

## **HUMAN SETTLEMENT COUNTRY PROFILE**

### **INDONESIA**

#### **Decision-Making**

#### **Programmes and Projects**

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- B. Improving Human Settlement Management
- C. Promoting Sustainable Land Use Planning and Management
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#### **Status**

#### **Capacity-Building, Education, Training and Awareness-Raising**

#### **Information**

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#### **Cooperation**

**Decision-Making:** There are several levels of decision-making for housing provision and human settlement development in Indonesia. At the national level decision-making mainly concerns on long-term and standing policies. Although It is also involves in short-term and ah-hoc policies but only as complementary to the long-term and standing policies. Ad-hoc policy decisions, usually responding to urgent or emergency situations, are made by inter-departmental and state agencies forums. At the regional and local levels, decision-making on human settlement development is made for location and site selection in relation with regional and urban development. Decision-making at the community level is undertaken for choosing housing standards and mobilizing resources.. It estimated that over 85% of existing housing stock is the product of individual or household decisions and are self financed. In small town, over 90% of human settlement development is unplanned and unorganized, while the organized housing development mostly exists in metropolitan areas.

Long term and standing policy on housing and human settlement has been formulated through National Housing Workshops organized every ten years. Hundreds of participants representing national and regional administrators, real estate businesses, NGOs, bankers, experts on various scientific disciplines over Indonesia, get involved in the workshop. The last workshop, organized in 2002 recommended four significant issues: (a) promoting sustainable financial systems and institutions for housing and human settlement development, (b) promoting decentralized housing and human settlement institutions based on democratic and a broad based spirit of participation, (c) improving land management, (d) developing local building materials and maintaining building quality standards.

In 2002, based on the recommendations and inputs from various organizations and concerned individuals, the Minister for Settlements and Regional Infrastructure (MSRI) has launched the National Housing and Settlement Policy and Strategy (KSNPP) The KSNPP cover three fundamental policies: (a) institutionalizing community based and people-centered housing and human settlement governance, (b) achieving shelter as basic need for all, (c) creating healthy, save, harmonious and sustainable human settlements for supporting human identity, self reliance and productivity.

On October 9, 2003, the President of the Republic of Indonesia pronounced human settlement development program symbolized by the One Million Houses (“Satu Juta Rumah”) Development Program as commitment of national Government to provide settlement facilities and infrastructure. The program is intended to trigger local government, private business and communities initiatives, in line with democratization and decentralization spirit. It is a new commitment of Indonesia to overcome human settlement degradation and the housing backlog. Therefore, there will be an intensive and extensive campaign including incentives to human settlement stakeholders. The program will be conducted based on three basic policies as the platform for human settlement development:

- To overcome the housing backlog and promote sustainable human settlement improvement through decentralized responsibility, synergizing each actor's role and function and enabling their capacity.
- To integrate housing and human settlement with the poverty alleviation program.
- To facilitate low income people with accessible resources such as land, basic infrastructure, finance and institution to meet a healthy living.

#### **Programmes and Projects:**

A. Providing Adequate Shelter for All: Since 1974 the Government of Indonesia undertaken four nationwide and massive programs. Those are: (a) providing housing for low income people, (b) government organized resettlement program known as Transmigration Program, (c) slum upgrading program known as Kampung Improvement Program (KIP), and (d) rural settlement development and upgrading.

Over 23 years, PERUM PERUMNAS (state owned enterprise) built a total of almost 400,000 housing units at 280 locations around Indonesia, while private developers, operating in not more than 10 provinces in 21 years built more than 800,000 housing units. Furthermore, State Saving Bank (BTN) as a state owned housing bank deliver subsidized housing ownership loan for the low income housing program.

Slum upgrading program or Kampong Improvement Program (KIP) initiated by the Jakarta Capital City government in 1972, and later adopted by the national government for 1974 – 1993. The KIP has covered over 85,000 hectares of slum areas, helping more than 36 million people at almost 2000 locations in several towns and cities. Since 1994 KIP was broadened to be the Urban Environment Upgrading Program with less government intervention and relying on community initiatives. In spite of its successes in improving urban poor quality of life, there were still barriers for improving urban life caused by lack of urban services. Therefore in several cities KIP was integrated into Urban Development Project and Integrated Urban Infrastructure Development Projects. Coinciding with the decentralization process, kampong improvement will be taken over by local government and adapted to local capacity and situations.

