authority of government (interpreted as *Kemenpera*), provincial government, and district/municipality governments, there will be some implications on the institutional arrangement that housing affairs has now. Its implementing regulations are needed to

straighten the overlapping tasks and authority between government agencies dealing with housing and settlement affairs, especially for the low-income groups.

The analysis by Siregar (2006) has identified actors in housing policy arenas and the networks created from the relationship among those actors at the national level. There are already some issues identified in that study. However, as we know, there is a dramatic shift in Indonesian administrative system, in which the responsibility of housing affairs has now been transferred from central to regional government following the decentralization laws in 2004, and has been further formalized by Law No. 1 of 2011 on Housing and Settlement Area. Therefore it is necessary to assess whether the institutional framework at the national level, which seems to be complex and involves some overlapping between agencies, also applies at the regional level. Reflection from the fieldwork will be used to enrich the discussion on this institutional framework in the later section.

#### **4. Plan for Low-Income Housing**

The plan for low-income housing that the Government of Indonesia was outlined in the National Medium-Term Development Plan (*RPJM Nasional*) 2010-2014. In this plan the policy guidance for planning the housing for the low-income group is to increase the accessibility of low-income group to livable and affordable housing. Several strategies are outlined in that plan and one of them is to facilitate the formulation of regional settlement development master plan (such as *RP4D*), in which supposed to be reflected in the *RTRW Provinsi* or *RTRW Kabupaten/Kota*, or other planning documents at regional level. There is no “master plan” for housing and settlement development at national level *per se*, as this affair has been decentralized to regional governments. However, we can see that central government still has some programs as part of the objective to increase the accessibility of low-income group to housing.

The strategies in this *RPJM Nasional* are supposed to be referred to by the Strategic Plan of related ministries, i.e. the State Ministry of People's Housing, the Ministry of Public Works, which has the *DJCK*, and the Ministry of Home Affairs, which supervises regional governments, as well as the annual Government Work Plan. Those strategies are also supposed to be referred by regional governments' *RPJM Daerah*. However, this may not be happening in reality since the time frame of *RPJM Nasional* may not be synchronous with *RPJM Daerah*; some regions may have formulated their *RPJMs* before this *RPJM Nasional*. Besides, the *RPJM Nasional* does not specify which regions shall be prioritized in the program implementation, thus those strategies may not be reflected in the *RPJM Daerah*. Similarly, the central government's plan to build housing for the low-income group, either flats or houses, may not be reflected in the *RTRW Provinsi* and *RTRW Kabupaten/Kota*, due to different time frame, unless if the master plan of settlement development is formulated before the formulation of those *RTRWs*. Nonetheless, we see how ambitious the central government with the plan to deliver 650 twin block rental flats (*Rusunawa*) and 685,000 units of simple-healthy houses, totaling 2 million houses, until 2014, despite the low level of achievement of similar programs in the previous *RPJM Nasional*.<sup>3</sup>

## 5. Housing Development in Two Cities

### Semarang, Central Java

City of Semarang is the capital of Central Java Province. It is located on the North Coast of Java, with a size of approximately 370 sq km. Semarang has 16 subdistricts and 177 urban villages, with a population around 1.49 million. The current government of Semarang has 7 priority areas, namely: poverty and unemployment; flood and rob; infrastructure and housing; public service and permitting; gender; health and; education. Even though Semarang is not one of regions that received assistance under

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<sup>3</sup> Only 57% of *Rusunawa* units targeted in *RPJM Nasional* 2005-2009 were constructed (Inforum Magazine, Ed. 1, 2010, p. 10). However, as this report is written, in February 2011 President Yudhoyono announced a plan to deliver "low-cost" housing program for the poor, but no specific plan was unveiled.



