

INDONESIAN HOUSING POLICY IN THE ERA OF GLOBALIZATION

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abstract

At the beginning of the 1970s, the ideology of Classic Liberalism has influenced discourse and formulation of urban policy in Indonesia. The Implementation of liberal urban development has resulted in the radical reshaping of the urban structure of Indonesian Cities. The economic growth-oriented urban development has destroyed the urban coherency, initiated the urban sprawl and the segregation of the social fabric. A couple of years after, in the middle of the 1970s, adopting the World Bank consultancy, the government of Indonesia introduced a market-oriented housing policy. Around the same time as the urbanization in Indonesian has reached its highest growth in the history, the Indonesian cities have failed to address the problems of urbanization. Despite the efforts to overcome the poverty issues and housing for the poor in urban areas, the social discrepancy within the cities is becoming thicker, resulting in an even bigger problem of substandard housing and squatter in the cities.

At the end of 30 years of Suharto's regime in 1998, the call for a more equitable distribution of the economic development benefits was powerful. One critical step was to put an addendum in the Indonesian constitution that every single citizen has the right to live in a decent house. But the reality on the ground said differently. The political willingness, though was supported with basic legal reform (new housing law No. 1/2011) was not effective in overcoming the housing problems.

Since 2015 the new regime under President Joko Widodo has been showing serious intention to solve the national housing issues. The paper has the objective to discuss the current initiative of the Government of Indonesia to conduct two new housing programs, namely City Without Slums and National Affordable Housing Program. How far these two programs, which have long-term financing back up through loan from The World Bank are effective in overcoming the problem of housing in Indonesian cities in the future remains the question the paper intends to answer. In particular, the paper shows that successful implementation of the programs depends not only on its effectivity to overcome the existing housing condition but has to deal with the negative impacts of a transnational-global orientation of Indonesian economic development, which continuously deepens the social gaps and produces urban poverty. Finally the Indonesian housing problems cannot be overcome by successful governments programs, but in the long run, it highly depends on the success of the community-based program of "City for All" in empowering the urban communities to develop their capacity to solve the housing problems by their own.

Keywords: Housing Policy, City without Slums, Affordable Housing, Indonesian Housing Problems

Historical Background of Indonesian Housing Policy

At the beginning of the 1970s, the ideology of Classical Liberalism has started to influence the policy of urban development in Indonesia. Adopting the World Bank consultancy, the government of Indonesia introduced a market-oriented housing policy. Around the same time as the urbanization in Indonesia has reached its highest growth in history, Indonesian cities have failed to address the problems of urbanization. The development of large-scale subsidized housing projects in separate locations outside the big cities has begun to destroy the urban coherency. In urban areas, the government has already started at the end of the 1960s with housing upgrading program, called Kampong Improvement Program. Despite all the efforts, the social discrepancy within the cities is becoming thicker, resulting in an even bigger problem of substandard housing and squatter in the cities. The reason is that the rapid urbanization has created a need for housing far beyond the capacity of the existing housing delivery system.

Since the fall of Soeharto in 1998, the governments of Indonesia has shown stronger political wills to solve the housing problem. It started with the formulation of an addendum in the constitution that everybody has the right to live in a decent house. It followed by the different housing programs such as City Without Slum, Building a Million Homes, etc.. The paper has the objective to discuss the current initiative of the Government of Indonesia under the current President Joko Widodo to conduct two new housing programs, namely City Without Slums and National Affordable Housing Program (NAHP). The City Without Slums (in Bahasa: Kotaku) is a housing program focuses on upgrading the existing substandard housing, but it does not involve in the production of a new house. On the other side, the NAHP has the primary goal to make housing more affordable for everybody, especially for the low-income group (The World Bank's, 2003).

The author intends to discuss the problem in the application of the NAHP. The program has a general concept that is to enable the housing market in the Indonesian context and in particular the efficiency the Indonesian housing delivery system to deliver affordable housing for the low-income population. Around the same time as the urbanization in Indonesian has reached its highest growth in history, the process of globalization of the big and metropolitan cities is becoming more intensified. In particular, the paper shows that the implementation of the housing programs depends not only on its effectivity to overcome the existing housing condition but has to deal with the negative impacts of a transnational-global orientation of Indonesian economic development, which continuously deepens the social gaps and produces urban poverty.