Transmigration is government programmed of voluntary resettlement that has been executed since the colonial period. It is a program to accelerate regional development, and to reduce the populations pressure in Java, Madura and Bali islands. The direct goal of this program are to eradicate poverty and promoting land productivity. The program ceased in 1997, not only because of financial reasons but there were challenges from recipient regions and critics from various observers. Many of the problems arise because of poor management and lack of infrastructure.

Rural settlement development and upgrading was an inter-sectoral program undertaken since 1973. It covered projects for resettlement of isolated communities, those threatened by natural disasters and those affected by development projects. There were rural settlement upgrading projects also focused on water supply provision, road and housing upgrading. This program is directed related with poverty eradication effort.

Other than all the the above programs which are national government initiatives, there are also many private business initiatives such as housing development by utilizing housing ownership loan facilities since 1974. From the mid eighties to 1997, private business capacity to manage housing development grew faster than the Government programmes. Over twenty big scale housing developments, 80% located surrounding Jakarta covering 500 hectares to 6000 hectares, were managed by private real estate business. However, only 30% of big scale housing tends to be sustainable settlement.

There were also several community-based schemes on housing development and human settlement improvement. New approaches for settlement improvement introduced by NGO's and adopted by national and local government persist at several locations. Physical environment upgrading combined with social and economic empowering become the framework adopted by entire stakeholders of human settlement development and management, known as TRIDAYA (three empowerment) concept. Jakarta, Semarang and Surabaya are the cities that consistently and continuously undertake kampong improvement projects based on the TRIDAYA approach.

It is estimated that government programs and government facilitated programs for housing and human settlement development cover not more than 20% of the total of Indonesia households, but the multiplier effect is considered very significant. It is creating conducive climate for individual and organized housing development initiatives, promoting local social and economic development. Despite this, it has also created social segregation, environmental deterioration, unequal economic growth and unbalanced public services.

Monetary crisis followed by economic and political crisis suffered by the Indonesian country in 1998, made housing development came to a stagnant situation. By 1998-2002, government programs on housing and human settlement only focused on relieving internal displaced persons and disaster

victims and for rehabilitating facilities at conflict areas. There were 944.000 internal displaced persons (IDPs) of 186.000 households coming from conflict area and natural disaster prone areas in several regions

Private business was busy with their over-investment and loan failures and still suffering traumatically for utilizing home ownership credit scheme. Subsidized housing loan still cannot induce initiatives for housing development. Organizations and institutions concerned and responsible for housing and human settlement focused their activity on development software especially discourses on institution capacity building, financing system development and land management.

However, in line with Millennium Development Goals (MDGs) and Johannesburg Plan of Implementation (JPOI), the government is targeting to improve 14.5 million substandard houses and 47,500 hectares of slum area in over 10,000 locations by year of 2020. Moreover, the government also will subsidized housing loans for around 800,000 houses annually for low income household

By 2005-2009, Indonesia plan to build 1.367 million subsidized housing unit, facilitate subsidized credit for 1.94 million organized housing construction and 1.2 million self-built housing units and assist improvement of 1.35 million unit houses. Furthermore it will provide human settlement infrastructure and facilities to serve 1.2 million organized housing units for the low income household, 3.15 million self-built housing complex and 13.5 thousand hectares of slum area

**B. Improving Human Settlement Management:** Local government is responsible and holds authority to control and promote human settlement development by applying town and city planning, urban services development and management, building regulation and also local taxation. However the population and urban growth is in-balance with local government capacity to provide urban services and control human settlement development. Moreover during the past regime the local government power was weakened by implicit centralized decision-making processes. The weakness of local government to develop and implement development control systems indicated by the growth of uncontrolled, underserved, and segregated settlements. Confusing urban pattern and the growth of urban sprawl also showed the weakness of human settlement management. From the nineteen eighties to nineties there were efforts to strengthen local government through any development project such as Kampong Improvement Project (KIP), Urban Development Project (UDP) undertaken at Bandung, Medan, Cirebon, Jakarta, Semarang, Surabaya, Integrated Urban Infrastructure Development Project (UIDP), Community Based Urban Infrastructure Management (CBUIM). In general the project promoted local government capacity to manage solid waste, sanitation and clean water supply. However, the projects which were undertaken based on World Bank and ADB loan, were later considered by local government as big financial burdens. Besides it could not overcome local government need for challenging urban dynamics.

Coinciding with the establishment of National Housing and Settlement Policies and Management Board (BKP4N) in 1994, there was effort to establish similar boards at the regional and local level. These efforts were not effective, it is hindered by the existing governance system.

