

**AFFORDABLE HOUSING PROVISION IN URBAN AREA
CASE STUDY JAKARTA, INDONESIA**

THESIS

A thesis submitted in partial fulfillment of the requirements for
The Master Degree from University of Groningen and
The Master Degree from Institut Teknologi Bandung

By:

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**DOUBLE MASTER DEGREE PROGRAMME
ENVIRONMENTAL AND INFRASTRUCTURE PLANNING
FACULTY OF SPATIAL SCIENCE
UNIVERSITY OF GRONINGEN
AND
DEVELOPMENT PLANNING AND
INFRASTRUCTURE MANAGEMENT
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Abstract

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The tendency of population to live in urban area is increasing. It is triggered mostly by economic reason to have a better livelihood. This can create the pressure on the urban area notably on the basic services provision such as housing. The need of housing in urban area by the year is increasing. Sometimes the need is not supported by adequate stock, decent condition, and even unaffordable. The lacks of these services create a slum or squatter in every part of the city. Surely this condition can impede the sustainable development. The provision of affordable housing in urban area is more crucial to support sustainable development and also beneficial for middle to low income group, because this group are dominant in the society structure. In this paper will depict an affordable housing provision in urban area with the case study Jakarta, Indonesia. By using a qualitative and descriptive method, I provide the current condition of affordable housing provision in Jakarta which is the capital city of Indonesia and is the main influence of the housing development in Indonesia. Lesson learned from Netherland and Singapore in this paper is not intended to compare the provision, but it is just merely to grab the additional knowledge or lesson so that the housing provision can be done better particularly to the moderate to low income group. Both countries have already been said successful to provide affordable housing. This paper will depict housing provision mainly in regulation or policy, institutional actor and the implementation. The finding of the result primarily that the government intervention on this provision is needed since the market mechanism could not be reached properly by this group. By an analysis of the prevailing condition on housing provision in Jakarta case, the result of this research is hoped can contribute to a better affordable housing provision in urban area, particularly in Indonesia.

Key Words: *Affordable Housing Provision, Housing Policy, Institutional Actor, Lesson Learned*

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Preface

This master thesis was begun by noticing the fact of housing provision in urban area. Since there is a huge need of housing, the provision notably for the middle to low income group is still less attention or even inappropriate support. To fulfill this need is more crucial to support sustainable development and also to improve their housing environment. Jakarta is the most attractive place for people to come to make a better livelihood, and most of them are middle to low income group. The housing provision in Jakarta mostly is conducted by community (informal way) which is marked by less infrastructure and plan. To regulate an effective land use for housing and also a better environment, this must be changed by government by providing affordable housing provision because most of them are living in squatter and slum area. In addition there is a limited land so that the price will be high, and ultimately this group is unaffordable to have a decent housing.

The purpose of this study is to depict the current condition of affordable housing provision in the term of regulation and policy, institutional actor and the implementation. The finding will be useful to contribute to a better affordable housing provision in the future.

This master thesis is also a final part of my study in Double Master Degree Program of Environmental and Infrastructure Planning (Faculty of Spatial Science, RuG) and Development Planning and Infrastructure Management (School of Architecture, Planning and Policy Development, ITB).

Finally, I would like to express my gratitude to my supervisor Dr. Justin Beaumont for his guidance so that I can finish this thesis. Also, I would like to show my appreciation for Dr. Johan Woltjer (RUG), Ir. Haryo Winarso, M.Eng, Ph.D. (ITB), and all staff lecturers in RUG and ITB.

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*Fahmi Ali Hasymi Juliansyah
Groningen, August, 2009*

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CHAPTER 1

INTRODUCTION

1.1. The Aims

The aims of this research is to get insight of housing provision in Indonesia, which is particularly affordable in urban area, since this is still main issue of urban development in most urban area in Indonesia. Also, this research can give contribution to literature, stakeholders and also to whom it may concern about housing provision in Indonesia. The most important thing is how this research can contribute to enlarge accessibility of low income group to the housing since this group has been biggest group in Indonesia population structure and is still neglected because of some factors, such as ability to pay, government ability and policies, market mechanism and the role of private sectors.

In this research will be elaborated in depth the prevailing policies, the implementation and what kinds of obstacles or gaps might happen and also the impact might happened from certain policies issued. The way what is done, what is ongoing, and what is still left or not done yet. The mechanism of institutional arrangement to cope with such as government either central, province or local, will be delivered further. What is the role of private sector and the citizen also will be elaborated.

The lesson of other country such as Netherlands and Singapore will be involved as a lesson learnt to cope with. The context is crucial to adapt the idea which is suitable to cases. The main concern from this lesson is how these countries can deal with the accessibility for low income group to have an affordable decent housing.

1.2. Background

The development in urban area tends to increase which is caused by many population settle in this area and high level of urbanization. The population of Indonesia living in urban area now is 112 million people. It is about 23% or about 29 million live in slum or squatter area.

Obviously, 10% of total population which in 2008 reached 228 million people and living in urban areas still need more pay attention from government in urban development sector, particularly in housing provision. (Ministry of Public Work of Indonesia)

Disparity the development between urban and rural causes people move to urban area since in urban area give much opportunities for better living such as job opportunities, facilities, and public utilities while in rural area does not. The increasing urban population has been giving pressure to urban area in providing services for the quality of human living. The level of urbanization in Indonesia is about 1-1.5 percent per year. It was predicted that within 2020-2025 over 60 percent of Indonesia population will be urban, while in 1975 just 20 percent were city dwellers (The World Bank, 2003).

According to Prof. Eko Budihardjo (2002), Housing provision is not accordance with demand of housing itself. There is always gap between supply and demand for housing. Within the period 2002-2004 the *backlog*, the term refers to the number of people who has not had a house, has reached 6 million people. Hence, the need can be predicted to be fulfilled in 20 years. Meaning that every year government must provide at least 300 thousand affordable houses, but within the period 2003-2006 the mean for house built is about 80 thousand houses. It is in line with the amount of subsidy budgeted by government for 300 billion rupiah per year.

Housing problem in Indonesia particularly in urban area is caused by firstly high population growth which consists of natural growth and migration. According to data from ministry of housing and settlement, the increasing of population has directly affected the number of the backlog for about 700 thousand houses per year. This number is increasing every year in accordance with the increase of population. Secondly, Low income which consist of lack of affordability and willingness and ability to pay. For housing case, this group of people cannot afford to buy decent housing that ultimately they will live in slum or squatter area. Thirdly, Scarce of Land, It is a consequence of high demand of land and supply which cannot be enlarged particularly in urban area. The fourth is the lack of government (central, province and local) policies and regulations dealing with housing provision planning. The last is urban

development, which takes a lot of spaces to provide various economic activities and services for citizens.

The author realize that the price of housing tend to rise faster rather than that of income. Also urban development will grow rapidly which gives consequences to housing provision. Cooperation of all stakeholders is becoming important as a way to make re-orientation of the approach or urban management method which based on government policy, involving private sectors, and society. Also, no less important is consistency in implementing it. Affordable housing provision in urban area is becoming more urgent to improve neighborhood healthier, secure, and decent and less slum or squatter, and also to get efficiency in infrastructure development.

Lesson learned in this paper is embedded not as a comparison to the housing provision in Jakarta, Indonesia. This is only as a value added and mirror for case in maintaining affordable housing provision. The main aim from lesson learned is that it is hoped there are some values or characteristics or even the process that can be grabbed to solve or improve the housing provision on case study. The countries chosen are Netherland and Singapore. Both countries in the beginning of the housing development have the same shortcoming such as lack of number decent housing, affordability of their society. Recently, both countries have tackled this shortcoming and all of their citizen can be housed in a decent condition at an affordable price.

Netherland is one of the developed countries which have full attention to the housing issues. The reason is that they have a limited area for development particularly in urban area and also they have a huge pressure because of population. Even though they have 16 million people, quite small in number, but the density is the highest in the world and also in 2015 is predicted to grow to 17 million people. (Oostrom, 2001). This country has also full concern to provide housing for low income. In 2001, the proportion of housing stock for this group is 36% of total housing. This is more than enough to accommodate these people. The awareness to house all citizens has directed the policy on housing in this country. The Housing Act 1901 was the main guidance in the housing provision in Netherland in accompanied with land regulation and spatial planning system. Although the government of

Netherlands is still setting for market-oriented approach, the attention to the affordable housing provision, in this case social-rented sector is still being continued. (Boelhouwer et al on Balchin, 1996).

Another country that will be a lesson learned is Singapore. Why Singapore? Singapore is a small island near Indonesia. It was a part of Malaysia. In the beginning of the independence, around 1960s, they faced the fact that the most of the area are left behind such as bad infrastructure, sprawl of slum, bad sanitation. Even in the macro condition, the economic growth was bad. By this condition the government realized that to cope with this situation, the development of infrastructure can accelerate the economic growth. The housing development was the main priority to improve dwelling of their society. By building massive housing with minimum standard, they tried to improve the dwelling and also the environment. This steps was done well by supporting on the strong political will of central government which was implemented on the establishment of the Housing Development Board as a single board on housing provision. Recently, all citizens can be housed in housing with high standard of living and affordable, even in this country, with limited of land, most of citizens are living public housing, the housing which was built by government through HDB. This is an interesting case where the limited of land, the most obstacles on affordable housing provision, could not impede the housing provision for their citizen notably moderate to low income group.

In this research, I also will elaborate deeply from prevailing policy, regulation, mechanism, and implementation of housing provision, what is the challenging and shortcoming, how the involvement other stakeholders can create breakthrough to this issue, and also lesson learned from other country, that is Netherlands which is successful in this issue, what kind of learning that can be transferred and implemented for Indonesia. No less important is how the institutional setting is conducted so that the aim can be achieved.

1.3. Research Question

The questions for this research are:

1. How is the current condition of affordable housing provision issue in Jakarta? (policies, regulations and mechanisms)

2. To what extent do the formulated policies contribute to affordable housing provision?
3. What factors can be the obstacles and/or be impetus on the housing provision and how to cope with?
4. How can this provision be successful to guarantee that the target group can has appropriate access on it? (it can also be referred through learning from other countries)

1.4. Methodology and Conceptual Framework

In elaborating affordable housing provision, and also responds to the research question, some steps will be taken in some steps. Firstly is Literature Review. This research develops the theoretical framework of planning approach and affordable housing. In this theoretical framework, I will try to explore how affordable housing is provided, the mechanism to provide empirical base and building theoretical framework of planning as a standpoint of this research. Also the elaboration of existing spatial plan and policy in Indonesia will take part. Secondly is Data Collection and Analysis. After building theoretical framework and empirical base, the data collection about the housing provision is exercised, such as supply and the need and also institutional arrangement as well. The collected data are derived from secondary data such as literatures and official documents since there is limitation on primary data. Thirdly is elaborating case study of Jakarta. How the affordable housing provision in this area is conducted. To what extent the provision has been taken by government, and how the role of private is and society dealing with. Then fourth is Analysis. The analysis of policies proposed and implementation in Indonesia case, what can be an obstacle and the successful action taken. A number of indicators or characteristic are presented in exercising this provision from other countries such as similarities and differences that can be learned for Indonesia's context will take a part as well. The last is formulating conclusion and suggestion. The result of comparative study will be used as basis to formulate conclusion and the lesson learned will be used to give some suggestion on prevailing housing provision action.

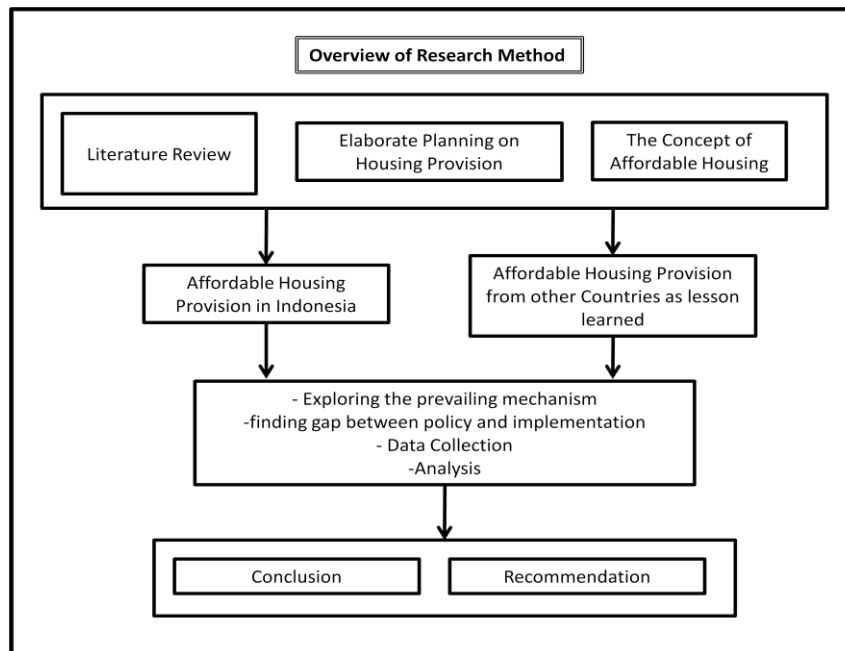


Figure 1.1 Conceptual Framework

1.5. Structure of the Thesis

This thesis will be divided into 5 chapters as follow:

1. **Chapter 1 : Introduction**

In this section will consist of The Aims, Background, Research Questions, Methodology, and Report Structure. In this part I will elaborate about why this research is revealed and why it is important to research on. What is underlying and what contribution can be delivered from this issue to depict affordable housing provision.