The Urbanization in the Era of Globalization – The case of Indonesia

At the same time, the world's urban population was passing the 50%-line in 2009, about half of Indonesia's 220 million people have already been urbanized. With an average annual increase of more than 2,5%, Indonesia's urban population in 2025 will reach 220 Million (The World Bank, 2013). According to Angel (Angel, 2012) with an urban population of 100 Million in 2010, Indonesia ranked fifth globally, after China, India, USA, and Brazil. The urbanization of newly developing countries like Indonesia will likely occur without the support of sufficient public services, which is mainly due to weak public structures. On the other hand, the GOI (Government of Indonesia) has not been able to implement a preemptive response toward the overall pressure of urbanization. According to the UN Report 2013, since the implementation of the Decentralization Law (Law Number 32/2004 on Local Government) in 2000, the national government has retreated from urban governance, and matters such as housing and spatial planning have been relegated to the local level (Santoso, 2016). The city and regional governments of Jakarta and its surrounding areas are not equipped to handle the challenges of urbanization. They lack the financial resources, the legal-institutional capacity, and the qualified human

resources to anticipate and manage the complicated processes and impacts of urbanization (UN Raporteur, 2013). Santoso (2016) underlined that the process of urbanization in the newly developing countries has a different character from the one we knew from the history of the industrialized nations, among others because in the same time the global economic penetration takes places. Global financial restructuring has direct impacts on internal situations in all countries at all levels of urban structures. (Sassen 1990; Burgers and Engbersen, 1996; Van Kempen/Marcuse, 1997, 2000; Agyeman, Bullard and Evans, 2003; Soja 2010). The causes of changes can be traced back to the overall transformation that takes place on different levels, from local, regional, national to global (Marcuse/van Kempen 2000). In the following, we will try to find out the impacts of the process of the globalization on urbanization. Is the globalization process increasing or decreasing the strength of the cities in anticipating the challenges of the urbanization? Sociologists and geographers now agree that the structural transformation of spatial patterns within one country also takes place on different spatial levels.

The first transformation is in the relation between cities within the same country. It should be highlighted that through globalization the function of “national system of cities” as tools of the state to balance welfare regionally has lost its relevance (Young, 1990, Harvey 1990). The “national system of cities” was the most implemented instrument of the national state to provide social equity. At the national level, the system has promoted the spirit of “horizontal comradeship” (Kusno, A. 2012, Simone, A.M. 2012). The cities have two different but compatible functions, as providers of locations for capital investment and as providers of social goods for the inhabitants. Through state-sponsored interventions, the discrepancies between economic regions should be reduced by improving infrastructure and public services in the underdeveloped regions or cities to create “equity in opportunities” for all citizens. Under the neoliberal economy of the past two decades, the state withdrew from its function as the caretaker of social equity on the national level. The national system of cities is substituted through individual competition between cities. Thus, on a platform of worldwide competition, city systems do not exist anymore. Each city is isolated on a platform of global competition and must concentrate energy on upgrading international position through commoditization of local assets (including natural environment and urban land) and human resources to the maximum extent possible (Sassen, 1990, Logan and Harvey, 1987, Friedmann, 2007). The second transformation is the changing relationship between the city and its hinterland. Almost all urbanists have the same position regarding the overall dominant position of urban culture (Marcelloni, 2007; Corboz, 1998). In general, the city today is no longer the economic and social-cultural center of its hinterland. The role of a city like Jakarta as a marketplace for products from the hinterland is substituted by its position as a consuming city for all kinds of products, including the same goods which are produced locally, such as vegetables or fruits. In short, the formation of the city and its hinterland as a spatial-ecological entity does not exist anymore, and this is also the case of Jakarta with respect to its hinterland (Marcelloni, 2007). Balanced development in the greater metropolitan region that consists of rural and urban areas, also cannot be achieved because the local government does not have the tools to control the conversion of the land use and the private sector is driving development without heed to a spatial-ecological aspect. The third transformation process is the restructuring the city itself, which began with the city of Jakarta during the Soeharto regime in the late 1960s. After a short pause due to the 1997-1998 monetary crisis, the spatial restructuring of the inner city has been accelerated. The original domestic land-use in the inner city has continually been converted into large-scale offices or commercial buildings, often combined with apartment blocks. This reduction of housing stock has led to an inner-city population decrease. The Kecamatan (districts) of Gambir and Tanah Abang that are located in the center of Jakarta lost more than 40% of their registered population since 1980 until now. In the same period, the number of central Jakarta residents fell from 1.4 million to less than 0.9 million (Santoso, 2007). The real estate business

became an important driver for the city's economic growth. Lot by lot, the strategic areas of the inner city, were acquired by land speculators to be reassembled into bigger lots upon which private investors later develop commercial superblocks. The first and second transformation has produced push factors on the process of urbanization. The impacts of the third transformation are that the big developers are virtually free to develop at will and the public interests are most certainly disappearing from the decision making criteria. The impact of this state of affairs has created often irreparable damage, as seen for example in increasing social discrepancies and environmental degradation (Harvey, 1993; Sheppard, 2007).