There were also efforts to improve human settlement management at community level. By 1996-1997, there were several projects such as Community (Grouped) Based Housing Development undertaken at Medan, Palembang, Balikpapan, Tangerang, Lombok assumed as demonstration how a group of people organized themselves to manage human settlement development. Co-BILD (Community Based Initiative for Housing and Local Development), a UNDP supported project, carried out from 2000-2003, was also intended to promote communities capacity to manage revolving funds for housing improvement. Like other projects, its effect on human settlement management capacity was also hindered by governance capacity.

It is conceived that human settlement management weakness is rooted at the weakness of the governance system. As is known, the governance system is formed by active and constructive participation of civil society and private business and led by government. Based on the past

legislation, the local government cannot fully take the lead as they are subordinate to central government. The local government in the past oriented themselves to central government guidance and less attention was paid to local needs. By 1999, there was a new local governance (local autonomy) law which offered opportunities to local government to promote their own capacity to manage human settlement development. However, it will take a long journey to achieve sufficient capacity to manage human settlement dynamics. The rise of real civil society and political stabilization after the general election in 2004 is the hope for accelerating the attainment of good governance systems that will automatically improve human settlement management.

C. Promoting Sustainable Land-Use Planning and Management: It is estimated that around 70 million hectares of land are used for agricultural purposes and 122 million hectares are assumed conserved as forest although there is continuous conversion of forests to other uses. Large amounts of forest land have been converted to plantation estates and agricultural uses, while there is more and more agricultural land being converted to human settlement and other non agricultural uses.

Measures for maintaining land-use for environmental sustainability are hindered by property rights due to land registration weakness and incapability of government to protect and maintain public land. Indonesian agrarian law, which was enacted almost fifty years ago, confirms that government is the only party responsible for administering land title and holding authority to determine the use of land for the public interest. In fact, by 1992 only 22 % of land parcels were registered, even though since 1981 there was active and intensive land registration (named PRONA). Therefore by 1994, the Indonesian Government endeavored to speed up land registration through Land Administration Project (LAP) a World Bank loan supported project. The LAP is a government program aimed to accelerate land registration, improving current land administration system and developing a sound land policy for future development. The LAP planned to register 75 million land parcels by 2020.

The spatial planning law enacted in 1992 allows government to plan and manage the entire Indonesian land base, water and air space. A hierarchical spatial plan from national, regional to local has to be developed and legalized by appropriate government levels. Basically, the plan must determine protected land and land for rural and urban uses. The plan is supposed to be a government tool for controlling land use. However, its still ineffective due to the lack of accurate information and detail maps. Moreover it is added by no continuous monitoring or direct action. Generally local governments do not have sufficient capable personnel to carry out land use inspection. In spite of the in-effectiveness of spatial planning, there is effort of National Land Agency (BPN) and National Coordinating Body for Spatial Planning (BKTRN) to reserve land for human settlement for maintaining sustainable land use. Over Indonesia it is estimated around 15,000 (what? Square kilometers?) have to reserved for human settlement by 2004.

In 1999, the law on local governance was replaced by a new one that gives greater authority to local government. As a consequence there were many local government responsibilities and obligations that have to be redefined. In fact, there are many disputes between local, regional and national governments due to different interpretations on the new responsibilities of local government. Among other things it was found that several local governments established land management offices besides the land office of the National Land Agency (BPN). By means of Presidential Decree in 2003, the division of authority was clarified. The local government holds power and is responsible for issuing location, providing land for development projects, solving land conflicts and compensation, determining land value for taxation, managing absentee lands, solving communal land disputes, managing land development permit and planning the use of land. While BPN assigned for filing all data of state owned land, providing cadastral maps showing accurate land rights, developing up to date information technology for filing, providing geographical information systems for land policy and national food security.

D. Promoting the Integrated Provision of Environmental Infrastructure: water, sanitation, drainage and solid waste management: For the future, integrated environmental infrastructure will be organized through ready to build area (site and services) project known as KASIBA/LISIBA pattern, however

the existing challenge is how to integrate fragmented and incremental human settlement growth. Through urban development project, solutions at the city and local community level have to be carried out simultaneously. Due to local government financial weakness, to date, solutions at the community level are more feasible than city level approaches.

Sanitation networks only exist in several cities which have urban development projects such as Medan, Jakarta, Bandung, Cirebon and Surabaya, even if it only serves not more than 20% of those cities population. Therefore only 1.3 % of the total population of Indonesia have been served by these facilities. Around 70% of urban households are estimated to have on-site sanitation. In slum settlements with very dense population, the on-site sanitation may cause contamination of shallow and pumped water that are still the main water resources for slum dwellers. To overcome this problem, there are government promoted community initiatives at Bandung, Malang, Surabaya, to build collective water waste treatment based on community participation.