2. **Chapter 2 : Theoretical Framework**

Theoretical Framework of Housing Planning based on Collaborative Planning and the Concept of Affordable Housing and also depicting the housing provision in Netherland and Singapore as an additional knowledge to be lesson learned for Indonesia case.

3. **Chapter 3 : Case Study Jakarta**

In this part will be depicted the profile of Jakarta, why this area is chosen as case study, including explanation and argumentation about Affordable Housing in Indonesia study case Jakarta. This part will be explored about institutional arrangement in housing

provision and the process mechanism in housing provision based on prevailing rules and regulations in Indonesia. Also it will be described what kind of obstacles faced, what solutions have been proposed and what is still left.

4. Chapter 4 : Analysis

The analysis will elaborate the facts of the housing provision in Indonesia and get some lesson from Netherland and Singapore case to what extent both countries can deal with affordable housing. By using qualitative and descriptive analysis, this part will be described also what factors can impede the process of provision and how to deal with this factors. Lesson learned will be used as a mirror on the successful of implementation and to grab the value of housing provision process in that country to be implemented in the Indonesian context.

5. Chapter 5 : Conclusion and Recommendation

This part consists of conclusion of study, lesson learned and recommendations of affordable housing provision in Jakarta, Indonesia.

CHAPTER 2

HOUSING PROVISION

Theoretical framework is providing basic knowledge to the topic of the research. In this part I will discuss about basic term of topic and also describe an approach by which can explain about housing issue in urban area, the definition and also lesson learned from other countries, namely Singapore and Netherland.

2.1 Housing on Planning Debate

The social economic condition recently is quite different if we compare it to 60's or 70's era. When the development is exercising, it will affect to socio-economic condition. The social dynamic is high and economic growth is increasing. There will be group who will get benefit from this development and others do not. Moreover, society has been fragmented due both its diversity in its nature and its individual development of new trend of way life. As Healey (2006) argue that social diversity is a nature of any place whether it is appeared and strongly claimed or invisible but exist. The problem, such as affordable housing, will be more complex and need a handling not only by government but also all stakeholders. Hence, collaborative approach is important to be used. So the collaborative approach proposed by Healey is important to be considered as a way to deal with. Furthermore, this approach has been used broadly as an approach dealing with uncertainty in the dynamic of society and the world. Additionally, the collaborative planning base on interactive approach has become a mainstream in planning practice which can be interlink economic, socio-cultural and environmental issue of collective concern (Healey, 2006).

The collaborative planning now has been a main stream in planning theory. This theory emphasizes on the process of planning and set institutional arrangement to be involved. It gathers stakeholders such as government, private, planners and citizen or society to sit and find the best way in maintaining certain development. The definition of collaborative planning can be referred as follow:

“Collaborative planning is multi-agency, inter-jurisdictional planning that integrates land use and infrastructure planning to meet the community's needs while addressing economic development, environmental protection and equity. Collaborative planning includes community involvement to ensure that development meets the vision and needs of the residents of the region. It involves early involvement of stakeholders and sharing of data. New graphic techniques for displaying the results of land use decisions enhance community involvement and integrated planning.” (Source: <http://ice.ucdavis.edu/project/planning-san-joaquin>)

Even though this approach has been used broadly, there are some critiques to this such as the emphasis an approach to the process to achieve agreement through consensus rather than to end result, and also the agreement from this approach is flawed and dominatory (the weak of the result quality (Almendinger, p.207). The example can be seen in New Jersey case:

...To start with, to win approval of the various participants in the planning process, the plan contained only weak requirements for the construction of affordable housing, suburban integration, and compact development, even though lack of housing for low-income residents, suburban exclusion of the poor and minorities, and lack of open space were identified as the principal problems that planning was supposed to overcome. Then, despite the moderate nature of the plan and the cross acceptance process, its implementation has been half-hearted at best and often strongly resisted by local planning boards. The principal result of consensual planning in New Jersey has been the continuance of a system whereby the market allocates land uses.

Other critiques are lengthy of time for such participatory processes leading to burnout among citizen participants and disillusion as nothing ever seems to get accomplished, and difficulties involved in framing alternatives when planners desist from agenda setting. Here the example of the critique to this approach in Susan Fainstein (2000):

In Minneapolis, Minnesota, the city established a neighborhood planning process whereby residents formulated five-year plans for their neighborhoods and were allocated fairly substantial sums of money to spend. Planners assigned to facilitate the process were

committed to a nondirective role and therefore only proposed actions when asked. The result was that some neighborhoods reached creative solutions, especially when participants were middle-class professionals, but others floundered in attempting to rank priorities and to come up with specific projects, sometimes taking as many as three years to determine a vague and hard-to-implement plan.

However, the evolution from technical rationality to communicative rationality has much influenced the way of thinking of them who concerns in planning practice. Furthermore, the reality has been proven that the previous approach faced less adaptability to a complex situation. The awareness of stakeholders particularly such as society who care about their environment and the openness of information has influenced directly to government policy.

Dealing with the involvement government, there are debates regarding to the housing provision which involve government. It is based on free market view and proponents of government planning. Opinion about housing as private and public goods is still ongoing discussion. The idea is how the planning can best be done. Economic perspectives argue to reluctant government planning is based on argument to reliance on private and competitive forces of market. They regard that the government role such as on planning and regulation are *"unnecessary and often harmful because they stifle entrepreneurial initiative, impede innovation, and impose unnecessary financial and administrative burdens on the economy"*. (Klosterman, 1985).

Obviously, the free market view that government planning is less suitable to involve in market mechanism which mostly is trigger by individual preferences. The government intervention must be limited to lowest level to make market work. Market will run as it is by a certain interaction process between producer and consumer or supply and demand on the goods in the quantity they want and the price it is willing to pay. However, the free-market perspectives admit to government intervention on market failure which is involving public or collective consumption goods. (Klosterman, 1985). It is also reflected that even perfectly competitive market, public good cannot be provided adequately. The term of public goods are defined by two technical characteristics: "nonrivalrous" and "nonexcludability" or "nonappropriability". Nonrivalrous means that consumption of that can be enjoyed

simultaneously by more than one person and nonexcludability means that no one can be effectively excluded from using the good. (Klosterman, 1985)

According to UN, housing is regarded as a basic need as well as food, drink and healthy. Based on public good definition housing can be classified as public goods. This is can be enjoyed by more than one person and no one can be excluded from using it. Since housing is regarded as public goods. Sharply, the provision must be managed to such an extent, so that the provision can be enjoyed by many people. Embedded in this idea is that the involvement of government on the housing provision to fulfill society need is very crucial and undeniable. Although this involvement have retention from pro free market-oriented. The critique to the role of government on affordable housing provision is in the term of the government position as housing producer. The critiques are the houses built by government did not match the need of targeted people. Moreover if the development is conducted on large scale, it will be difficult due to lack of fund. Consequently, the quality of building is low.

In the 1980's there were a huge criticism of this role, first is the usually the government use too much resources and misusing so that the quality of housing was very poor, inappropriate of multiple uses and so forth. On the same way the private sector or even community could do better in the same endeavor. Second is government participation on housing market was counterproductive. This neoliberal criticism was intended on public policy and the rigid bureaucracy. Therefore the involvement must be reduced. (Mukhija, 2004)

For many critics, regulation such as building code and standard, environmental policy regulation and also land use and development were the main impediment on efficient market and housing provision, but others disagree with that perspective, notably on the use of government subsidy. (Mayo, 1986 on Mukhija 2004). The critics also promoted the necessity, inevitability, and benefits through the market. By the market the housing provision is regarded as successful strategy to improve access to the middle to low income group. (Dowal, 1989 on Mukhija 2004).

The role of government was insisted to make housing policy market friendly and encourage market agent to be involved further on housing provision. Also the involvement was

curtailed. On the contrary, the role of government on housing provision was moved from provider to enabler of housing production. Government is to enable of market actors to perform well and ultimately will support on the market housing running well through market-responsive regulation.

The criticism was not end here, because there are question to the evidence of successful the market-based regulation. While in the some countries such as Colombia, Philippines and Pakistan, this approach was less successful. There is a need significant, sustained and direct support for the poor. Supporting to market actor in public policy was not the best focus. The conventional perspective seems to suggest privatization, decentralization, deregulation, and demand-driven development but the research suggest that the need for more engaged government involvement in framing successful policies (Mukhija V. , 2001).

The moderate view on the housing provision involvement is that among the parties who responsible to housing provision can play their role in effective and effiecient way so that the aim to provide affordable housing for the middle-to low income can be beneficial for them.

2.2 The Concept of Affordable Housing

2.2.1 The Definition of Affordable Housing

Talking about affordable housing is very much related to certain group of society. This group is specifically characterized by their income or expenditure household. One of the statistic publications recently groups the society by their structure of income or expenditure to show the economic condition in particular country. However, there are so many terms of affordable housing which is prevailing in many countries. It depends on what kind of interest they need to define the term itself. They define affordable housing as a housing that has not risen in price over the last several years or others think that it means housing with government subsidized housing (Miles, 2003).

Another definition is coming from Wikipedia.org which defines affordable housing as: *“A term used to describe dwelling units whose total housing costs are deemed "affordable" to a*

group of people within a specified income range". Another term of affordable housing was proposed by Miles (2003) which defined as follow: *"As general rule, housing can be considered affordable for a low- or moderate- income household if that household can acquire use of that housing unit (owned or rented) for an amount up to 30 percent of its household income"*.

Affordable housing also is terms used to describe dwelling units whose total housing costs are deemed "affordable" to those that have a median income. Although the term is often applied to rental housing that is within the financial means of those in the lower income ranges of a geographical area, the concept is applicable to both renters and purchasers in all income ranges. This article focuses on the affordability of owner-occupied and private rental housing as social housing is a specialised tenure. (http://en.wikipedia.org/wiki/Affordable_housing)

In general affordable housing is defined as *"a decent housing home for all families at a price within their means"*. (Dept. Environment, 1977b, on WhiteHead, progress in planning). On UK system, the definition has been far more supply oriented where it is defined as subsidized to invest on housing and to allocate suitable dwelling for the needy. While In the United States and Canada, a commonly accepted guideline for housing affordability is a housing cost that does not exceed 30% of a household's gross income. Housing costs considered in this guideline generally include taxes and insurance for owners, and usually include utility costs. When the monthly carrying costs of a home exceed 30–35% of household income, then the housing is considered unaffordable for that household. In some countries the affordable housing can be meant by public housing or social housing. Both terms is intended specifically for the middle to low income group where this groups usually less access housing market. Both terms can be defined as follow:

Public housing is *"a form of housing tenure in which the property is owned by a government authority, which may be central or local"*. While The Social housing is *"an umbrella term referring to rental housing which may be owned and managed by the state, by not-for-profit organizations, or by a combination of the two, usually with the aim of*

providing affordable housing". (http://en.wikipedia.org/wiki/Public_housing). Both public housing and social housing has the similar goal that is to provide affordable housing which detail, terminology and criteria may vary among the countries.

The concept of affordable housing in Indonesia has been adopted by the government. Even recently it becomes the main program of central government to fulfill the basic need. The affordable housing concept in Indonesia is understood as a decent housing with price is set by government and provided by public or private company and those who can buy this house must have maximum monthly wage for about 4.5 million rupiah. So, it is clear that the government has defined the needy people who can afford this housing by setting the wage. Why? Because this wage is close related to the kind housing product will be built and the price applied. Also it is related to the amount of subsidy that will be given to this group of people (Ministry of Housing of Indonesia).

The demand of affordable housing in urban area is very urgent since the development in has been growing fast. The provision cannot counterbalance the demand because of the some complex problem to provide affordable housing in urban area such as scarce land and high prices, who will build. Because of the some limitation in providing affordable housing, it is needed some particular treatment to cope with, whether by issuing specific regulations or strict and clear policy to make this program run well.