The center of the city like Jakarta is occupied by what Marcuse and van Kempen (2000) calls "the new citadels," or "exclusionary enclaves" of the rich and extremely mobile upper class (see Figure 1). Hundreds of towers dotting the skyline have shaped this image of a Citadel, which stands out from the rest of the city. With maximum building density, these towers sprout up in the middle of low-rise traditional and modern landed housing inhabited by groups of different socio-economic strata, such that transitions between social groups and different urban functions are blurred. Some of the old city areas are now occupied by new elites, professionals, and highly paid managers, all surrounded by poorer population. This mixed characteristic is typical of the CBD area of many Asian big cities and demonstrates the need for better visual, morphological, and functional understanding of the complexity of its structure. On the outskirts of the city, the full privatization of urban development caused the disappearance of integrated "socially-mixed new town" projects. With literally hundreds of private housing estates, each according to its target market, there was an uncontrolled growth pattern of unpredictable social and environmental impacts (Figure 2). This same uncontrolled pattern is becoming a typical trend for all metropolitan cities in Indonesia, i.e., Surabaya, Bandung, Medan, Makassar. The dimension and the complexity of the urbanization process in Indonesia are continually growing far beyond the control of any city government.

The Urbanization and The need of Housing

Before we start the discussion on the housing policy in Indonesia, we have to describe the characteristics of the urbanization process in Indonesia. In every large country like Indonesia, every region has its own problem due to its close relation to the characteristics of urbanization; the migrant composition, the speed, the dimension and the distribution of the urbanization are from region to region different. Moreover, the capability of every city to anticipate the urbanization is also different. Some cities may take benefits from the incoming migrants, but some cities are able to overcome the negative impacts of the rapid urbanization, while the majority are not. Since the 1960s, the growth of the Indonesian population has increased faster than the rural can accommodate. Between 1961 and 1971, the population of Indonesia increased from 97.1 million to 119.2 million, more than 20% in 10 years. In the following ten years, the population was growing even faster to 2.3% yearly (Silas, 2005). In the following, we have to discuss the negative impacts of the rapid urbanization in the form of the degradation of the existing living environment. Additionally, we try to show how far the globalization on the city is influencing its efforts to anticipate the challenges of the urbanization. Another relevant issue is that in the last 30-40 years the housing delivery system in Indonesia, in terms of technological and financing method, has not made any significant progress. The quality of design and construction of housing built in the previous period are even better than today. The rapid increase of the land prices on the other side has negative impacts on the quality of the house because the developer in general tries to reduce the housing cost by lower the quality of the construction. The stagnation of the supply system is the main reasons that now housing become less affordable compared with 30-40 years ago, at least in big cities (Santoso, 2016; Santoso 2018/1).

According to the Indonesian Bureau of Statistics (BPS), the population of Indonesia between the years 2000 to 2010 increased at around 1,5% yearly, the urban population has grown more than 3.5% yearly. In the same period, the urban population also increased from 42% to 50,6%. The urban population of Indonesia will reach its highest growth rate between 2015 to 2050 at around 170 million and 230 million. It was projected that after the year 2050, the growth rate of the urban population will slowly go down. But the slower growth of the urban population does not reduce the problem of the housing problem. Because the city will face two new issues, the first is the reducing number of a person in one household and the second is the need on land to expand the urban-land coverage. Those two factors will automatically have negative impacts on the availability of housing land. The decreasing average number of person pro household will automatically create a higher demand for housing units by the same amount of population. The need on housing will also be determined with the growth of household units; between 2000 to 2010 the number of housing units will grow from 21,4 Million to 30,0 Million while the average amount will decreasing from 4,1 down to 3,9 person/household. Between 2025 to 2050 the average person/household will continue down from 3,75 to 3,6 person/household and by that, the number of households will increase from 4,1 to 63,9 Million. In the same time, the higher average income/capita will increase the size of the housing unit. The following Table A shows that between 2010 to 2050 the growth of the urban land coverage will rise faster than the population growth; As the population between 2010 to 2050 is growing around 90%, in the same time the urban land coverage is growing 117% from 30.600 to 65.280 Sqkm. All of these factors will create a higher demand for housing and additional pressures on the affordability of housing (Santoso 2016).

