Report to UN Special Rapporteur on Adequate Housing

Context: Indonesia, Jakarta, Solo, Makassar, Surabaya, Yogyakarta

30 October 2017

The report is prepared to answer request submission from the UN Special Rapporteur on Adequate Housing. This report is compiled by Rujak Center for Urban Studies with the material from:

1. RCUS direct experiences and RCUS researches
2. Strategic Plan of Ministry of Public Works and Housing 2015-2019
3. Report from World Bank on National Affordable Housing Project
4. Jakarta Legal Aid report on 2015 and 2016 evictions
5. Preparation Workshop on the Habitat 3 with Indonesia CSO.
6. Data.jakarta.go.id and data.go.id

RCUS is a non profit think-act center focused on assisting the necessary transition process into ecological age. RCUS wishes to work together with communities to generate innovative knowledge and practices to form sustainable cities and regions.

RUJAK CENTER FOR URBAN STUDIES
JL. CIKINI RAYA 37B
MENTENG, JAKARTA PUSAT
Ph. +62 21 315 2478
WWW.RUJAK.ORG
info@rujak.org

Background
Indonesia's economic growth is centered around its cities. Unsurprisingly, as of September 2014, the average poverty rate of urban areas (8.16 percent) was noticeably lower than rural areas (13.76 percent). The World Bank estimates that by 2025, 68 percent of Indonesia's population will live in cities because of this uneven development. Furthermore, the World Bank also considers Indonesia's urbanization rate the highest in Asia. However, ironically, Indonesian cities are experiencing worsening poverty despite steady economic growth. In September 2014 to March 2015, the population of the urban poor increased from 10.36 million to 10.65 million. This worsening problem can be seen by the increasing visibility of slums. On the increase each year, slums in Indonesia currently occupy 59 hectares. However, the growing urban poor is just one of several crises being experienced by Indonesia's urban areas, which will be explained below.
Housing Policy in Indonesia

As a member of the United Nations, thereby bound by the Universal Declaration of Human Rights, and having ratified the International Covenant on Economic, Social, and Cultural Rights (Law no. 05/2005), Indonesia has take on commitments to uphold the highest standards in the promotion and protection of human rights, in general, and economic, social, and cultural rights, in specific.

The 1945 Constitution of the Republic of Indonesia, stated: Article 28H (1) Every person shall have the right to live in physical and spiritual prosperity, to have a home and to enjoy a good and healthy environment, and shall have the right to obtain medical care.

Law and Regulation related to land & housing:

1. Law no 05/1960 on Agrarian Principal
2. Law no 11/2011 on Housing and Settlement
3. Law no 20/2011 on Vertical Housing
4. Law no 02/2012 on Procurement of Land for the Public Interest Development

Key Findings

Land Ownership Crisis

Home ownership in cities, in general, has become increasingly unaffordable, where residents are being forced to the outskirts of town to purchase a home. This is the result of land ownership in urban centers being controlled by a handful of property developers, who are driving up land prices because their developments predominantly are either for upper middle-class living or will be used for commercial or industrial purposes. Concurrently, an expansion of slum areas is being experienced because of this monopolization of land. To varying degrees, this is typical of what is happening in Jakarta, Surabaya, Semarang, Yogyakarta, Solo, Makassar, Bandung and Medan. Notable examples include land prices. in central Surabaya increasing by 60 to 100 percent, rampant hotel development in Yogyakarta, and the significant percentage of Makassar’s residents living in slum areas (approximately 28.5 percent).

Land in the urban area of Greater Jakarta Metropolitan (Jabodetabek - Jakarta Bogor, Depok, Tangerang and Bekasi) are controled 0,2% of Indonesian. The lands are occupied by companies so it’s difficult for the poor access them.

The government tend to keep dualism in agrarian practices and policies: informal and formal. The differences between informal and formal ownership is based on the registration status in the National Agraria Agency (BPN). The formal status is gained when the land is register at BPN. The city government, which is the sub-district office (kantor kelurahan) also register any land sale-purchase data, however the data is not automatically registered to BPN office. Therefore any land if only registered in sub-district office, is considered “informal”.

Dualism in Indonesia agrarian condition, especially in urban area, is considered benefit the government during New Order era (1966-1998). The national government only provide small subsidy to public housing (even until today), since they considered the informal market is able to provide housing stock for urban poors. However, after 1998 Reform, this informal market and practice was criticised by the World Bank and IMF when they restructure Indonesian economic policy after 1997 Asia’s economic crisis. Soon after that, the informal market and land were heavily targeted by
formalization policy through certification program. Current president, Joko Widodo, continue this certification program, and not only focusing on urban area, also on rural and forest area.

From Subsidy to Investment

After crisis in 1998, the housing subsidy was disappeared from national budget for at least 2 years. In 2005, President Susilo Bambang Yudhoyono signed Presidential Decision to develop an institution and mechanism for secondary mortgage market to print bond and attract investor in order to finance housing. In order to make this new mechanism sustainable, the market needs a desirable housing supply and demand. Ministry of Public Housing in 2005, believe that this mortgage-backed security would be attractive to investors due to heavy housing backlog. Until today, we never clear on how government calculate housing backlog.

The product of mortgage-backed security are:

1. KPRS/KPRS Mikro Bersubsidi provides access to fix and non-fixed low income people for the following subsidy: i) provide mortgage subsidy for fix and non-fixed low-income people for home improvement or development; ii) mortgage interest rate buy down through KPRS Bersubsidi; and iii) mortgage subsidy for development or housing improvement using KPRS Micro Subsidy.