2.2.2 Why Affordable?

Housing is one of the basic needs of human beings, as well as food, education and health. It becomes the main responsibility for the state to fulfill it. The United Nations has also included the right to housing in the International Covenant on Economic, Social and Cultural Rights in Article 11, which states:

"The countries taking this Covenant acknowledge the right of everybody to an adequate standard of living, including the right to food, clothing, and housing... The countries will take measures to guarantee the realization of these rights..."

Increasing population is undeniable and also the trend of development recently is mostly in urban area. Urban area will attract people to live in so that it will cause some pressure to the development. The pressure is how to provide basic need and other services so that the citizen can live in adequate supply for instance housing.

The importance of the affordable housing provision is that this is a basic need for all people so everyone right to have one and also there will be certain group of people which are neglected from the development conducted. So this is merely for social justice. (Wegelin, 1978). For low-income families, housing represents an important strategy for promoting long-term social and economic development. (Michal Grinstein-Weiss).

The problem become apparent since supply and demand on affordable housing is unbalanced. Mostly the middle to low income is they are who cannot afford. By this condition, intervention of government as authority hold critical role to overcome. While the housing market is mostly influenced by a large number of subsidies, taxes, regulations and other types of government intervention. It also makes it an interesting area for evaluating the effects of public policy which main task of government. The fact that housing constitutes the largest part of household wealth in most Western countries suggests that changes in house prices have effects that go further than the market for housing in it (Hakfoort & Matysiak, 1997).

The underlying to the affordable housing varies in many countries. The government of Australia saw that this is as welfare accommodation for low income earners, social security recipients and people with support needs such as the elderly and people with disabilities. It is a little bit different view on Singapore case where affordable housing which is called public housing is not merely to help poor people, but to overcome housing shortage while there is a limited-land. Recently most of people who live in public housing is very few below the poverty level.

In US, Affordability of housing become public concern is based on two factors. First, housing is becoming the largest expenditure on income structure of most family and individuals. The average is about 25 to 30 percent of incomes; even for lower income group or poor household can reach half of their income. Consequently the small changing on housing price

and rents will have huge impacts on the other expenditures of household such as food, education, transportation etc. Second, many large metropolitan areas have experience the increase of housing price and rents. The more price increasing, if it is not encountered with the increase of wages, the more public cannot afford to buy housing. (Quigley & Raphael, 2004)

The form of government intervention varies among the countries. For instance in US the form of intervention conducted in the form for homeownership the government issues the policy on mortgage interest tax deduction and on the rented sector which is mostly low income group, they issue housing subsidy program. This intervention called as Housing Assistance which can be divided in three type assistance. Firstly is tenant base where the government is striving to give subsidy directly to household. Second is project base where a subsidy is given to the housing owner of housing units that must be rented by lower income households at affordable rates. The last is public housing which is usually owned and operated by the government. In some public housing projects are managed by subcontracted private agencies. It is clear that the affordable housing for the needy is not always they have to stay on public housing. They can afford on market as long as the price is affordable and surely it will be aided by government as well.

In Hongkong case the affordable housing is helpful for the low income. It gives many positive impacts such as uplifting from exploitation of private landlord or prevented from falling into negative equity. Second public housing indirectly facilitates the chance of education for next generation, offering them an important chance of social mobility. In addition it gives them security of tenure and residential stability. Furthermore it give also a safety net for entrepreneur to begin their small business and serves a unique domestic work space for them to do outwork. (Lee, 2006)

Affordable housing which is conducted in many countries can be successful depending on the strong political will government through housing provision policy. This action is main base attempt to help the needy with many considerations underlying that effort. In addition, the involvement of private sector is important since they can provide affordable housing in effective and efficient way. For instance, the case in Netherland it showed that

the private housing can reduce development cost until 50% rather than do by government. By providing many incentives can attract private sector to get involved in the provision which is ultimately will be beneficial for government task dealing with housing building. No less important that in some European countries, the participation of society in the form of nonprofit organization is able to also to provide affordable housing in cooperating with local government. The existence of organization can ease the government task in maintaining and controlling the mechanism on affordable housing provision.

2.3 Lesson Learned from Netherland and Singapore

2.3.1 Netherlands

In many developed countries, the government intervene the housing market, and The Netherlands is no exception. Some of the policies were issued by the Dutch government to stimulate the supply of low-cost housing such as subsidies for the construction of housing for low-income households. Other policies were to stimulate the demand for housing such as deductibility of interest payment on mortgage for owner occupier and direct subsidy for low income renters. (Koning, 1997)

Until 1980s, the Netherland was still becoming basis of social rented housing and government intervention while France and Britain had passed legislation in 1970s and early 1980 to make housing policy more market oriented (Atzema, et al, 2005). The housing provision in this country can be said successful particularly to provide decent and affordable for the needy. The needy people can be defined as socially minority or/and economically lower income group.

After WWII there was a serious housing shortage. There is so many houses were destroyed which is caused by bombing and other war damage. In that time the need of housing was increasing. Looking to this condition the government was the main actor the cope with. This became the main priority of Dutch government to redevelop this country after war. In that time Dutch government embarked on a policy of mass production of social housing and very extensive government regulation of the housing market. Also housing provision itself was managed and control directly by government (Ouwehand, 2002).

2.3.1.1 Law and Regulation

Regulation is a legal basis to conduct the development. However the legal basis is a guidance to direct the development can suitable with the aim stated. Netherland is one country which apply restriction development. This is done by considering the nature condition which is wet land and has many rivers and also most of the area is below sea level. The Land use regulation have existed for centuries in the Netherlands, dealing with protection again floods, farming, housing etc. The modern spatial planning is based on the housing act 1901. In this housing act is stated that municipal has to develop and enforce zoning plan so that it will facilitate the provision of infrastructure such as clean water. While at the same time the housing corporation was established the housing construction for social rental housing for the needy. The legal framework for land use regulation is the Spatial Planning Act (Wet op de Ruimtelijke Ordening) of 1965. This act stipulated that the process of is a top down. In term that the central government gives a rough guidelines then it is translated to provincial government policy and then executed and finalized by local government (Gementee). In the local level, they designate the land use zoning for housing, green space, office, industry etc.

This plan has to be updated for every ten years. In the time evaluation is conducted to find out the changing of land use. By stipulating this land use, it can be know which area for housing. So the stakeholder can have guarantee for housing development. If there is a changing, the plan is not directly altered. It is needed a lengthy process to update the plan. Below is the hierarchy of spatial planning in Netherland.



Figure 2.1 Hierarchy of Spatial Planning System in Netherland
Source: Compilation

This strict regulation and procedure on land use has made certainty plan for every ten year. Intervention of government on land use is crucial to realize production target of housing (Vermeulen). Also it can control of land use changing for other purposes. As we know that the Netherland is very concerned to keep landscape and green space. Below I list the table about land use in Netherland which constitute product of spatial planning policy.

Type of Land Use	Land Use in 1996 (Hectares)	Percent	Average Estimated Land Use 2000-2030 (Hectares)	Percent
Residential	224,231	5	286,231	6
Commercial	95,862	2	138,862	3
Infrastructure	134,048	3	181,548	4
Agriculture	2,350,807	57	2,028,307	41
Green Areas	461,177	11	791,177	16
Recreational Areas	82,705	2	226,705	5
Water	765,269	19	1,255,269	26
Total	4,114,099	99	4,908,099	100

Tabel 2. 1 Current Land Use in the Netherland
Source: International Planning Practice Material by Johan Woltjer on November 17,2009

From this table can be drawn that for long period in the future they will keep the land on the same pattern and reduce as low as possible the extreme changing. Consequently, the intense use of land will increase for certain use such as housing. Probably in certain area must be built only high rise housing.

2.3.1.2 The Role of Institutional Actors

The successful development cannot be executed by government only. Involving other stakeholders which is exist the society can contribute to the style of development itself. The role of institutional on development process cannot be separated from its planning culture. The involvement private sector and community in Netherland rooted from this view.

Dealing with housing provision, it was beginning after World War II, the huge shortage of housing was anticipated by government by building houses massively to fulfill the society need. The expansion reached the peak in 1973 for 155.000 units. The involvement of private and community in cooperating with government was able to fulfill shortage of housing. The type of housing built was mostly is low income housing (woningwetwoningen).

The main role of government was giving fund allocation to accelerate housing development so that the shortage can be overcome soon. The land provider became the main role of government since the spatial planning system in Netherland giving more freedom on municipal level to set out development and the extension as long as in line with provincial

spatial plan. This role was taken to make sure that land supply will be available to achieve the aim. No less important was that to aid the society notably low middle to low income group, the government issued the Individuelle Huursubsidie or Rent Assistance (RA). This policy The RA program was introduced in 1970 in order to bring good quality housing within reach of low-income households. It was felt that the consumption of housing services should be subsidized, because housing was considered to be a merit good having external effects on the health and ability to work of household members. (Hakfoort & Matysiak, 1997). A huge subsidization action of government for the construction of many new affordable dwellings was characteristic for housing developments for several decades. The subsidy was channeled mostly through housing associations that were responsible for social rental housing in the Netherlands.

Below is the housing stock in Netherland, where according to VROM, this housing stock has exceeded the number of unit needed for their citizen.

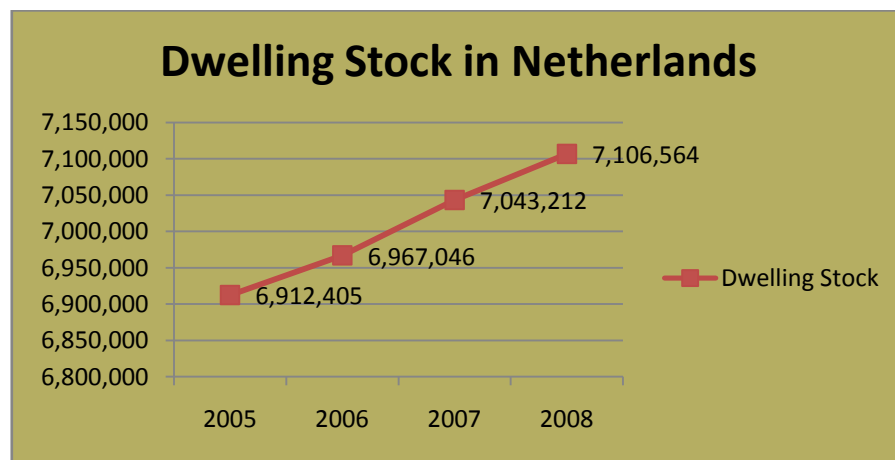


Figure 2. 1 Dwelling Stock in Netherland
Source : Compiled data from VROM

In Netherland culture, the existence of housing association was hold crucial position on the housing development. This association is nongovernmental and nonprofit organization who own and participate on the housing market and also with legal task to house lower income and are supervised by government. Nowadays this housing association hold for about 31% of housing stock in Netherland and the rest is owned by government and private sector. The

role of this association becomes more important since they became the partner of government in channeling subsidy for middle to low income group to be housed, mostly in public housing. (Koning, 1997)

Housing association constitutes a quite specific characteristic of Dutch housing. Compared to other countries in terms of their share of the total housing stock, they still own, rent-out and manage about one-third of the total housing stock and some 75% of the total rental stock. By the time their number has decreased as a consequence of mutual mergers. Therefore the size has grown substantially and they have altered into large, professionally managed social housing institutions. (VROM)

2.3.1.1 Subsidy

The term subsidy is inherent on housing policy in Netherland. This is the form of intervention from government to tackle the shortage of housing stock by considering the economic condition notably income of the citizen. Since the beginning of housing development, the role of government on housing provision was significant to accelerate the number of housing stock. This role was aimed to complement the housing provision by private sector and community.

The subsidy is given to three type of tenure exist in Netherland, namely, there are three type of tenure, namely, the private-rented sector, the non-profit-rented sector and owner occupation. The private-rented sector is composed of individual landlords and companies, while the non-profit-rented sector is composed of housing corporation and local-authority housing department. The term of tenure is always embeded on discussing about housing. Tenure is general characteristic on housing to classify the existing society to housing.

In Netherland, The existence of non-profit rented sector played an important role on housing provision. They held the housing stock from 12 percent in 1947 to 40 percent in 1993. According to Primus (1995), The non-profit rented sector is defined as dwelling owned by non-profit landlords, who manage their property within public framework aimed at a moderate rent, an adequate quality and focus on tenants with below-modal income. They have occupied position of priority to social housing since the Housing Act 1901. Many aspect of this corporation was regulated by central government but are monitored by the local

authority (gementee) in which they operate. This corporation is sometimes called “state private concerns” because of the crucial position on the housing provision scheme in this country. Meanwhile the private-rented sector was no less important as the actor of housing provison. Although the share on housing stock declined from 60 percent in 1947 to 13 percent in 1993. The decline was caused by the decline of the ownership by the landlords.