Table A: Urban Population of Indonesia

Year	2000	2010	2025	2050
Population total (Mio)	208,8	237,6		
Urban Population (Mio.)	87,7	120,0	170,0	230,0
Percentage (%)	42,0 %	50,6%		
Households (person/unit)	21,4 (4,1)	30,8 (3,9)	44,1 (3,75)	63,9 (3,6)
Urban Land Coverage (km ²)	17.000	30.600	45.850	65.280

Source: Urban Laboratory Taumanagara (compile from different sources)

Table B: The Demand of Housing

		2000 (Mill)	2010(Mill)	2025 (Mill)	2050(Mill)
1.	Population (total)		237,0		
2.	Urban Population	87,7	120,0	170,0	227,7
3.	Person/household	(4,1 p/h.)	(3,9 p/h)	(3,75p/h)	(3,6 p/h)
4.	Demand on Housing	21,4	30,0	43,6	59,7
5.(a)	Available Housing units existing plus 1,0 Mill. new units/tahun(Gov. target)		19,5	37,2	62,2
6.(b)	“Back Log” (total) (in Urban Area 0,77 the total need)		13,5 10,5	6,4	(- 3,0 JT)

Source: Urban Laboratory Taumanagara (compile from different sources)

(a) Basuki Hadimulono the Minister of Public Work&Housing has declared that the target of production of new housing is 1,0 Million unit yearly for the next 32 years so that in year 2050 the backlog can be overcome.

The tables above show that between 2000 and 2050 the average population density of Indonesian cities has a downward trend, from average 51 person per-ha in 2000 to 35-38 person per-ha in 2050. These number does not mean that through this lower population density the provision of housing will become

easier. We have a general consideration that the density will go down because the newly-developed urban area has a much higher percentage of non-domestic land use, such as for industrial use, commercial use and other service activities. The trend is also valid for the inner city areas, which are losing its population by converting the existing domestic to non-domestic land use. For example, in the last 15-20 years, the central region of Jakarta (Jakarta Pusat) have lost more than 50% of their population in the same time as the average density of Jakarta increase 20-30%. In reality, through the reducing of the housing area the density of the domestic housing area is becoming much higher (Santoso, 2007). Other statistical number shows that there is a big difference between the nation-wide average urban density and the actual densities of big and metropolitan cities in Indonesia. The density in the city of Jakarta, Bandung, Surabaya, and Medan is in average 2,0 to 3,5 times higher than the average density.

Table C: Population Density In Indonesian Big and Metropolitan Cities

City	Area (ha)	Population	Density (p/ha)
Jakarta	65.600	10,075,310	153
Bandung	16.700	2,470,802	147
Surabaya	35.000	2,853,661	81
Medan	26.500	2,191,140	83
Bandar Lampung	12.900	960,000	73
Denpasar	12.398	863,000	70
(Average urban area)			(35 -50)
<i>Total 6 cities</i>	<i>169.000</i>	<i>19.412.914</i>	<i>114</i>

Big and Metropolitan cities like Jakarta, Bandung, and Surabaya with high economic growth have already density between 70 to 150 peoples/ha. The problem to provide housing land to supply the housing need in cities with higher density is much more difficult, although the average income in these cities is much higher. The statistics show that in cities with high density the price of urban land is increasing much faster than the average income. Table C shows that currently, the average density of 6 Metropolitan cities with 114 person per-ha is more than 2-3 times higher than the average density of (35-50) person per-ha.

The Indonesian Housing Policy

In this part, we will describe the Indonesian housing Policy and Programs in the last two decades and discuss its effectiveness to solve the problems of inadequate housing particular and the housing shortage in a high-density urban area in general. The description should be subdivided in two section in the first we will summarize the experience of Indonesia in implementing different “housing upgrading programs” including the famous Kampong Improvement program and the current program of City Without Slums. In the second section, we will discuss the Indonesian experiences with different forms of subsidized housing programs, from subsidized mortgage program to developing state-own housing estate, from community-based to cooperative housing, etc.

The housing upgrading programs

Since the 1960s, as the rapid urbanization start to take place, and the big cities of Indonesia are becoming the target of rural-urban migrants, Indonesian have taken the initiative to conduct innovative housing upgrading programs. The Indonesian current housing upgrading programs included the current City Without Slums are in the real new variant from the similar program in the previous decades, i.a.