the NUSSP project, the city has formulated RP4D in 2008. The vision of housing and settlement development of Semarang according to this plan is “To create a community who can afford to fulfill the need for a decent and affordable house in a healthy, safe, harmonious, and sustainable environment”. In order to actualize that vision the City of Semarang has issued several by-laws (*Perda*) on different aspects of housing, such as: *Perda* No. 9 of 1996 on Flat; *Perda* No. 17 of 1998 on Retribution for Building Construction Permit and; *Perda* No. 12 of 2000 on Building. The agencies that mainly deal with housing and settlement development are the City Development Planning Agency (*Bappeko*) and the City Planning and Housing Office (*DTKP*). According to the RP4D, four areas in which housing development is planned are: in urban areas will be developed flat housing or apartment; in rural areas the housing development will follow the 1-3-6 Rule; and in industrial and fishing areas the housing development will focus on own-flat housing (*Rusunami*). However, during the visit it is discovered that the Government of Semarang has some difficulties to deliver its programs.

The biggest hindrances in implementing housing programs in Semarang are land provision and funding. In order to build public housing, the housing should be built on public land or consolidated land. However, lack of land ownership information is one source of this hindrance. From Semarang experience it is discovered that the planning office doesn't have information of who own most lands in the city, as that information is retained by the Land Agency, which is not part of the local government apparatus. Furthermore, they also don't have information about the size of lands owned by governments, either the national, provincial or city government. Although the City of Semarang has formulated the RP4D, the plan basically contains only the projected demand for housing in the future, without any specific programs from the supply side, such as how many housing projects shall be built by the city government in the next few years and on what location. The settlement development plan that the city has is basically an indication of two general strategies that the city will do for settlement development, i.e.: i. Land intensification in the city center, by limiting building density,

building vertically and reducing floor-area ratio, and ii. Land expansion in other parts of the city, especially to the Southern subdistricts.

The function of the City Planning and Housing Office (*DTKP*) in terms of public housing programs is mainly to support central government agencies, namely the State Ministry of People's Housing and the *DJCK* of Ministry of Public Works, in clearing land designated for public housing projects funded by central government budget. Other than that, they function to review any development proposal from private developers whether it complies with the city spatial plan or not. With regard to funding, it is indeed a major obstacle for the *DTKP* to implement grand programs. Out of Rp. 1,5 trillion of the city budget last year, only Rp. 26 billion (or only 1.7%) that goes to the *DTKP* in which the Rp. 14 billion is used for housing programs. Thus the city of Semarang relies on assistance either from provincial or central government to implement housing programs.

With regard to getting permits in Semarang, the application should be processed in an integrated permit service unit (*BPPT*) in the city hall. Related to urban or housing development there are five types of permit application that can be processed in this unit: i. Location and Principle permits, ii. City plan compliance (*KRK*), iii. Building construction permit (*IMB*), iv. Assessment of Amdal and *UKL-UPL*, and v. Nuisance permit (*HO*). As written in the official brochures from *BPPT*, the location permit process takes 14 working days and costs nothing, while the principle permit process takes 12 working days and also costs nothing. As for to get the city plan compliance map, the process takes 30 working days and it costs Rp. 1700 per sq m for commercial development larger than 500 sq m, or Rp. 1000 per sq m for non-commercial development larger than 500 sq m. Housing and settlement development would be considered as non-commercial unless if it is mixed use with commercial activities. In the meantime, to get an approval of the *Amdal*, the process takes 30 working days, while for the approval of *UKL-UPL* the process takes only 15 working days. Both approvals do not cost anything. Lastly, the nuisance permit will take 40 working days

to process, and its retribution is calculated from several factors, i.e.: business location, street location index and neighborhood nuisance index. Every year the *DTKP* issues around 3000 City Plan Compliance maps and accumulates around Rp. 3 billion from the retribution. Furthermore, the *DTKP* issues around 2000 building construction permits (*IMB*) in a year and accumulates around Rp. 8 billion from the retribution. Besides that the *DTKP* also issues around 800 HO permits and accumulates around Rp. 3.2 billion a year. Thus, the revenues from retribution of permits issued by the *DTKP* in a year almost equals to the annual budget for housing programs the office receives from the city.