In the past, the form of subsidy was given directly to the development of the new housing. This was done as a way to reduce the price so that can be afforded by the most of the citizen. The subsidy was given to the rented and owner occupied housing. The amount of subsidy tend to increase by year. Below is the table of the amount of subsidy given by government:

Year	Property rent	Subsidies Purchase	Housing Allowance	Urban Renewal and Urbanization	Other	Total	Housing Act Loans	General Total
1970	275	55	0	100	20	450	1,790	2,240
1975	980	280	235	395	185	2,075	2,810	4,885
1980	1,810	430	965	805	375	4,385	4,435	8,820
1982	1,840	570	1,425	1,210	465	5,510	5,215	10,725
1985	4,050	990	1,445	1,810	740	9,035	5,355	14,390
1987	5,170	1,020	1,665	1,125	545	9,525	4,590	14,115
1994	5,072	704	2,251	1,035	1,183	10,245	417	10,662

**Tabel 2. 2 Government expenditure on Housing, The Netherland 1970-1994 (In f Million, at current price)
Source : excerpted from (Balchin, 1996) page 97**

The attention from government on hosuing subsidy was significant, primarily for non-profit rented housing. For this type of tenure, non-profit rented housing constructed after 1975, the government gave subsidy lasting for as long as 50 years granted. This subsidy had a little bit affected to the government budget structure, since the amount of money spent was to huge. The effectiveness of the subsidy was questioned. It was caused the fact that most of the middle to low income were living in the non-profit rented sector. The central government had been trying to allocate the inappropriate group to move to private-rented sector and keep the rented sector for the low income group.

Recently, the subsidy is given directly only for the moderate to low income group who are living on the rented sector and owner occupied sector through a strict control conducted by the local government. The involvement of local government on this control is because ineffective control by central government.

2.3.2 Singapore

2.3.2.1 Housing and Land Use Policy

Public housing in Singapore is a little bit different with term of public housing conducted in most developed and developing country. In other countries, according to Goh (2001), public housing is seen as the result of market failure and population pressure. Market responds to economic power, not social need. The fact is that in US and UK for instances, the public housing account for less than 8 and 35 percents respectively. While in Singapore is about 86 percent population living in public housing, of which 90 percent are home owners. So the public housing in Singapore is not a respond to the lack of market failure, but is becoming the main program of the government as political objectives. The political economy of public housing in Singapore is accordingly structured to ensure affordability of housing, but is also driven by a carefully managed version of an open market which to a certain extent links flat prices to the larger economy and to private property prices. (Goh, 2001).

The Singapore area is very small so they has scarce of land. To develop this area, all planning are handed by central government. The characteristic of land development in Singapore is that at least 70% of the land is owned by government. This land was preceded through Land Banking system. When urban land is owned by the government, it made the planning and development process simple and straightforward. Large-scale development of new housing estates, road and other infrastructure can be approved easily and constructed quickly. Also the benefit is that government has already land supply to expand or renewal the region. Because of the scarce of land, the development of an area is under full control of government which can ease them to achieve Singapore as a global city.

The controlling of land use in Singapore has brought this country to control development in all regions. This also is stated by Yuen 2004 on Jenkins, 2007 :

Singapore is one of the few countries to have at an early stage of its growth prepared and implemented a comprehensive plan for the control of urban development and growth. Following the British planning system of development plan and development control, its development plans – the statutory Master Plan and the long-range Concept Plan – have variously provided an important channel for the coordination of development activities in support of the growth of key economic and social sectors. In setting out the likely directions of future land development, the Plans demonstrate a conscientious attempt to direct urbanization pressures towards a planned and preferred development pattern to ensure a more appropriate spatial arrangement for urban activities.

By this condition, although the Singapore has limited on land to develop housing, the control of government on land has solved the basic problem on affordable housing provision. Therefore, recently, the development project on housing can be said successful to fulfill the need of the society.

Public housing was started in 1960's where 80 percent population was living on 20 percent area which is resulting in overcrowded in the south part. By this condition, there was an urgent action to relocate population and reorganize land use. In 1959 there was A Statutory master plan to be implemented by moving the population to urban fringe and suburban. This main aim a statutory plan was to house low income people. The greatest concern was in 1970s where there was an urban sprawl and wasteful of land use across the urban area. The government saw that the conventional landed-houses take significant space and low density. In addition, land fragmented was happen and also shortage for recreational and amenities. Due to high cost of the land, private sector was reluctant to provide it. Then the condominium concept was issued. This 'condominium' is used to describe residential developments comprising flats, apartments and townhouse blocks arranged in such a way as to maximize the use of land. This concept was stated in land use planning objectives such as to encourage more intensive use of limited land resources.(Lee, 1989)

In the more general perspective, Public Housing in Singapore was directed on transformation in built environment which are parts of larger process of social transformation in term of issues such as governance, class, community, value system and social mobility. This way was taken as an attempt to put Singapore as global city. (Goh, 2001)

2.3.2.2 Relative Role of Public and Private Sectors in Public Housing

Providing public housing is a grand design of planning in this country. This policy becomes main reference in serving the citizen for the need of housing. The establishment of HDB as one and the only one board dealing with public housing provision has been giving them a powerful authority, starting from planning, land acquisition until implementation or building housing. In addition, although HUD is government agency but the entire strategic position is placed by expert, entrepreneur, not government employment, so that this agency is seemed professional cooperation, conducted like private company with social mission as main task. It is a main characteristic of the government housing agency in Singapore.

The HDB is full owned by government. Even in conducting to build a public housing complex, they have particular corporate such as developer which all ownership belongs to HDB. So, it seems that there is no private sector involved in this provision. HDB actually has some building programs, such as Build to Order (BTO), Design, Build and Sell Scheme (DBSS), and Home Ownership Scheme (HOS).

Initially, the HDB rented their units to residents then in 1964 there was a breakthrough plan introduced to help occupants to own the flat in which they lived. This scheme was known as the 'Home Ownership for the People' scheme. Subsequently, this scheme was boosted by the introduction of the Central Provident Fund (CPF), a kind of social security fund. By the end of 1970s, the housing shortage problem gradually was solved and, since then, HDB has been continually upgrading and building better quality flats.

BTO is a program in which HDB offering a new public housing complex to citizen. If there is about 60-70 percent rooms are booked, then the development will be conducted. All BTO was conducted by public corporate which is owned by HDB. In this program, DBSS is one the

program from HDB which involve private sector as a developer. It means that all plans, design, sizes, budget are set by private with agreement from HDB but for maintenance is hold by HDB. In this scheme, involving private is only for unique design of condominium project in good location. So, involving private sector in this provision is limited since HDB has a permanent structure to conduct public housing provision.

The main and first objective of HDB was to solve national housing crisis where most people were living in hazardous slum and crowded squatter settlement packed in city center. Within short period, they have to build housing as much as they can with lowest standard of housing.

Such difficult goals were implemented in 3 strategy, they are:

1. The concept of a sole agency in charge of public housing which enabled more effective resource planning and allocation. This made it possible for HDB to secure land, raw materials and manpower for large-scale construction to optimize results and achieve economies of scale.
2. A total approach to housing was adopted. From planning and design to land assembly and construction, and through allocation, management and maintenance, the housing task was viewed as a seamless whole
3. Strong government support in the form of political and financial commitment, as well as legislation helped put the early public housing programs on the right track to housing the nation.

(Source:<http://www.hdb.gov.sg>)

Although initially HDB was aimed to serve the housing need for the poor, the role has extended to serve the moderate to low income group. Even, the role was extended to arrange housing ownership program to solve the group who cannot afford the private housing. Recently, the existence of HDB as a provider for public housing is becoming more important. The statistic of Singapore said that today all housing built by HDB can cover 87% of population, of whom 90 percent are home owners. The significant role of HDB in the development has been proven. The rest of population is living in private housing which is better rather than public housing. The successful of housing provision in Singapore was

much more affected by a great intervention from government so that to date the Singapore has the highest percentage of homeownership for 93 percent. About 94 percent HDB flat is homeownership while the rest is rented unit. Furthermore, the statistic said that from 1.1 million housing unit in 2003, about 80 percent belongs to HDB while the rest belongs to private sector.

CHAPTER 3

AFFORDABLE HOUSING IN JAKARTA

3.1 Why Jakarta?

Jakarta is the capital of Indonesia. It is located in west part of Java Island. It is a lowland area with average height is around 7 meters above the sea level and is located between 6o12' south latitude and 106o48' east longitude. Based on Governor Decree in 1989, No. 1227, the area of DKI Jakarta province consists of 661.52 km² land area and 6,977.5 km² sea areas. It has more than 110 islands, which spread throughout the Kepulauan Seribu, and also has 27 rivers/drains/canals used as: water sources, fishery and urban businesses (Jakarta in Figure, 2007).

Long history has made Jakarta as a center of activities such as economic and development, by which it has become the most advance area in Indonesia. It also was supported by the policies on economic and development which was giving more attention to the development on this area rather than others. Therefore, the fast and huge development, notably on economic infrastructure, was the main task of government to accelerate economic growth and ultimately it was expected to affect other areas in Indonesia. Furthermore, the centralistic government had given huge influence on it. This kind of the development is still happened, and even is developing to its surrounding area. The availability on infrastructure such as road and international port as well as human resources, has made Jakarta still the main economic activity in Indonesia. It causes more people attracted to live in which by year is increasing. The rapid development in this area has made all parts in this region become urban area. This is the only one province in Indonesia which has it.

No less important why Jakarta is chosen as case study because this provincial become main barometer of development for other region. The important and strategic location and position to other provinces, can describe mostly the development in Indonesia. The successful or fails in applying policy or regulation, it can therefore be studied further or transferred to conduct the similar policy on the other region development. For instance, the

cooperation between Government of Jakarta and private sector in providing clean water through public private partnership. This cooperation is real prototype to be copied or learned to apply in other provinces.

3.2 Overview Housing Development in Jakarta before Economic Crisis

The strategic position as a capital city of Indonesia, the development in this area had a priority since a new order era began. It started around the end of 60's and early 70's. The central government issued the program which is called Rencana Pembangunan Lima Tahun (Five Year Gradual Development Program). This program basically is comprehensive and long term program to accelerate development in Indonesia after political crush in the middle of 60's.

In 1970's until 1990's the rapid urban population in Indonesia was, also accompanied by economic growth, a condition which is favorable for land development, increasing significant. Also, Jakarta and surrounding area has experienced massive land development. In this condition, housing development gained a momentum to expand largely (Winarso, 2005). According Simanungkalit (2002) in Winarso said that in 1990's there was a huge land conversion from rural to urban by private sector in Jakarta and surrounding area for about 16.6 thousand hectares. The number of housing sold was rising from 90.8 thousand units in 1990 to 250 thousand unit in 1997. This change is triggered by the government policies who aim to create the economic growth as high as possible.

The massive growth was supported by many regulation policies within period 1983-1988. According to Hill (1996) in Firman (2002) said that *"These policies was aimed to improve domestic saving, improve resource allocation, and developing framework for monetary management, in particular through indirect intervention rather than direct regulatory control.* Within 3 years, from 1987 to 1989 the housing development was booming. More than 111 thousand housings were produced by private sector. Even so, the government effort to subsidize the housing provision through BTN (State Mortgage bank) was continue in order to keep loan rate was still low rather than do commercial bank.

The focusing of the central government on development rather than restriction, particularly in Jakarta and surrounding area had created consequences. The demand of land was increasing significantly. Land speculation and concentration of ownership are apparent. According to recorded data in surrounding area of Jakarta, there were 15 companies which hold land over 1000 hectares. It is also supported by market-driven system in the process of the development itself. Recently, the government is still trying to achieve economic growth by expanding the development in all area. According to BPS, in the first quarter 2009, DKI Jakarta has given contribution to national account for 16.5%, the highest compared to another provinces. It shows that recently Jakarta is still attractive for economic development. Stated in the Jakarta spatial planning, this area is still going to develop to achieve the aim as a center of International services.

The development of housing provision for the moderate to low income has been initiated in 1970s. This program was conducted by Perum Peumnas (Housing Establishment Owned by Central Government). This was the only one institution which had authority to build affordable housing in Indonesia. The type of housing built in that era was the landed housing which was suitable for Indonesian culture on housing. The role of government was strong and important to accelerate housing provision. The intervention was on the program until how this program is funded through mortgage. The Mortgage Housing Bank was set as the only one Bank which can provide mortgage service. Later the development had invited the private sector to get involved both on the planning and funding.

The involving of private sector on housing development was mushrooming since the government issued the law no 24/1992 pertaining housing development and settlement. Also it is supported by the financial regulation which was ultimately giving freedom to bank to

Crisis economic in 1997-1998 has brought to a new era where decentralization has been the main stream to develop all regions faster than before. The idea is because when centralistic government was prevailing, the development was uneven and so much focusing in Java Island, particularly Jakarta. By decentralization, giving much more a freedom to provincial

even local government makes plan to the development in their area as they need it by utilizing all available resources to create prosperity for all society.