Kampong Improvement Program, Tribina, CoBild, etc. These programs that further “lesson learned version” from the earlier programs, are capable enough to anticipate the problem of existing inadequate housing. The weakness of the current upgrading program of City Without Slums (Kota Tanpa Kumuh – Kotaku) is the high grade of complexity. Kotaku can only successful executed by high quality experienced specialist. Such know-how like defining the appropriate size of the upgrading area, understanding the importance of a certain degree of community awareness, to know the timing and in which way the local governmental institutions should be or should not be involved and other prerequisites, can only deliver by qualified and full experienced field manager. These eligible persons are not easy to find although Indonesian has already more than a half-century-long in doing a similar program. The main weakness is that such upgrading program does not have the significant influence on increasing the production of affordable housing nor it can avoid the replication of new substandard quarters (Santoso, 2018).

The Subsidized Housing Delivery System

From the macroeconomic point of view, the subsidized housing program can be understood as a market-friendly social-oriented housing program, which should support the member of a low-income group to buy a house. To help the lower income with subsidized housing loan the government of Indonesia (GOI) has established a special mortgage bank (Bank Tabungan Rakyat – BTN). Further, the GOI established a state-own developer “Perumnas.” Perumnas is developing a large-scale housing project, which can be bought with a subsidized mortgage loan from the Bank BTN. The monetary crisis 1997 has hit Perumnas very hard. After the crisis, the status of Perumnas as “special enterprise for developing social housing projects” lifted up and Perumnas become an ordinary state enterprise with a limited social mission (Silas, 2005).

Perum Perumnas (National Urban Development Agency)

Perum Perumnas is a state-own developer that was established in 1974, during Indonesia was still enjoying the trade surplus from oil export. The main task of Perumnas to act as a National Urban Development Agency to implement the mission of government to built affordable housing for everybody. (See Government Regulation No. 29/1974). Between the 1970s to 1980s Perumnas has developed many large-scale housing projects, 4 of them in the outskirts of Jakarta, i.e., in Klender, in Depok, in Karawaci, in Cengkareng and many housing projects in the inner city area i.a. In Tanah Abang, in Kemayoran, etc. Entirely Peumnas has built more than 500,000 housing and apartment units in more than 300 locations spread all over Indonesia (<http://www.perumnas.id/perum-perumnas>). After 1980s, as the “oil bonanza” was over, Perumnas is moving away from its original ambition to act as a National Urban Development Corporation (NUDC). And after the monetary crisis, 1997-1998 Perumnas is acting just like an ordinary state enterprise, and effectively does not have any particular mission in the housing sector. Currently, the existence of Perumnas does not create any significant influence in the providing of affordable housing. In the last year is a discussion regarding a new assignment for Perumnas as a national agency for the management of state property and building assets (Silas, 2005, Santoso, 2018).

The Subsidized Mortgage Program

The Program of Mortgage subsidy consists of an allowance to reduce the interest of the housing loan eligible for a defined target group; the government is paying the difference between the market interest and the actual interest of the housing loan. For the implementation of this program, the government is working together with the private developer. The housing estate and the houses should be developed by the private developer, and the houses should be sell under a maximum price only to them, who are eligible to get the subsidized mortgage credit. The program was started since 1976, and during the 20 years implementation there are many revisions in the details of the delivery system, i.e., the maximum housing prices must be repeated adjusted to the inflation. Difficulties are coming up in terms of

providing financial resources. The other main problem is that in term of the implementation of the program on the ground, the national government is in many ways depending from the readiness of the local government, who should be involved in the providing the housing land, designing the estate and the houses itself, providing the utilities and neighborhood facilities, etc. Until now there is no effective legal framework, which can provide the program an effective way to overcome the problems of coordination between the stakeholders involved. The absence of an effective legal framework and the poor quality of the responsible institutions involved have negative impacts on the quality of the subsidized housing included the quality of the living environment and the building itself. Some prediction is going from the assumption that more than 30% of these subsidized houses are not full fill the basic quality of liveability.