Another finding from the visit to Semarang is that besides the planning documents mentioned above (*RTRW*, *RPJM* and *RP4D*), Semarang also has a Medium-term Investment Program Plan (*RPIJM*) of Cipta Karya Affairs 2010-2014, in which settlement development is programmed every year along with other programs such as building guideline, sanitation, water supply, road development, irrigation, and spatial planning. Total amount of estimated budget for 5 years for all programs is around Rp. 11.7 trillion (only Rp. 450 billion, or only 3.8%), in which around 65% is from national budget, 5% from Central Java provincial budget, and 28% from the city budget. This suggests that the city budget for the Public Works Office, where the *Cipta Karya* affairs is being managed, is a lot bigger than the budget for the *DTKP* that manages housing programs. And this might suggest that both agencies are working unilaterally using different planning documents as their reference.<sup>4</sup>

Moreover, there is an interesting finding with regard to procedure for securing permits from the city by the developers. One of the developers being interviewed mentioned that they didn't have the location permit until last year, after their housing project expanded to almost 9 hectares in size, although they started the project since 2006. They applied for the location permit of a 16 hectares project after the city government scrutinized their project. Another developer, which is smaller, just started their

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<sup>4</sup> The *DTKP* officials never mentioned about the *RPIJM* and they only refer to the *RP4D* as reference for their programs.

construction and right now they don't have a location permit, but they have the building construction permit (*IMB*). It seems very common to build a house or housing without permit, even though the developers are members of Real Estate Indonesia (REI).

### Manado, North Sulawesi

City of Manado is the capital of North Sulawesi Province and is located on the West coast of the northern tip of Sulawesi Island. The size of Manado is around 157 sq km, with a population around 434 thousand. Manado has 9 subdistricts and 87 urban villages. The current government has a vision to make Manado the World Tourism City by "creating a pleasant urban neighborhood where everybody is able to materialize its potential and dream". In 2003 Manado has formulated *RP4D* document, which is referred by more recent studies in Manado, such as the Urban Renewal Concept in Manado, a study by *DJCK* in 2008 and the Identification of Simple-Healthy House (*RSH*) Zone in Manado and Bitung, also a study by *DJCK* in 2010. However, those studies were merely conducted by a central government agency and resulting in programs executed by that agency, with minimum involvement of the Government of Manado.

From the field visit, we learned more about the nature of works of different agencies in the local government:

- The *Dinas Tata Kota* (City Planning Office), which has a housing affairs division, doesn't have any housing programs in the city. They are only dealing with accepting housing development application and issuing location permit (*IL*), Land use allocation permit (*IPPT*)<sup>5</sup> and building construction permit (*IMB*). They don't know about the physical aspect of housing development, which they say the portfolio of *Dinas PU*, as well as the planning of housing program, which they say the portfolio of *Bappeda*. With regard to permitting, there is no standard of how many days the permits can be attained by applicants. For location permit, for

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<sup>5</sup> However according to the Head of *Dinas Tata Kota*, based on the Law No. 28 of 2009 on Regional Tax and Retribution this permit has been annulled since 2010.

example, it may take a week, depends on the National Land agency. Meanwhile, for the *IMB*, it may take longer, depends on the size of land.

- The *Dinas PU* (Public Works Office) is more concerned with the road and drainage conditions in the city. Although in terms of housing development, they are involved in the *Rusunawa* construction program (a project by the *DJCK* to build 5-storeys twin block housing units for rent, in coordination with *Dinas PU* of the province) by providing land and contributing on the electricity and water installation. They have been told that the management of the rental units will be transferred to the city government, but it is not effective yet. The office or unit in the city government that will be managing those units was not decided during the visit.
- The *Bappeda* of North Sulawesi Province is trying to coordinate housing development programs by collecting data on housing conditions in each district and city as assigned by the *Kemenpera* and has been in the meeting with the staff in that ministry in Jakarta to provide those data. However, from our discussion it is discovered that the *Bappeda* may not know the public housing program constructed by the *DJCK* in North Sulawesi, such as the one recently built on the new Ring Road.