E. Promoting Sustainable Energy and Transport Systems in Human Settlements: In 1998 the Government of Indonesia reviewed and reestablished the General Policy on Energy covering intensification; diversification; conservation; energy prices; environmental sustainability energy. A fundamental change in the energy policies is the redefinition of assumption from surplus to scarce oil. Decentralization is also another aspect that has to be considered in energy policy. As the implementation of the new policy, in 2001, the Government of Indonesia took major steps toward the reduction of energy subsidies. For over thirty years the Government carried the burden for subsidizing refined fuel oil (RFO) which is currently re-assessed as a missed target, besides inducing illegal export of subsidized RFO. Therefore the Government, under Parliament approval, has decided to end the RFO subsidy gradually by the year 2004.

In 2002, this RFO subsidy was reduced from Rp. 41.5 trillion to Rp. 30 trillion, which means that the Government cut the subsidy so far benefited by the wealthy in the amount of approximately Rp. 11.5 trillion. Of that amount, around Rp. 8.65 trillion is used for national economy recovery for filling the deficit gap, improvement and development of the infrastructure, payment of civil servant salary bill and so forth.

The subsidy reduction automatically makes RFO price increase that makes things for the poor more difficult and causes the emerging social problems. Therefore the Government established RFO Subsidy Reduction Compensation Program which is designated for assisting the poor, the most vulnerable group affected by the hike. The program includes (a) food for the poor, (b) health and social assistance, (c) education subsidy, (d) transportation compensation, (e) provision of clean water facilities, (f) coastal community empowerment.

Up to now the biggest part of energy is used for transportation, however a policy for reducing energy used in transportation is not yet established. Urban transportation is still dominated by individual cars or motor cycles in bigger city due to lack of comfortable public transportation, while transportation in smaller towns is mainly served by modified utility cars. There is also a growing informal transportation system, both in larger as well as smaller towns using motor cycles. The development of public transportation is hampered not only by financial resources, but it is also caused by the weakness of the public sector in responding to fragmented and incremental urban development that has emerged such as hazard growth and urban sprawl.

F. Promoting Human Settlement Planning and Management in Disaster-Prone Areas: Geological disaster maps have been prepared by Directorate General of Geology and Mineral Resources, at the scale of 1:25,000 for Java island and 1: 50,000 for outside Java. The map indicates location threatened by land slides, earthquakes, volcanic eruptions and flood. However, disaster maps tend to be avoided in spatial planning. There is no real precautionary action on human settlement located at disaster areas. Nevertheless, the National Coordinating Body for Mitigating Natural Disaster (Bakornas PB) have prepared and published standard procedures to relieve disaster victims.

G. Promoting Sustainable Construction Activities : Construction industry is fully a product of market mechanisms. It is known that construction industry always relies on fragmented demand and the supply side is always adapting their capacity based on range of fluctuated demand. Therefore it is conceived that sustainable construction is the adaptive capacity of supply side to respond to fluctuations in demand. Government maintains sustainability of construction activities by intervening in organized housing construction through building regulations and standardization.

H. Promoting Human Resource Development and Capacity-Building for Human Settlement Development: Capacity is the ability system, organization(s) and individuals to perform specified functions effectively, efficiently and sustainably. Capacity building refers to the effort to enhance systems, organization(s) and individuals ability to achieve defined objectives or perform designated function effectively.

The National Housing and Settlement Policy and Strategy (KSNPP) and Agenda 21 on Human Settlement Sector places great emphasis on institutional building that can be interpreted as system building. Within the decentralization spirit, human settlement governance systems development especially at local level become very significant. The local government as the leading organization in governance system has to be able to incorporate the development of human settlements with increase people's participation and local values.

In 1997, the ADB funded a project called Capacity Building in Urban Infrastructure Management (CBUIM). The aim was to improve the urban infrastructure management throughout Indonesia by assisting the government to develop human resources programs designed at equipping urban managers with the necessary tools and knowledge. It will be considered as potential supporting condition for implementing one Million Houses Development Program.