The other problem is in the providing the financial resources. According to the Law No.32/2004, the authority and responsibility of housing affair should be decentralized to the local government. Regarding that, there is already a nation-wide commitment that the involvement of the national institutions, including in providing housing fund will come to an end at the end of the year 2004 as the law Nr.32/2004 ratified by the parliament. By taking into account that years after the law is validated there is not a single local administration can start with a housing program for the low-income group and the housing condition in many cities is getting worse, the national government has extended the subsidized housing programs by using a different name. In the same time, the national government has restarted the program of capacity building and Institutional development for the local government. And finally the national government is coming up with the new housing law of No.1/2011 (Undang Undang No.1/2011) , which gives a legal foundation for a number of housing programs initiated by the national government. Especially from the financing aspects the national government has created a number of programs, i.e. liquidity facility for housing finance (FLPP – Fasilitas Likuiditas Pembiayaan Perumahan), mortgage interest subsidy, downpayment subsidy, financial support for Self-help housing, for rental housing, for ownership of apartment, and for providing infrastructure and facilities in housing area (Kusno, 2012).

From experience made during the implementation of different housing program between 2005-2013 following conclusion can be made: The implementation of the different “top-down” housing programs are in general ineffective. The main reason is that the local government cannot play their important role as mediator between the user on local levels and the government institution at the national level. The effort to enabling the local players is insufficient. There is no significant improvement in the awareness of the involved stakeholders about the importance of housing program. The goal to transfer the housing affair from national to the local level is entirely failed. The financial support from national government is misused as an opportunity to take short-term benefit not an instrument to support the process of decentralization. The local government and other local players also fail to adjust the national program to the specific condition on a local level. For example, the need to adjust the financial support to the condition of a local economy does not happen. An indicator for that different is among others the minimum monthly salary; the UMR (minimal monthly salary) in Jakarta or Surabaya, for example, is around Rp 3,6 million (around 250 US), but in some area in East Indonesia the UMR are only 45-50% of that. On the other side the subsidized housing which is built in the outskirts the big cities, are much cheaper because it takes respect to the level of the regional economy. In reality, these houses are bought by the people who are working in Jakarta with much higher salary (Santoso, 2018/1).

Another important finding is that in general, the quality of subsidized housing is far from acceptable. The lack of control mechanism and the permanent pressure to reduce the construction cost are the two main reasons for the bad quality of the houses. Bad coordination between the responsible institutions

and the attitude of profit-oriented contractors and developers are creating a situation that the involved players are accusing each other and nobody is doing their homework. In the end, all the risks are to take over by the buyers of the houses, who have to give extra efforts to maintain the condition of the houses. The biggest risk is if the buyer can not cover the cost of the high depreciation in early years. In this case, the buyer has to move to other houses, and they will stop to pay the mortgage installment. The results are a big number of abandoned houses on the fields and the rapid increase of non-performing loans (NPL) by the mortgage bank.

The National Affordable Housing Program - What is that?

Affordable housing is housing which is defined as affordable to particular household income according to the housing affordability index. Most of the literature on affordable housing applies to mortgages programs and many other programs that exist along a continuum – from emergency shelters to transitional housing, to non-market rental (also known as social or subsidized housing, to formal and informal rental, indigenous housing, and ending with affordable home ownership. In many countries, there are affordable housing committee consists of experts and government representative who are dealing with the national affordable housing programs. The Australian National Affordable Housing Summit Group developed their definition of affordable housing as housing that is adequate in standard and location for lower or middle-income households and does not cost so much that a household is unlikely to be able to meet other basic needs on a sustainable basis (Australian Council of Trade Unions, 2012). In the United Kingdom, affordable housing includes social rented and intermediate housing, provided to specified eligible households, whose needs are not met by the market. The committee has to work out which housing programs should provide the market with what kind of housing products, which are appropriate for particular income groups. The affordability is calculate based on the capacity of those specific income group, to use a percentage of their disposable income to pay the mortgage installment or the rental cost. It seems a simple solution but the actual calculation is rather complicated while it must pay respect to a number of factors in the demand or in the supply side of the housing market, like willingness to save and spend money for housing, the number of person in particular household, the actual operating cost of the housing, the construction cost of the houses, the inflation rate, the cost of capital, the quality of the infrastructure and utilities, etc. (Indonesian Ministry of Public Works and Housing, 2017).

The notion of housing affordability is to move away from housing policy as part of the “social-corrective” program and to integrate housing delivery system as a part of the market mechanism. Indeed in the newest emerging countries, the housing problem is still understood as social problems, and accordingly, the housing program has the function as “services agencies” or “fire brigade,” which have to fix the problems on the ground, if it is burned. There is no housing policy conceptualized to remove the reasons for the production of cheap houses.