**Figure 1 A *Rusunawa* (flats for rent) in Manado, a project of DG of Cipta Karya**

Another agency doing infrastructure development to support public housing programs in Manado is the *Dinas PU* of North Sulawesi Province. In 2010 a unit under this office (SNVT PKPP) completed two studies with regard to housing and slum area in Manado, for the DG of *Cipta Karya* in Jakarta i.e. “Identification of Slum Settlements in Manado and Bitung” and “Identification of Simple-Healthy House (*RSH*) Zone in Manado and Bitung. The first study identifies six housing developments in three subdistricts that will be prioritized in the development of its basic infrastructure, such as roads and drainage. These programs are according to priorities outlined in the Urban Infrastructure and Settlement Development Strategy (*SPPIP*) of Manado. One of the housing developments is the *Griya Paniki Indah* housing project in Mapanget. This housing project develops mixed-group houses for low and middle income people. The size of floor area for the simple-healthy house here is 36 sq m, with a land size between 105 – 120 sq m. The other study identifies 27 slum areas in Manado, in which 11 of them are prioritized in the development of its basic infrastructures, such as pathway, drainage, sewerage, or waste disposal. Thus the focus of both studies is the area development and upgrading, but not the development of housing, for the low-income group.

Besides the government agencies, it is discovered that there are two groups of private developers building housing projects, including the healthy-simple houses, i.e. members of REI and members of APERSI. The members of APERSI focus only on development of simple-healthy houses, while the members of REI could be developers of medium and luxury houses as well.



**Figure 2 A Simple-Healthy House (RSH) in Griya Paniki Indah, Manado**

## **6. Conclusions and Recommendations**

From the discussions above there are several conclusions about the legislative, regulatory, and institutional, frameworks of Indonesian housing policy, especially for the low-income people, which reflect some challenges but also opportunities in housing governance in Indonesia.

First of all, there is a paradigm shift in the legislative framework from Law No. 4 of 1992, which stated that housing and settlement development is the obligation of citizens, into Law No.1 of 2011, which states that housing and settlement development is the State's responsibility and performed by governments. Moreover, the low-income housing and slum area affairs become the concern of the State in the new law, unlike before. Following the human rights based approach, in which shelter is one of basic human rights; Indonesia has incorporated that in the Amendment of 1945 Constitution and stipulated in the new legislation. As a new legislation, it has to be supported with

implementing regulations that show the concern over low-income housing and slum area affairs, which have not been yet released.

Secondly, along the line of decentralization, regional governments have been given more tasks and authorities than the central government on housing and settlement affairs, especially on the issue of low-income housing. Provincial and local governments have the authority to coordinate land banking for the low-income housing and moreover, local governments have the authority to provide infrastructure for the low-income housing development. A set of implementing regulations, namely the Government Regulation, Ministerial Regulation and Regional Regulation are necessary to implement the law, especially on the criteria of low-income group and requirements to access housing by low-income group.

Third, following the international standard of a livable house, the minimum floor size of a single or row house is 36 sq m, while in the previous law this standard was not set. This regulation may create problems in housing development by private sectors in Java. As of now the floor size for a simple-healthy house built in Java is 21 sq m, which corresponds to the price ceiling set by the government to sell this type of house to low-income people. Meanwhile, in Manado with the same price, private developers could offer a house with a floor size of 36 sq m. Thus the government will need to outline a mechanism to allow private developers to meet the minimum floor size set in the law, such as by increasing the price ceiling of a simple-healthy house in Java. Also, there needs to be some incentives for private developers to build housing for the low-income, such as permits and tax incentives. Besides, partnerships between the public, private and non-profit sectors are necessary to better allocate the fundamental risks of mortgage lending (Lea, 2005). As discovered from cities visited, the unofficial fees and unspecified time to get permits are two obstacles mentioned by developers. Thus, permitting service needs to be improved by local governments.