According to Jakarta spatial plan based on local regulation (Perda) no 6/1999, there is 3 main development focuses. The first is to Jakarta development on the basis of society, the second is sustainable urban development and the last is to develop Jakarta as center of services both nationally and internationally.

Jakarta Spatial Planning is intended to realize a prosperous and fairness community, to conduct utilization of space and a conception of sustainable living environment in accordance with the ability and resources to support capacity, the ability of the community and the government, and national policy and regional development. In addition, spatial also aims to achieve integration in the use of natural resources and the artificial resources and utilization of space on the protected and cultivated area. By better and effective services, it is expected that the development vision of Jakarta that is so in line with the city big-city other developed countries can be realized. (www.jakarta.go.id).

The rapid development in Jakarta has created some effects on the other sectors. It has been realized by the provincial government that to sustain development in Jakarta, the balancing in other sectors must be conducted comprehensively and evenly. The provincial government has been issuing the local spatial planning to direct the development for the next 25 years. This spatial planning system has been experiencing some adjustment and modification appropriately to facing recent development (www.jakarta.go.id).

Spatial Planning is the key to direct the development an area or region. Before crisis in 1998 or in the new order era, the spatial planning was only a paper on the table. Many the developments were not in line with the stated spatial planning. The recent condition of housing development can be seen on data from BPS which shows the percentage of homeownership status in Jakarta as follow:

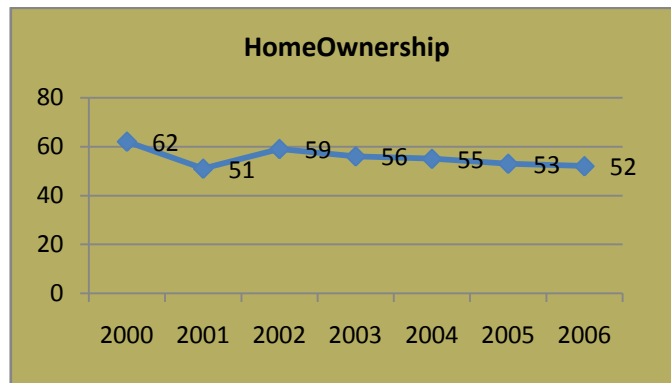


Figure 3. 1 The percentage of homeownership in Jakarta within period 2000-2006
Source: BPS

It means that in 2006 only 52 percent citizen who has their own housing while the rest is rent, official housing and other status. The data from statistical housing released by BPS in 2007 show more detail about.

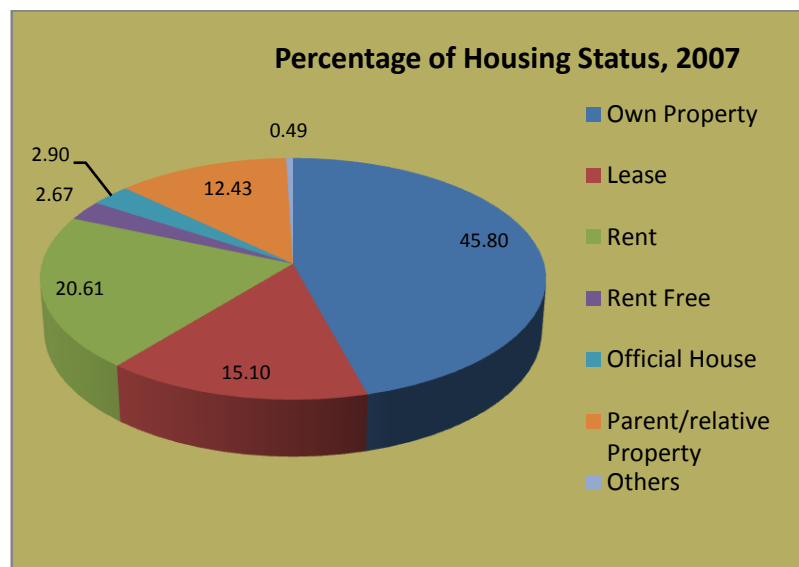


Figure 3. 2 Percentage of dwelling ownership status in Jakarta, 2007
Source : BPS, Statistical Housing Publication, 2007

This graph show us that from survey on housing in 2007, there are 35% of household who live on lease (kontrak) and rent (sewa), while the homeownership is only 45.80 percent. It is a signal that there are significant number of household who do not have their own housing. If we want to make fair judgment, that we need to provide of decent and affordable

housing, this number must be seen what kind of housing and how the spread on the settlement.

The housing development in Indonesia can be divided into 2 forms, which are formal and informal. The informal development is that the housing is provided by society. usually un plan well in the term of infrastructure access such as Informal housing is an accumulation of houses constructed by families or individuals without following a rule or formal plan issued by an authority. The services and facilities like roads, drainage, sanitation and drinking water supply are not designed and prepared before. All are sought by families or individuals. This development is called Kampoeng. While the formal is that housing which is provided through developed systematically and with good planning. The percentage of formal and informal development is 20:80 percent. Therefore it becomes a challenge for government notably in urban area.

3.3 The obstacles on housing provision

The DKI Jakarta province is divided administratively into five municipalities and Regency, there are South Jakarta, East Jakarta, Central Jakarta, West Jakarta and North Jakarta, which are have the area; 145.73 km², 187.75 km², 48.20 km², 126.15 km², 141.88 km² and Kepulauan Seribu Regency (11.81 km²). All this area has been urbanized since the economic activities in the 3 last decades is located here. The Jakarta still has been attractive place for people to come because of the economic opportunity (Firman, 2004). Because of the economic activity the pressure to the need of housing is rising on urban area, notably for middle to low income group such as industrial labor. To avoid side effect on the dense population and rising economic, the housing provision for moderate to low income group is more crucial since more people live there.

There are some obstacles on the housing provision in Indonesia. This obstacle is prevailing on Jakarta case also. They are institution system, financial system, limited land availability notably in urban area, regulation, capacity building and taxation. (Bappenas,2003). The government of Jakarta has realized that there is an increase need of housing, but because some factors the provision is still low.

3.4 Profile on Jakarta Case

3.4.1 Population

The population of Jakarta in according to National Population Census, issued by Indonesia Statistic Bureau, can be seen as follow:

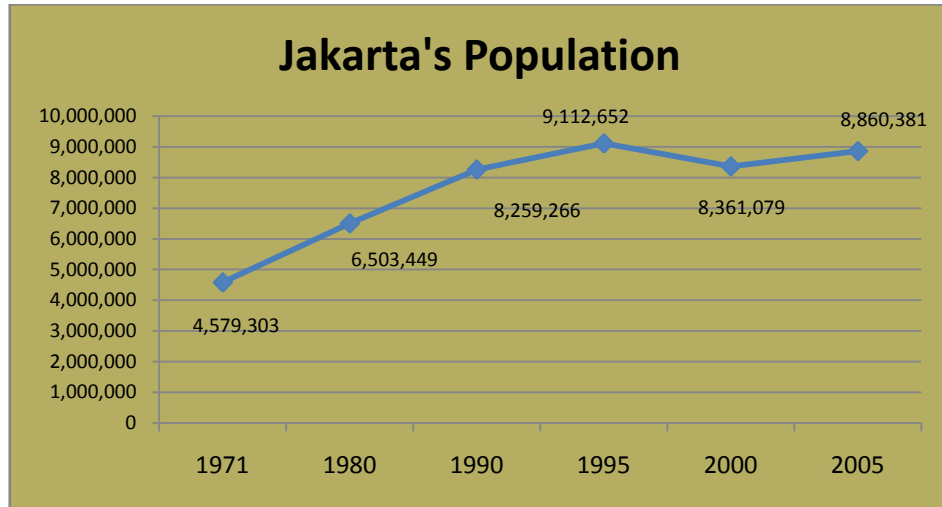


Figure 3. 3Population of Jakarta
Source: BPS

Below is population density of Jakarta compared to other provinces.

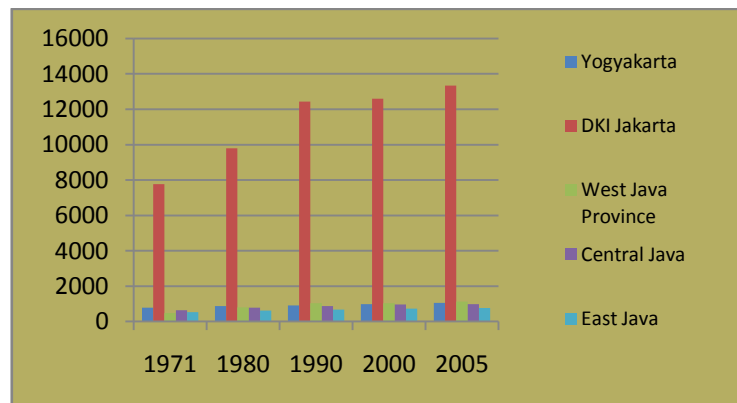


Figure 3. 4 Population Density
Source: BPS

Hence the density of Jakarta is about 13.5 thousand people per km². Also the tendency of Jakarta Population is rising in the coming year. The BPS (Indonesia Bureau of Statistics) project that in 2020 the population will be more than 10 million people.

Uneven economic development in all regions has attracted people from other areas particularly rural area coming to find better livelihood. Every year people from other region come to Jakarta and its surrounding. It gives more pressure for its development. According to census of Statistic Bureau of Indonesia (BPS) in 1971, 1980, 1990, 2000, there is in-migration to DKI Jakarta for 1,659,420; 2,164,391, 2,088,980 and 1,705,308 respectively. The graph can be seen as follow:

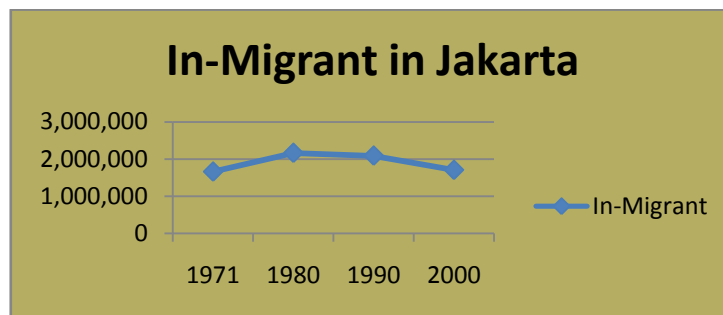


Figure 3. 5 In Migrant in Jakarta
Source: BPS

The huge density of population has triggered the demand for land is rising. While the land is limited in supply, the price will increase. Consequently, there will be a competition among producer and consumer in land sector. One of the problems faced by the government of Jakarta is to provide adequate number of housing to serve huge population, which is growing every year while there is a limited of land. In the field can be noticed that there is so many slum and squatter area, although there is no exact number of population and the size of area settled by them.

3.4.2 Socio Economic

The strategic position of Jakarta as a capital city, has led this area to the massive development in all sector. The main sector developed recently is business and services.

Another sector such as agriculture has less attention since the land largely has been converted to the other uses such as offices, trade center or mall and housing.

The economic growth of DKI Jakarta in 2006 was 5.90 percent; this number is lower than the economic growth in the previous year, 6.01 percent. During this period, the highest growth was reached by transportation and communication sector (14.25 percent), construction sector (7,12 percent) and trade, hotel and restaurant sector (6,60 percent). Meanwhile the Growth Domestic Regional Product (GDRP) as one of economic indicator has shown the positive growth every year.

The table below shows the growth of GDRP which means showing the economic growth in this area.

Description	2002	2003	2004	2005*)	2006**)
At Current Market Prices					
1. GDRP (Million Rp.)	299,967,605	334,331,300	375,561,523	433,860,253	501,584,807
2. GRDP without Oil and Gas (Million Rp.)	298,806,793	333,260,777	374,200,318	431,900,924	499,167,178
3. Per Capita GRDP (Rp.)	35,302,766	39,028,671	43,487,399	49,871,288	57,286,660
4. Per Capita GRDP without Oil and Gas (Rp.)	35,166,152	38,903,701	43,329,781	49,646,067	57,010,539
At Constant 2000 Market Prices					
1. GDRP (Million Rp.)	250,331,157	263,624,242	278,524,823	295,270,545	312,700,301
2. GRDP without Oil and Gas (Million Rp.)	249,097,905	262,564,636	277,537,331	294,354,568	311,767,240
3. Per Capita GRDP (Rp.)	29,461,122	30,774,575	32,251,227	33,940,703	35,713,912
4. Per Capita GRDP without Oil and Gas (Rp.)	29,315,983	30,650,880	32,136,882	33,835,414	35,607,346
Mid Year population	8,497,000	8,566,300	8,636,100	8,699,600	8,755,700

Tabel 3. 1 Agregate and Percapita Income at current and constant market price, 2002 -2006
Source : BPS, Jakarta in Figures 2007

The table 3.1 shows the increase of economic production in Jakarta which is also the highest number economic growth compared to other provinces in Indonesia. Looking to the development in this area, Jakarta is the fastest growing area. It is caused by the central

government policy to accelerate economic growth. Since more capital invested in this area which is supported by adequate economic infrastructure such as toll road, international port, electricity, this area is still the most attractive place to conduct economic activity. Furthermore, strategic Location of DKI Jakarta Provincial in Indonesia, it is becoming the main gate in the main inter-island trade and international relations with the main port of Tanjung Priok and Soekarno Hatta Airport. As the capital and central of government and also more than 70% capital circulation, the consequences it becomes a center of economic activities, trade and services, the center of social and cultural activities with the various facilities in the field of education, culture, health, and sports. (Bappedajakarta).