**Status:** Population census 2000 showed that the total Indonesian population reached 203 millions, it grew by only 1.35 percent during the last decade, down from 1.97 percent in the previous decade. However, nearly all growth occurred in urban areas, which grew by more than 4%. It made urban population reach 42.2% of total population in year 2000 while in 1990 it was only 30,9 %. Indonesia's population consists of 51.5 million households, roughly 22 million living in urban areas and 29.5 million in rural areas. According to statistic definition, the number of household is also showing total number of housing units but the total housing unit recorded by census 2000 shows that there were 45.9 million housing units or estimated around 4.5 million households living in the same house with other households (housing backlog). The census also found that there was 14.5 million houses considered substandard, 2.4 million permanent and 0.8 million semi permanent housing unit were not inhabited, where 590 thousand empty permanent housing unit located in West Java and 411 thousands East Java and yet both regions are the biggest recipient of housing investment for low income for over 25 years. Based on statistic analysis and other data, it is estimated 47,500 ha categorized as slum settlement and housing production capacity total 300,000 unit per year of any quality.

Statistic 2002 noted that 23.9 % urban household and 21.8% rural households lived in houses with a floor area less than 10 sq m per person. It is an improvement compare to 1998 situation which showed 26.8 % households in urban areas and 24,7 % household in rural areas lived in houses with floor area less than 10 sq m per person. By 2002 the percentage of households using piped clean water was 19.7% and other safe water 27,4 % both in urban area and rural areas.

**Capacity Building, Education, Training and Awareness-Raising:** Any program and project activities have either explicit or implicit programs for promoting human resources development and institutional capacity building. Community Based Human Development Programs such as Community Based Urban Infrastructure Management (CBUIM), Urban Poverty Eradication Project(P2KP), Community Based Initiatives for Housing and Local Development (Co-BILD), are programs promoted by community training and awareness raising. However there is growing demand for expertise in human settlement policy, planning and management as a result of decentralization

promotion. Responding those demand several universities such as Institut Teknologi Bandung University of Diponegoro, University Gajah Mada and Institut Teknologi Sepuluh Nopember, since 1998 opening graduate programs in human settlement related knowledge.

**Information:** In the nineteen seventies to eighties, the government established building information centers (BIC), at Jakarta, Bandung, Yogyakarta and Bali as communication media between producer and consumer on building materials, components and construction methods. However, the centers have been fading out stricken by commercial campaign under taken by private business.

Currently there are ideas to establish information systems for decision-making, consultation and participation at all levels. Initiated by national Government and NGOs there are growing publication and radio program on human settlement issues. Besides, there are several government activities for campaigning for healthier settlement, especially related to special diseases such as dengue fever.

**Research and Technologies:** Building materials, components, equipment and appliances are growing fast over last two decades promote by producers. In spite its all had been facilitating construction industry and housing consumers, the technology utilized are imported technology and producers choice. Existing research center on building materials and construction technology more functioned as material and technology development supervisors. There are also research activities on adaptive construction to earthquake, fire safety for building materials and construction, community water supply and sanitation system to support government policies and regulation. Recently there are research and technology development on solid waste management and low cost sanitation done by several universities and research institutes, but it was carried out incrementally with less effect to human settlement development.

**Financing:** To date Government is preparing financial support addressed to assist housing industry for producing more houses and assist household for owning or renting house. The financial support consist of: (a) subsidy on advance payment, (b) subsidy on interest rate. (c) subsidy on credit insurance, besides allocate subsidized construction credit for housing industry and small business for low income household. It is also intended to reduce land certification and permitting costs. While for low income households it is intended to provide subsidized water supply, sanitation and system building materials. It is estimated that to start up One Million Housing Development Program by 2004, it needs Rp 17 trillions (2 billion USD). The Government will be responsible for providing Rp 2.74 trillions, Bapetarum (home saving agency) Rp 0.57 trillions and the Bank (which Bank/) is expected to allocate Rp 14.2 trillions. The government budget will be focused on provision of basic infrastructure included water and sanitation.

**Cooperation:** Cooperation for urban and human settlement development program and project have been undertaken with World Bank support such as P2KP and Squatters Project, ADB support such as NUSSP (Neighborhood Upgrading and Shelter Sector Project). These programs and projects based cooperation related loan scheme. Cooperation for experimental project and piloting related to community based human settlement development, undertaken with UNDP/UNEP/UNCHS, GTZ.JICA, Swiss Contact and Singapore Aid. Generally it is about application of internationally developed concept and technical assistance such community based development which is considered applicable for Indonesia community. The projects are among others Co-BILD, Training, and Expert Assistance. Indeed there is some benefit for Indonesian side for this type of cooperation, however it still cannot overcome the complexity and deep rooted problems faced by Indonesian Government and communities.

Cooperation for information exchange have been conducted through AAPH (Asean Association for Planning and Housing) and EAROPH (Eastern Regional Organization for Planning and Housing). Unfortunately information exchange is not frequent and intensive as expected.