Following the concept of affordable housing the substandard settlement is the product of what they called as “market distortion.” The NAHP Program has the goal to overcome the market distortion by enabling the housing market to work properly. The basic assumption is that if the market distortion can be overcome than the housing market automatically will able to supply more affordable housing and incrementally to solve the problem of housing. The notion of housing affordability became widespread in the 1980s in Europe and North America. In the words of Alain Bertaud, of New York University and former principal planner at the World Bank, "It is time for planners to abandon general objectives and to focus their efforts on two measurable outcomes that have always mattered since the growth of large cities during the 19th. century's industrial revolution: workers' spatial mobility and housing affordability."

Housing Affordability Index

One of the greatest strengths of the follower of Housing Affordability Concept is to develop what they called the Housing Affordability Index (HAI). Following an MIT team Housing Affordability Index is the ability of a group of a household to capture the “total cost of occupying of individuals housing” consist of cost of rents or mortgage payments with all the housing expenditures about that. In regards to the affordability this “total housing cost” is more relevant than the housing (market) price. This statement has many consequences, for example, that the housing price is indeed a “relative cost” in relation to the affordability (MIT Center for Real Estate, 2011). Housing is often the single most significant expenditure of low and middle-income families.

The other primary factor is income. In a market economy, the distribution of income is the critical determinant of the quantity and quality of housing obtained. Therefore, understanding affordable housing challenges requires understanding trends and disparities in income and wealth. By low and middle-income families, their house is also the most significant source of wealth. The conventional approach of the affordability of housing is to measure the relationship between income and housing price. The better method to measure the affordability of housing has been to consider the percentage of income that a household spends on (total) housing expenditures, in particular during the mortgage period. Because it the market-oriented way of thinking to buy housing is to understand as an act of property investment, and its quality should be measured in the relation between the amount of the investment and the actual value of the property. Another method of defining affordability looks at the full-time workers who are paid only the minimum wage (as set by their local, regional, or national government). The core idea of this approach is to define affordability in relation to the local-specific condition. Both minimum wage (Indonesia: UMR) and living cost are very strong local specific and the percentage of people with income less than 60% of the median income is very city specific. Housing affordability can be measured both by the changing relationships between house prices and rents or between house prices and incomes (Rodda, 1994).

The other strong factor is the dynamic of the world economy. Since 2000 the world experienced an unprecedented house price boom regarding magnitude and duration, but also of synchronization across countries. Never before had house prices risen so fast, for so long, in so many countries. Prices doubled in many countries and nearly tripled in Ireland as the country become one of the targets for foreign investors. The bursting of the biggest financial bubble in history in 2008 wreaked havoc globally on the housing market. By 2011 home prices in Ireland had plunged by 45% from their peak in 2007. In the United States prices fell by 34% while foreclosures increased exponentially. In Spain and Denmark home prices dropped by 15%. However, in spite of the bust, home prices continue to be overvalued by about 25% or more in Australia, Belgium, Canada, France, New Zealand, Britain, the Netherlands, Spain, and Sweden (Cox W., Pavletich, H., (2012).

Many researchers argue that a shortage of affordable housing – at least in the US – is caused in part by income inequality. The same condition is to find in other globalized cities in Europe, Australia, and Asia: In many of these metropolitan, globalized cities a new form of “illegal rental condition” is coming up uncontrolled by the city administration. Typically, only legal, permitted, a separate housing is considered when calculating the cost of housing. The low rent costs for a room in a single family home, or illegal garage conversion, or a college dormitory are generally excluded from the calculation, no matter how many people in an area live in such situations. In cities like Singapore or Hongkong, we find that the house owners are subdivided their apartment so far to meet the ability to pay off the users. A similar phenomenon is to be located in City like Jakarta, where the investors have constructed low-cost rental shelters to meet the capability of the user to pay.

Faced with few affordable options, many people attempt to find less expensive housing by buying or renting farther out, but long commutes often result in higher transportation costs that erase any savings on shelter. Some called this the "drive 'til you qualify" approach, which causes far-flung development and forces people to drive long distances to get to work, to get groceries, to take children to school, or to engage in other activities. A well-located dwelling might save significant household travel costs and therefore improve not only family economics, but the overall quality of family life, even if the rent is higher than a dwelling in a far location. A household's inhabitants must decide whether to pay more for housing to keep commuting time and expense low, or to accept a long or expensive commute to obtain "better" housing. The trend is going more to sacrifice the domestic life for "better" house. A minimum-wage worker of an industrial factory in the outskirts of Jakarta is sharing a rental shelter with so many friends to reduce the dwelling cost as low as possible. The background is that migrant workers want to save money for their family, who are still living in the home villages.