Even so, economic growth can affect social condition, whether it is good impact or bad. The good impact obviously can be seen on the increase of the income while the bad impact can be seen on the rising the poor people. The good impact according to data from BPS, it was recorded that the population expenditure per capita per month which is classified spent more than 500 thousand rupiah was increasing from 26.6 percent in 2004 to 70 percent in 2008. In contrast, according to Data from BPS, it was recorded that there is a rising trend of the number poor people. The figure can be seen as follow:

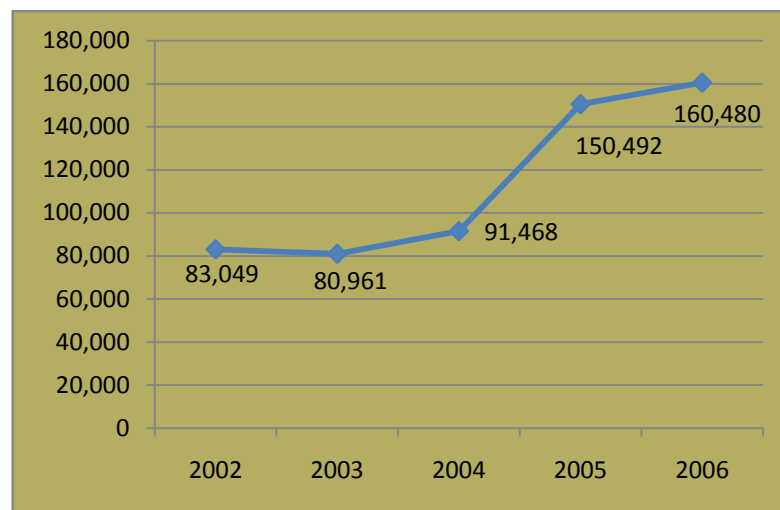


Figure 3. 6 The Number of Poor People in Jakarta
Source : Compiled from BPS

From this data show the signal that there is still lower income group who need the attention from government in fulfilling their basic need such as decent and affordable housing.

3.4.3 Spatial Planning

The local spatial planning system in this region is rather a bit late in dealing with the arranging the use of recent spatial structure. It is caused by the previous spatial planning was not conducted well. The spatial system in this region is emphasizing on the development rather than protection or restriction. Therefore converted land to the economic interest was very huge. The development of trade center, offices and also housing take a main part in the development. So the aim to achieve high economic growth is inevitable.

The legal basis on the spatial planning in Jakarta is based on the law no 24/1992 which is then is replaced by the new one Law no 26/2007. These laws have significant differences in the term of the controlling to the development. The new one was released after economic crisis which create a new changing on the government system. Decentralization was the main issue in order to support local government both provincial and municipal. By decentralization which was based on administration law no 32/2004, has affected to the issued of the new spatial planning. The new one has given huge impact and authority on local government to manage and maintain the development in their area. All development planning must be in line with the local policy on development. The control system on the development in this planning was strengthened by binding concept. Binding concept is that the development conducted must be in line with development plan stated by local government and in line also with provincial. The zoning regulation, administrative sanction and penalties was clearly stated to keep this law conducted appropriately.

3.4.4 Land Use

To support housing provision, the availability of land is the main key factor. To what extent the availability of land can be seen on the current land use in this region. Jakarta Housing Agency said that the main problem in providing affordable housing is limited vacant land as well as limited fund for development. Almost all land in this region has been developed. Data from BPS can show the land use of Jakarta in 2006 as follow (hectares):

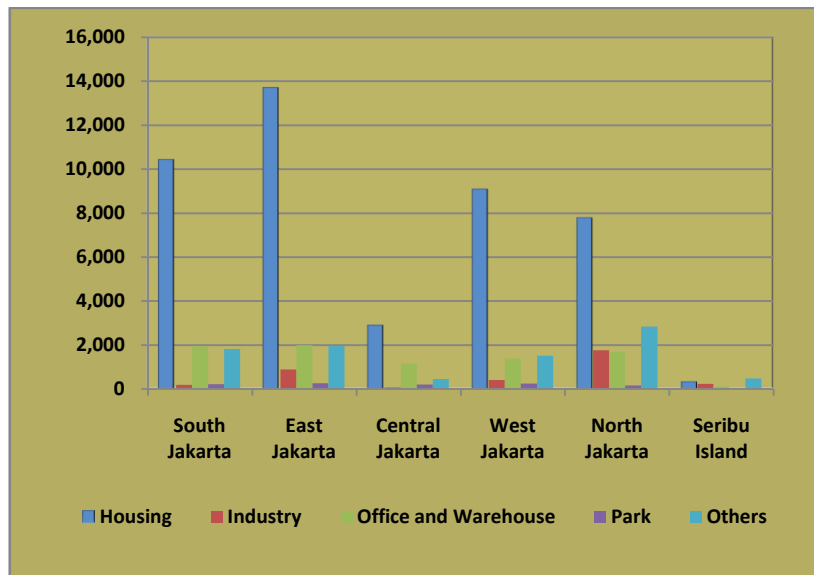


Figure 3. 7 Land Use Jakarta in 2005
 Source: Jakarta in Figures 2006

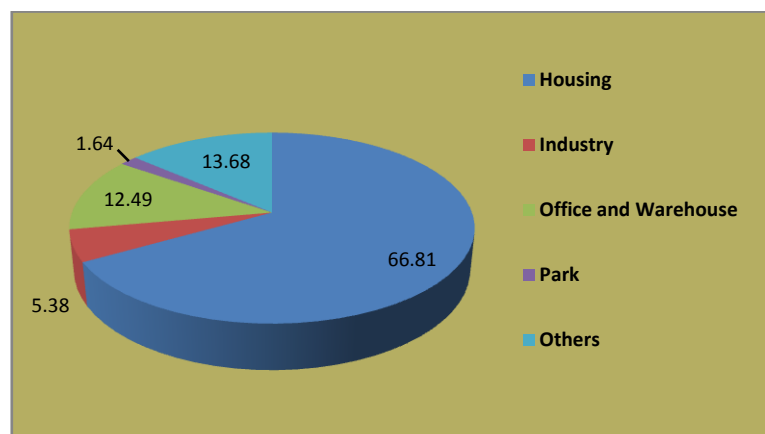


Figure 3. 8 The percentage of Land Use of Jakarta in 2005
 Source: Jakarta in Figures 2006

This land use has shown the huge number of area covered by housing. It means that how the dense population lives there so that to maintain and manage this area need a special treatment so that the development conducted can be sustained. The condition of land use in Jakarta has performed to such extent the intensive use in all part. However, it doesn't mean that there is no vacant land or empty space to build a new housing project. The problem is how to achieve a vacant land in certain amount and at the lower price. This problem cannot be solved solely by the government but also it must involve other parties.

CHAPTER 4

ANALYSIS ON AFFORDABLE HOUSING PROVISION IN JAKARTA

The successful affordable housing provision in urban area can be seen in several factors such as Regulation, Bureaucracy, Land Supply, Spatial Planning, Institutional, Financial, subsidy and so forth. In this part I will scope the analysis descriptively and qualitatively the some factors to depict the affordable housing provision in Jakarta. To what extent these will impede the housing provision and how these obstacles should be solved. How this prevail and what are the critique and alternative solution be made by adopting partly lesson learned from other countries in order to support acceleration on affordable housing provision.

4.1 Current Affordable Housing Provision in Jakarta

Housing provision programs has been conducted intensively in this area since the beginning of new order era, the end of 1960s. The development was aimed as a obligation of government to provide basic services for its citizen. The continuity of the housing development is still exist until now.

Dealing with the housing provision, according to data issued by Housing and Building Agency DKI Jakarta (Dinas Perumahan Dan Gedung Pemerintah Daerah DKI Jakarta), It is said that every year there is a need of housing for about 70 thousands (www.BeritaJakarta.com). Obviously this need is a challenge for Jakarta's government to fulfill it. The government has realized that it is hard to provide in huge number since the limited of land availability, limited open green space and also urban sprawl. An attempt to cope with is by making high-rise building for the needy which is called Rumah Susun Sederhana (Rusuna) or simple flat housing. There is two type of this housing, namely Rumah Susun Sederhana Milik (Rusunami) or owner-occupied housing and Rumah Susun Sederhana Sewa (Rusunawa) or rented flat housing. Both type of housing mainly is intended for those who are having moderate to lower income. On Jakarta case mostly is intended for poor people or those who come from eviction. This program will continue because the fact that BPS said until Mei

2007 there is 70.316 poor household, 23.501 extreme poor household and almost poor for 68.581 household.

The need of housing has been realized by government. The high population and limited land has triggered other consequences such as slum and squatter area around Jakarta area, but the implementation to provide it is still low. Regional Secretary Officer of Jakarta said that the affordable housing program is intended to relocate those who are living in squatter, riverside, vulnerable flood area, under toll road and slum area so that they will have a decent housing with minimum standard such as clean water, electricity and healthy. The data from Perum Perumnas show us how the implementation of affordable housing provision in Jakarta is low.

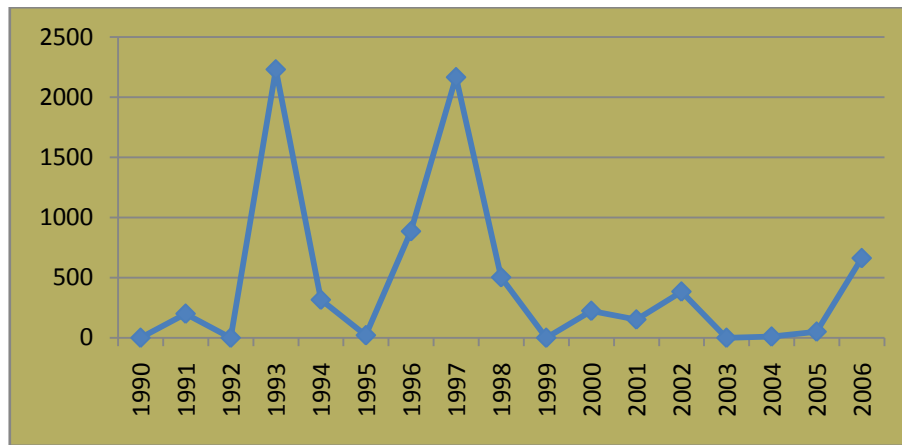


Figure 3. 9 Number of Housing Constructions by Perum Perumnas Since The Fifth Stage of a Five Years Planning Program, 1989 – 2006
Source: Jakarta In figures 2006

Another data shows the number of housing type in Jakarta according to Jakarta Housing Agency (Dinas Perumahan DKI), on Jakarta in Figure 2006 which is released by Central Statistic Bureau (BPS).



Figure 3. 10 Number of Units Housing in Jakarta, 2006
 Source: Jakarta In figures 2006

This data show us that the affordable housing provision is still low, even provided by private sector. The total is only 21,898 units in all Jakarta regions. Most of the simple flat housing belongs to provincial government. The private sector prefers to build real estate or apartment which gives them a huge profit.

The simple flat housing has been initiated by provincial government as a real program to provide housing for the needy. The provincial government has allocated budget every year to support Jakarta Housing Agency in maintaining the development and management of affordable housing. Recently, according data from Dinas Perumahan DKI, there is 5650 unit rented flat housing built and owned by provincial government. The data from unit of Housing and Building Agency of Jakarta also recorded that from 5650 unit rented housing which spread in 13 locations has been collected Real Regional Income (PAD) for 7.4 billion rupiah while the maintenance for all housing spent for about billion rupiah per year. So the provincial government spends the subsidy for 1.6 billion rupiah.