Fourth, the institutional setting of Indonesian housing development is still untidy. The new law seems to suggest that housing and settlement affairs would be the responsibility of Kemenpera, and now under the current administration the Kemenpera is dissolved under the Ministry of Public Works. We still don't know to what extent the housing and settlement affairs is supported by sufficient budget to run its programs. Moreover, there needs to be a clear division of functions and authority between central and local governments and a better mechanism to improve coordination between levels of government (vertical coordination) as well as between agencies at the same level (horizontal coordination). At regional level, besides the Regional Housing and Settlement Development and Construction Coordination Agency (BKP4D), which is established by the DJCK, a Housing Task Force (*Pokja Perumahan*) has also been initiated by *Kemenpera* to improve coordination, with the Regional Development Planning Agency (*Bappeda*) is in charge as the chair. It is not clear the position of both institutions among other regional agencies, neither the functions nor authority that both institutions have. In the case of Manado, the *Bappeda* still does not know programs and activities of other agencies in that city, suggesting that coordination is still weak. The seemingly stand-off between agencies at national level seems to be replicated at regional level. This would require a major overhaul in the institutional setting, especially in order to support low-income housing development.

Fifth, besides the national agencies above there are other institutions involved in the Indonesian housing policy arenas, interconnected in the housing policy networks. Private developers either joined together in REI or APERSI have been the main players in housing and settlement development, taking over the role of PT Perumnas in the past. However, it is realized that the number of houses built is still behind the number of houses needed, especially for the low-income housing. Government should not rely on private sectors in providing low-income housing, since there may not be many developers interested in because the profit from this housing type is marginal. In order to meet the target of 2 million houses built by 2014, the government would need to

direct PT Perumnas to focus on low-income housing development in the regions, especially the places where private developers are not present.

Sixth, besides the statutory plans, there are other plans that exist. They are usually formulated by each development sector. The non-statutory plans may not necessary refer to the statutory plans that exist, but they could be more effective than the statutory plans because the sectoral office that formulates the plan may have allocated programs and budget according to that plan. RPJP, RPJM and RTRW are statutory plans, while RP4D, RPIJM and SPPIP are non-statutory plans. RPIJM and SPPIP are two planning products by the Office of Public Works in the region (RPIJM in Semarang and SPPIP in Manado) and probably will be more effective than other plans since it is clear that the programs in both plans shall be implemented with the budget of public works sector, either from central, provincial, or local government.

Meanwhile, RP4D may not be effective since there is no technical office in charge of its implementation. If the implementation of RP4D shall be the responsibility of *Bappeda* as the chair of Housing Task Force, it is recommended that *Bappeda* establishes a Technical Implementation Unit to run the daily activities of the Housing Task Force, in order to be effective.

Seventh, central government has formulated National Medium-Term Development Plan (*RPJM Nasional*) in which housing and settlement affair is one of the development sectors. The State Ministry of People's Housing and the Ministry of Public Works have Strategic Plans to implement the *RPJM Nasional* but their programs may be overlapping. Moreover, provincial and local governments have their own plans, which may not put the priorities set by central government as their priorities. Targets set by central government plan may not be achieved because programs implemented to achieve those targets in the regions are not aligned with local priorities. Thus, institutional coordination either vertically or horizontally as suggested above, should be done not only at the implementation phase but also during the planning phase. To support the development of low-income housing programs, a national clearinghouse

that stores documents related to low-income housing from all government agencies at all levels should be established.

Eighth, in terms of housing loan policy, there has been positive development in which not only the State Savings Bank (*BTN*) that provides housing loans, other national banks have been giving housing loans either to developers or homebuyers. However, there is a need for the local state banks to be involved in the housing loan provision. This is not only for the sake of local participation, but also to control loan application by local state employees, who get their salaries through local state banks. Involvement of local bank in housing loan may also increase the opportunity for housing microfinance to flourish.

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