The conclusion is that housing affordability Index is moving following the dynamic of the market. In many countries, housing becomes less affordable because the market economy is deepening social inequality. The reaction of the home seekers tends to lower their expectation so far or so low as possible. The process mentioned above is the real reason for the replication of the poor squatters in a high-density urban area. This is the consequence of integrating the housing sector as part of the market economy.

The Difficulties To Implement NAHP In Indonesia

We have recognized, that the relevant indicators for HAI are at the local level. By monitoring these indicators, we may have information about the problem of housing and act accordingly. The examples described above shows us very clear regarding the relation of social disparity and housing problems. In the study mentioned above, we conclude that housing expenditure, income, and local economic condition are the most critical indicators of HAI. This has the consequence that the HAI indeed should be observed at the local level. Otherwise, it does not give us the real picture about the housing problem. The problem is that all the three indicators are strong depending on the economic situation of the particular city-region. Housing is, in general, a local matter. The quality of housing in a city is strongly determined by the willingness and ability of local stakeholders involved in the housing delivery system. If the willingness is not there, no national government can change that. The central government can play a role of "fire brigade" to upgrade the substandard squatters. But it cannot avoid the coming up of new miserable squatters. The question is what else a national government can do behind acting as a fire brigade until the local housing player can manage the housing problem in their cities?

Indeed there are several essential roles the national government still have to do even the decentralization of housing affair is finalized. There are many factors, which are influencing the condition of housing nationwide, i.e., inflation rate, cost of capital, and the most important of all them is the availability of long-term financial resources with low interest. With regards to the availability of housing finance, many experts in Indonesia have the opinion that this should be the core of the housing policy on the national level, which cannot transfer to the institution on local level. The availability of long-term housing fund is for housing finance a very strategic factor. It can protect the housing production from up and down of national conjunctural cycle. The investment in housing should be protected by the government policy from short-term speculative economic maneuvers. Although the nature of housing development is a long-term enterprise, it is not easy to mobilize its funding. People build houses for 40-75 years or longer lifetime. The Keynesian economists recommend to applying the housing production as an anti-cyclical instrument to stimulate the downfall economic conjuncture.

The concept of affordable housing sees buying a house as an act of (property) investment, as an individual act, which belongs to a domestic affair. The housing stock is an individual asset, which can be used as a collateral guarantee to borrow money from the bank. Also having a house enable somebody to be involved in the process of economic accumulation. The problem is that there is no country can protect themselves from the impact of the global economy, and the small is the country the more vulnerable they are against the negative impacts of the global economic trend. The problem for people who are living outside the market system (so called “informal sector”).

Affordable housing needs can be addressed through public policy instruments that focus on the demand side of the market, programs that help households reach financial benchmarks that make housing affordable. This can include approaches that promote economic growth in general—in the hope that a stronger economy, higher employment rates, and higher wages will increase the ability of households to acquire housing at market prices. National government policies define banking and mortgage lending practices, tax and regulatory measures affecting building materials, professional practices (ex. real estate transactions). The purchasing power of individual households can be enhanced until a certain degree through tax and fiscal policies that result in reducing the cost of mortgages and the cost of borrowing. Public policies may include the implementation of subsidy programs and incentive patterns for average households. For the most vulnerable groups, such as seniors, single-parent families, the disabled, etc. some form of publicly funded allowance strategy can be implemented providing individual households with adequate income to afford to house.

What national government can not do is to protect the housing condition from the negative impacts of the downfall of national economy or global economy. In all globalized cities the appearance of a foreign worker with much higher income, sometimes with some additional allowance for housing, have the impacts in an over-proportional increase of rental and housing prices, especially if the city government allow them to buy the properties.

The second thing the national government must do is to develop the platform of a housing information system, which should be installed in every city who want to deal with housing problems.

The information should also include the condition of people who are working and living outside the market system. Furthermore, the national government in relation to enabling the housing stakeholders should help the city with the formation of housing affordability committee. Other issues where local stakeholders still need the intervention from national agencies are:

- The management skill how to secure the quality of the design, and of the housing construction.
- The trend today is that the quality of housing is sacrificed for the benefit of lower cost. This has an impact on reducing the lifetime of the product.
- The development of Technology which is at the same time increasing the quality by avoiding higher cost. To make use of local specific building materials and traditional building culture are a possibility in that direction.

Jakarta th 10th.October 2018

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