Although there is a regulation to conduct housing provision according to local regulation no 6/1999, which stated that the government will provide decent and affordable housing to fulfill the need of housing for moderate to low income group. It is supported also by Indonesian Constitution on article no 28 H which stated that every citizen have right to have

decent and affordable housing, Law no 24/1992 pertaining housing and settlement development, the implementation is still low until the central government issued the program to build 1000 tower as a real program to overcome housing for the needy notably in urban area, such as Jakarta. This program is issued by the presidential decree no 22/2006 pertaining team forming to accelerate housing provision mainly affordable housing in urban area. Nationally the government through midterm development plan, within period 2004 – 2009, has been targeted to build affordable housing for 1.350.000 which consist 1.265.000 unit simple landed housing, 60.000 units rented simple flat housing, and owner occupied simple flat 25.000 units by involving private sectors. The decree is really shock to local government which their area is included in the first initial project. It enforces the local government to develop affordable housing more intense which invites private sector and community to get involved.

Recently the massive development on affordable housing both rented or ownership housing has been done to some extent, although the number of unit is still less than the need which raise 70.000 unit per year.

4.2 Factors Affecting the Affordable Housing Provision in Jakarta

Considering the current condition on housing provision in Jakarta, there are some factors which is affecting the provision. They are regulation, bureaucracy, land supply, spatial planning, institution and subsidy program. This entire factor will be elaborated on the next part.

4.2.1 Regulation

The basic law in housing provision is on the law no 24/1992. This basic law is a legal basis to conduct housing provision in all area, including Jakarta. This law is arranging housing in general both urban and rural area. This law was issued in the era where the economic was booming and also the property industry was rising. The booming of economic is caused the growth of property market.

The regulation is rule of the game on conducting the development. Before economic crisis in 1997, in the era 1980's and 1990's, the Indonesia's economic notably in Jakarta had been

mushrooming to such extent. Even some economic expert said that in that period the economic Indonesia was booming as well as other Asia countries. The property market mainly housing had a key role on that booming. The huge development in city center to urban fringe area was expansive. So that's why the tension on land conversion in rural area was immense. (Firman, 2002).

In that time, the housing development was not the main concern of central government, even local government including Jakarta's Government. The housing provision is provided mostly by private sector. In that time the number of property was exceeding the demand of housing. So that it was regarded that the housing supply on the surplus level. The central government attention to housing provision is just only to what extent government can provide budget to subsidize the interest rate applied to housing for middle to low income group. The awareness to provide decent and affordable housing in that time was still low even a few years after economic crisis. This is supported by the number of unit of housing built. The free-market mechanism on housing provision has led the number of housing for high income group was rising significantly. It was fair since the limited of land supply; the price would increase, so the housing price would be high. Surely, the moderate and low income group could not afford to buy that house.

When the land availability in urban area like Jakarta is limited, and the price is very expensive, the tension to provide decent housing was mushrooming to surrounding area such as Tangerang, Bekasi, Depok and Bogor. This area was becoming urbanized area by converting rural land which is perhaps farm land to settlement. The middle to low income group preferred to buy a house far from city center and is settling in urban fringe or even rural area where the cheap land is available and the price of housing is affordable. By the time, the problem is more apparent since the population increase, the slum or squatter area is mushrooming, the commuter is increasing and congestion in everywhere. The idea to build a 1000 tower in 15 big cities in Indonesia including Jakarta as the main initial project has changed the regulation on housing provision. This megaproject is intended to fulfill the basic need of citizen in urban area where so far the attention to house them in urban area was less. This has been realized by government. So the affordable housing development in urban area becomes more crucial and urgent to be done.

By issuing the presidential decree no 22/2006 to support law no 24/1992 pertaining setting team to accelerate affordable housing development, much more direct impact to the particular urban area. This decree was based on the idea that affordable housing provision was slow, therefore it is needed an accelerator to fulfill housing for middle to low income. In addition, the government felt that to make efficient housing and settlement in urban area through high rise building is critical and also the acceleration will be more focus, integrated and good coordination among government, private sector and society.

This decree is a shortcut to overcome housing problem in urban area. By this decree, the affordable housing provision in urban area will be faster and in line with the target unit for every urban area made an initial project. It is also has direct impact to the urban area where the lack number of housing (backlog) is quite huge, where the local government both provincial and municipal have to prepare all administration and technical problem dealing with housing development such as land availability, infrastructure and local regulations.

Since the decree was issued and stated that Jakarta as the basis of initial project has attracted the private sector to get involved. By offered a prospectus of affordable housing market, and also some incentives, many of private sectors is starting to develop affordable housing. Unfortunately, the local regulation such as governor decree or local law to provide a decent and affordable housing is not adequate. The regulation is still using the rule on housing provision generally which is free-market oriented and lengthy and costly process. It seemed that the provincial government was shock by this decree. As I said above this is a shortcut way to develop affordable housing.

The lack of local regulation can be felt by mostly private sector as a partner of government where the incentive or special treatment to develop affordable housing is still a dream. The lack of regulation applied to support affordable housing provision has created some problem on the field which is ranging from lengthy process, time consuming, many institution involved, until the costly. It can be witnessed by private developer who said that to get all permit to build housing flat, we have to spend about a years and also have to spend a lot of money because of the lengthy process and time consuming. This factor can inhibit the program which is felt very urgent to be done. One of the most important things is

that all process which spends money can affect directly to the price of the housing. While in this part, private sector have no authority to determined price since the price of affordable housing is set by government in line with the income condition of targeted group.

The recent local regulation issued provincial government is governor decree no 27/2009 pertaining the development simple-flat housing. This regulation is complementary of the similar regulation no 136/2007 pertaining accelerating the development of simple-flat housing. This regulation is really politically response to the critiques of decelerating of affordable housing provision in this area. Even so, the implementation of this local regulation is waited by those who are concern and getting involved in the process of affordable housing provision such as private developer.

4.2.2 Bureaucracy

The managing the housing provision needs special effort from relating institution. This provision is needed more intervention from government so that the aim can be achieved. It is a quite different with normal housing provision, where less government intervention. Free-market driven in housing provision in Indonesia can fulfill the need for middle to high income people while lower income obviously cannot afford it.

The bureaucracy on housing provision particularly affordable can affect the process on it. Recently, the procedure on affordable housing provision is mostly similar with common housing provision. In this region, there is still no special procedure so that it follows common procedure by which the cost is high and time consuming.

The procedure to attain building permit from government in Jakarta can be seen as follow.

PROCEDURE TO BUILD A HOUSING PROJECT

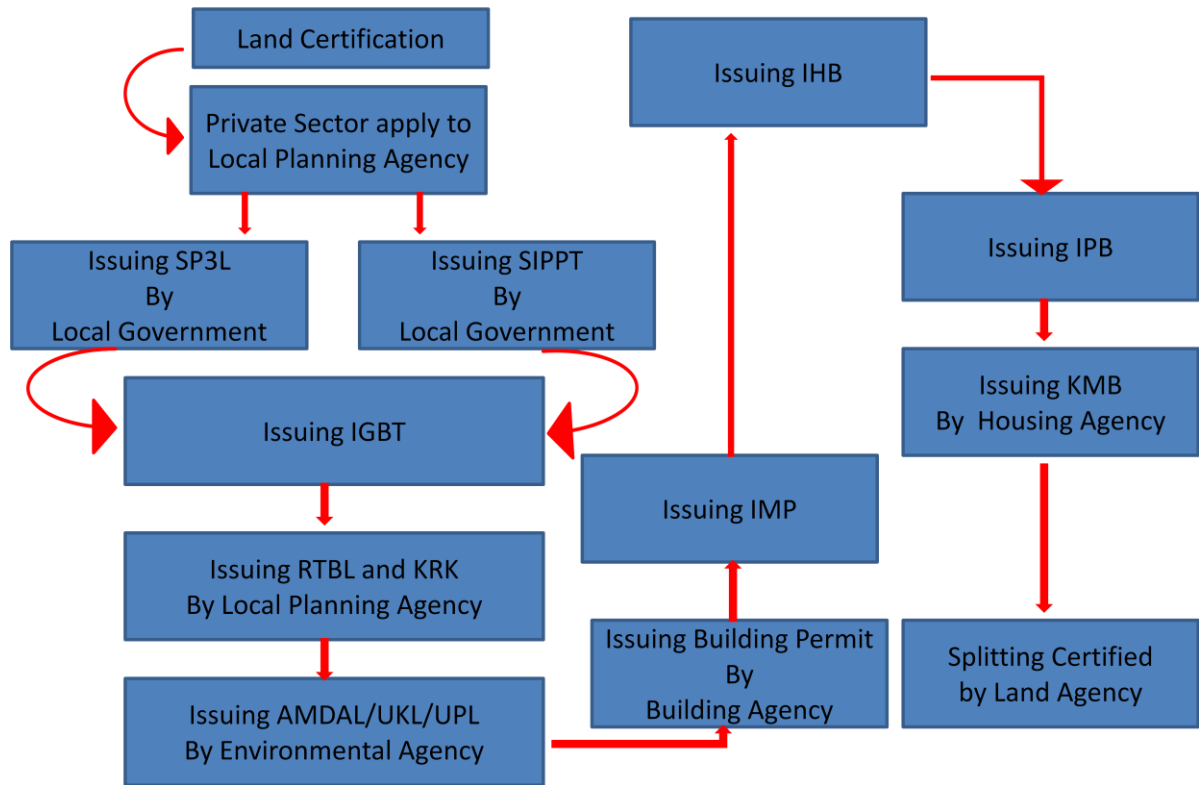


Figure 4. 1 Bureaucracy Process to Built a Housing Project
 Source : Compilation by author

It is compiled from many sources. The permit procedures from the first Land certification until the last, Pemecahan Sertifikat or Certificate Splitting, is conducted through several difference agencies. There was a critique by other institutional actors such as private sector. The critiques are addressed to the provincial government since the lengthy and costly process on building permit. Every step of the permit process is conducted by different agency (Dinas) where the timing and cost for every step vary. There is no standard of service.

If this process is still prevailing, then the acceleration is inhibited by. The government should alter this procedure particularly for affordable housing development. It does not mean that the standard must be eliminated. The procedure is still needed to support governmental administration. The aims are making a simple procedure and on one stop office. The

critiques on the lengthy process and costly cannot be tolerated anymore since the provincial government has committed to support affordable housing provision.

The idea to make one stop services is more urgent. It is accompanied by the availability of regulations on the housing project and procedure that can be simplified to such extent. If this idea can be exercised then the cost spent will be less. Actually if this can be done, it can be an argument for government to hold the private sector insisting to raise the housing price. Surely, this is not the only factor of private sector wishes to raise the price.

The governor decree no 27/2009 has given signal to ease the procedural process of building permit. The reformation on procedural permit will be an advanced step to accelerate housing provision. On the developer side, the lengthy procedural which is costly and time consuming is regarded burden to the cost of the development. Since the price of affordable housing is set by government, while on the other hand the cost for development is not different with high income housing development, this will make developers get loss. If this happened then there will be no more private sectors who want to get involved in this project. It is better to build housing for high income group which give them huge profit. So, to provide decent and affordable housing in urban area is really need special treatment to reduce the cost and ultimately the targeted people will get benefit.

4.2.3 Land Supply

It is already the fact that the vacant land availability in Jakarta is very rare particularly to support affordable housing provision. This shortage can be seen from the development process in the previous decades. The land conversion and land changing in 1980s and 1990s has great impact on Jakarta development to such extent. The housing and settlement has been growing to become urban sprawl because lack of controlling from government in maintain and managing the development. The development of office, apartment, and trade center has affected the city development as well. It does not mean that there are no rules or regulations, but this is merely the bad implementation and control from government to direct the all development process.

Recently the government does not directly provide the land for housing development. Mostly, the government is giving a freedom to other stakeholders, particularly private sector to find the land on the market price. It is triggered by the lack of government intervention on land for housing development and also the land stock owned by government. As I mentioned above that the development in Jakarta has been developing to such extent so it causes urban sprawl on settlement as a consequences. This is caused by inconsistent between regulation and implementation before economic crisis or in new order era. In addition, the aim to create economic growth and collusion, corruption and nepotism (KKN) factor made it worst. Furthermore the behavior of the officer who was always ignoring the prevailing regulation can be another factor.

The limited of vacant land owned by government and mostly owned by society even private sector, has made land availability become expensive. The limited land owned by government cannot be used all for the housing. The use of land for open green space is important as well and other uses. The government should find a way through land policy or cooperation with land owner to utilize the vacant land for housing development.

The developers who are getting involved on the affordable housing provision, is complaining about the availability of land. The need of land to build housing is at least 3000 meter square. If there is a stock of land, the price must be very expensive. Again, it will affect directly to the cost of housing development. Recently, government has taken action to utilize the land which belongs to provincial government or central government or even the state-owned enterprise. Even so, the size is still less compared to the unit of housing will be built.

Shortcut way may be needed to overcome this condition. Such as progressive tax on vacant land, land adjustment or land consolidation, or even land banking is one alternative to overcome land crisis. (firman, 2004). Land adjustment or land consolidation is *“group of land parcels which are consolidated for subdivision into a layout of building plots, street, and open spaces, with the sale of some of the plots for cost recovery and the distribution of other plot back to land owner”*. The project cost and benefits are the shared among the land-owners. (Archer and Menezes on Firman, 2004). This scheme has been successfully applied

in Taiwan and Korea. While the land banking is *“the practice of purchasing land with the intent to hold on to it until such a time as it is profitable to sell it on to others for more than was initially paid”*. Land is becoming increasingly popular as an investment due to the benefit of its being a tangible asset as opposed to Shares or Bonds. This type of investment has gained such popularity it is now possible to land bank worldwide and there are several firms set up to offer opportunities to do so. (http://en.wikipedia.org/wiki/Land_banking). The countries which have been successful to do are UK and Singapore. On the Singapore the land banking is mostly owned by government. The story of Singapore in Land Banking made this country fell free to develop their area without confused by land supply.

The land matter is very urgent since the structure cost on housing development is quite huge. If the land for affordable housing provision is left to the market, surely the developers will ask government to increase the housing price.

4.2.4 Spatial Planning

Spatial planning refers to the methods used by the public sector to influence the distribution of people and activities in spaces of various scales. According to European Conference of Ministers responsible for Regional Planning (CEMAT) spatial planning is define as *“Regional/spatial planning gives geographical expression to the economic, social, cultural and ecological policies of society. It is at the same time a scientific discipline, an administrative technique and a policy developed as an interdisciplinary and comprehensive approach directed towards a balanced regional development and the physical organization of space according to an overall strategy.”*

The entire country must be having a spatial planning which is ranging from national level to local level. The spatial planning is guidance for government in conducting development in their region so that the development can sustain in the long run.

Jakarta as a metropolitan area have spatial planning which is stated on local regulation no 6/1999. This spatial planning was made by referring to the National Planning. The two tier of spatial planning must support each other to make the development favorably for all. This

spatial planning encompasses what kind of the development will be done, such as road network, the direction of the development, the constraint, and so on.

The spatial planning in Jakarta is still support for the development rather than restriction. The main task is that the certain allocation has its own purpose. The provincial government stated in the permit procedure that for every project of development, must have permit from local spatial planning board which aims to make sure that the location is appropriate with the allocation plan. This action is taken to avoid the new development become sprawl and deteriorate. The preventive way is a positive assessment on the controlling the development through spatial plan.

The recent process on the housing building, the private sector is given freedom to choose location; therefore the private sector will search vacant land in all area, even in prohibited area to be built. The tension between private sector on a searching vacant land for the housing development and the strict rule on spatial planning, and also the urgent condition to build affordable housing as much as they can, will ultimately harm the spatial planning itself.

The way of government to deal with is by setting which area will be built affordable housing, private housing and for urban renewal program. So the basis of the development is still on the local spatial planning. It is needed extra effort on urban spatial plan to cope with the need of land for affordable housing development and to preserve certain area to sustain the region in the future.

Supported by new spatial planning and also

4.2.5 Institution

The existing of institution which has capacity and capability to develop housing and settlement is the key element to succeed. Nowadays there is no housing Institution in national level such as HUD in US and Housing and Development Board (HDB). The existing strong institution who understands the issue of housing starting from planning, controlling, credit program, permitting, and so forth, can direct them to the effective and efficient way so that the provision can sustain in the long run.

The lack of strong institution can affect to conduct the entire housing provision. The issue presidential decree no 22/2006 has proven the lack of institution. As I mentioned above this decree is seen as shortcut to overcome housing problem in urban area such as Jakarta. While at the same time the local government does not have supporting tool to conduct the program.

If the institution which is managing housing provision is established on national, provincial and municipal level, they will have the same preference and vision how to conduct the housing provision in all level of government, starting from planning until implementation, setting up mortgage, managing capital resources, and other stages. It is hoped that the effectiveness and efficiency on planning and process can be achieved, particularly the managing the affordable housing provision for the targeted group.

Provincial government of DKI has erected the Jakarta Housing Agency (Dinas Perumahan) as a unit of governmental structure to conduct management both planning and controlling on housing provision. This agency is funded by annual local budget which amount of budget varies in every year. It is depended on what kind of project and bargaining with the local housing board (DPRD). Recently this agency was getting critiques because of the lack capacity and capability to conduct housing provision. Although in some parts they can manage to build housing, the task on them is too large. So, actually this is not really institution that has responsibility to provide housing because their task is also wider than that such as how to plan the improvement of deteriorated environment.

4.2.6 Subsidy

Subsidy is a tool used by government as form of intervention to help targeted group have their rights. The subsidy is still being regarded an effective tool to assist middle to low income group to have an affordable housing on the housing market.

The form of subsidy prevails in Jakarta and Indonesia is by giving rebate on the level of market interest rate. The subsidy given is not for long time, it just such an incentive on the installment within certain period of time. Unfortunately, the amount of subsidized interest rate is relatively stable while if looking to the nominal value there is an increasing. It is

caused by the increase of the housing price almost every year. Actually, the more price increase, the more target group cannot afford to buy a house. This scheme does not change for long time. In 2007, the amount of money used to subsidize affordable housing is 300 billion rupiah and in 2008 there was a significant increase for about 800 billion rupiah. This entire subsidy was spread for all new affordable housing projects in Indonesia. (Kemenpera.go.id). the limitation the amount of subsidy is caused by the source of the money still relies on the central government budget. Therefore, if the local government builds less housing, then the subsidy will be less as well.

The scheme of subsidy can be seen on the decree of ministry of housing no 7/2007 pertaining subsidy for simple housing. The scheme is:

Targeted Group	Subsidized Interest Rate (%0)										
	Year										
	1	2	3	4	5	6	7	8	9	10	11
I	9.5	9.5	9.5	9.5	Market Interest Rate						
II	8.5	8.5	8.5	8.5	8.5	8.5	Market Interest Rate				
III	7	7	7	7	7	7	7	7	Market Interest Rate		

Tabel 4. 1 Subsidized Interest Rate for Simple Flat Housing
Source : Kemenpera

Targeted group can be classified as follow:

Targeted Group	Limit Income per Month (IDR)
I	3.500.000 < income < 4.500.000
II	2.500.000 < income < 3.500.000
III	1.200.000 < income < 2.500.000

Tabel 4. 2 Tabel of Income Limit for each Target Group
Source : Kemenpera

This subsidy is applied not as direct subsidy for the development but it is direct subsidy for citizen who wants to buy a new housing. This scheme is still retained because so far there is no alternative to replace it. If we look to the subsidy scheme above, the subsidy for targeted group I can prevail only for 4 years of installment while the group III can have interest rate subsidy until 8 years. This scheme is felt less powerful to help the targeted group since the

price of housing is quite high and the term of loan usually is long term, at least 10 years. In the beginning perhaps they can enjoy the subsidy then they have to compete on market interest rate. The lack of subsidy can affect the affordable housing ownership in the long run. The government should find another effective and efficient subsidy program by involving the ability of local government budget, or can put aside the amount of money for the long term.

In Netherland and Singapore, the full attention of government on subsidy to help low income group has a significant effect on the affordable housing provision. Netherland case to reduce the housing price, the government directly was giving subsidy to the housing project, while to the society they give direct subsidy to the ownership process. In this case there are 2 type of subsidy directly given on the housing project. Furthermore, if the low economic group wants to have housing, the period of time for installment can be guaranteed for long time. It can achieve 50 years maximum.

The increase of subsidy by government will significantly help the target group to have housing and also help housing market more attractive to flourish. The elaborating other resources to collect money used for housing project is more urgent since the need of this kind of housing increase as well.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Housing provision in Jakarta has been developed to such extent to fulfill the public basic need. Even though the provision is less adequate to cover all public need of decent housing in urban area, the effort done by government is still ongoing process where they develop in gradual program. This political will however is needed full support from local representative board (DPRD) and society so that the program will still run on the right track.

The housing provision in Jakarta has been proved giving some benefit for all stakeholder; government, private and society. The main benefit for government is that they can continue to conducting sustainable development on this area. Sustainable is a crucial term to guarantee that their environment will be in a good condition for long time. Additionally, for society, to have decent and affordable housing become its own beneficial to maintain economic condition since there is a certainty on the housing location.

The provision by the government alone can be said fail to fulfill the need of affordable housing. It is needed the involvement of other actor to accelerate the provision. The presidential decree no 22/2006 pertaining to form acceleration team to speed up the affordable housing provision through 1000 towers project, was much more giving the hope for target group to have decent and affordable housing in urban area, which usually near to their job location.

To answer question 1 and 2 of the research question can be describe shortly that the affordable housing development in Jakarta in the past was conducted by Perumnas. By the time the existence of this agency was stagnant. In the early 1990's when there was regulation on land development, the affordable housing provision in Jakarta was less. It develop to its surrounding area, while in Jakarta itself, target group have to get a housing from free market which basically they could not afford. Moving to fringe area or other region was the only choice while the consequences the have to spent more time and money

on transportation. Furthermore, it sometimes has less adequate infrastructure. If they want to stay in inner city or urban area, they will stay in informal housing or might be in the slum or squatter.

The presidential decree no 22/2006 has brought a new hope for this group to have housing in urban area. This decree has been followed by the massive housing development as a real program, incorporating between government and private sector. The type of housing provided in this region is rented-simple flat and ownership-simple flat housing. This is an ongoing process since the backlog of the housing in Jakarta is not yet fulfilled adequately.

To answer question no 3 and 4, the factors which can be impetus or impede the affordable housing provision are housing regulation, bureaucracy, land supply, spatial planning, institutional actor and subsidy.

The bureaucracy is still problem to support affordable housing provision. The procedural process to issuing permit is still lengthy and costly. The treatment to provide affordable housing and free-market housing is on the similar way. It is still felt by private sector as an obstacle that must be solved soon by government if they want the target of the development of affordable housing as they wish. Although the local government is issuing the local regulation no 27/2009, the implementation is still waited by actor involved, notably developers. To what extent this new regulation is applied can affect directly to the reducing cost of the development.

The land availability for developing affordable housing is scarce. Although government own land, the use of the land must considering the need of land for other use such as open green space as we know Jakarta has low percentage on it. However, the land availability is offered to private sector to search appropriate location which is suitable with urban spatial plans (RUTR). Consequences is that the cost spent by developer will increase and direct impact to the housing price as well.

The existence of the Jakarta spatial planning and law 26/2007 has brought enough tools to local government to maintain their area, particularly to setting up the zone for housing development. Gradually this process has already been applied. The problem faced by

Jakarta government is that its area has developed to such extent and caused urban sprawl on housing. The consistent implementation is waiting by all stakeholders to guarantee the sustainable development in the future.

Institutional factor is important. The strong institutional actor is the key on providing affordable housing. Both as housing provider and enabler, the institutional is still under performance in all levels of government. Even though the legal basis for housing provision which stipulated that local government is the main actor, the lack of capability causes the housing provision being in critical situation.

To increase the access of target group to the affordable housing, the subsidy scheme is released. Even though this subsidy cannot fulfill the expectation since the price of housing is always raising almost every year. The government has strived to enlarge the amount of subsidy so that the more people can be reached by this scheme. The local government has also given subsidy to the rented housing belongs to Jakarta's government, although this subsidy was given to limit household since the number of housing unit is limited as well.

Improvement on the factors above is urgent action to be conducted. If the factor above is followed as much as they can, the backlog of affordable housing can be solved soon. The case form Netherland and Singapore can be a lesson learned where they has already applied and improved such factor. Although there are other factors which can affect the exercising the affordable housing provision, above factors has much more significant effect to expand accessibility the target group on the decent and affordable housing.

5.2 Recommendation

Looking to the condition and situation on housing provision in Jakarta, there is several recommendations in order to make housing planning better and sustainable for coming years. This recommendation also is presented by looking to other country which is successful to provide affordable housing provision.

The recommendations are:

1. To solve the land availability, the intensive land use must be priority. The implementation of land consolidation or land readjustment to make settlement environment better become priority since vacant land is rare. Even though the land consolidation has been initiated in 1980's but the implementation is still low.
2. To guarantee the land in the long run, Land Banking system which is applied in Singapore, need to be studied soon. It has given the beneficial for Singapore government to provide decent and affordable housing. Since the old of the housing building need to be improved, the land availability is not the main problem anymore. This idea is still need more in-depth study because it need rule of the game from government and huge amount of money to invest.
3. Invite more society or nonprofit organization to get involved in management and supervision of public housing so that the maintenance can be run well. The fact show that many of simple flat housing which is maintaining by government is not as good as housing managed by nonprofit organization. The case of public housing in Netherland managed by housing association is a good lesson to apply.

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