2. FLPP for affordable mortgage finance, provides concessional funds to lenders, who provide mortgages at fixed interest rates to end-users at 5.00 percent p.a. for 20 years. Liquidity is 90 percent funded by the GoI (at 0.30 percent for 20 years) and 10 percent by the participating banks. Between 2011 and 2014, FLPP has served an average of 68,000 households per year. FLPP is characterized by high per unit fiscal and economic costs in NPV terms.

3. SSA /SSB mortgage interest rate buy down. Introduced in 2015, SSA subsidizes the interest rate paid by consumers on eligible mortgages, enabling households to pay a flat 5 percent rate for the duration of loan tenure. The product functions by reimbursing participating lenders, who must provide 100 percent of capital. Capital funding is the primary difference between FLPP and SSA. SSA functions as an unfunded future liability: only the current years’ subsidy has to be budgeted and contingent liabilities for future years are not subject to budgetary approval.

These products only available and access by bankable applicants, and not available for informal sector (who doesn’t have regular income). Whilst informal sectors mostly occupied “informal” land, these products only create unfairness condition to informal sector, since many of “informal” lands are constantly grab by developers and/or state in order to increase “formal” land supply (see below for information on evictions).

The developers also used these mortgage-backed products to finance and market their products, which is happened during 1000 towers housing program in 2009. New town projects, such as Meikarta with dubious process and permits and reclamation project in the North Jakarta and Makassar, etc, are popping out in many places, eroding “informal” land and agricultural land, and evicted people to secure access to their property.

Forced Evictions of Urban Poors

With the continued development of cities, the irony has been the growth of urban slums. However, market-driven urbanization is exclusive and has led to an increasing number of forced evictions of poor residents. Although forced evictions have occurred for different reasons in different cities, such acts separate communities and people from their
livelihoods. Also, in many instances the personnel hired to carry out the evictions have been outsourced to private entities or even local thugs (preman). Nonetheless, whoever has carried out the evictions, many have been violent.

To give description of marginalization in Jakarta, the eviction done by government after their discussion with the investor and developer. The developer built Rusunawa for relocation place for communities to get the permission for reclamation. Eviction always be cleansing act (sometimes in the name of Zoning or Detail Plan) and less likely the poor can survive in their new area.

To make it worse, government sometimes stigmatized urban poor when they resisted evictions. For example in Jakarta, Governor Basuk (2014 - 2017) in many occasions labeled urban poor as communist, and make a human right as a joke (HAM / human rights, as HAMBURGER). And he avoid human rights perspective by saying big infrastructure projects (despite causing massive evictions) are necessary to save majority by sacrificing minorities (urban poor).

Spatial Planning Law

There has been changes in spatial planning law for the past 25 years. The law in 1992 was a strict zoning law which only accommodate few activities in every zoning. But in the new law enacted in 2007, accommodate various activities that supporting each others. For example Residential zoning also include business and small industry. However government tend to be inflexible in the enforcing spatial planning, if it’s related to vernacular settlement / urban poor neighborhoods. For Jakarta case, the planning process for 2012 zoning law and 2014 detail plan did not have proper consultations with citizens and urban poor. Therefore, many of places considered as “slums” or urban poor neighborhoods are marked by the government as green area on the detail plan, which resulted many evictions in 2015-2016.

Branding and Touristification

Over the past 5 years, kampungs/vernacular settlement in various area (or sometimes called as “informal settlement) has romanticise through branding and tourism program. For example “kampung warna warni” or colourful kampung or thematic kampung. Some kampungs choose this strategy as a way to avoid eviction.

Political Situation

Housing Issue is rarely a popular issue during election. However the issue of eviction is popular in some local election, for example in Jakarta during governor election in 2012. However during Jakarta Election, the issue of affordable housing become popular, when one of the candidate offered a Zero% Down Payment. One of candidate (now he’s a governor elect) also sign a political contract with Jakarta Urban Poor Linkage (JRMK).

Big Projects by the development banks

There are currently 2 programs related to housing funding by development banks through various type of loan:

1. KOTAKU - National Slum Upgrading Project, which is funded by AIIB, World Bank, ADB and IDB. KOTAKU is 100% to potable water, 0 slums, and 100% access to sanitation, which is targeted to be completed in 2019 and located in 289 cities. The goal of this project is to alleviate 38.431 ha of urban slums. In the case of Jakarta, KOTAKU implementation has a minimum public participation and minimum involvement of provincial
and local government. Other report by the Civil Society Coalition for Monitoring Indonesia’s Infrastructure Development is submitted as an annex of this report.

2. National Affordable Housing Project (NAHP) is funded by the national government and The World Bank with the total budget of USD $1.2 billion. This project will be started in 2018.

NAHP is consisted on 3 components:

1. Component 1: Mortgage-Linked Down Payment Assistance/BP2BT (US$ 265 million of which US$ 215 million of World Bank financing). The BP2BT scheme concept is 5% savings, 25% assistance, and 70% market rate mortgage. The target lower middle income households that are unable to access commercial mortgage finance for home purchase without public assistance targeting formal and informal income households.

2. Component 2: Home Improvement Assistance (US$ 675.0 million of which US$ 215.0 million of World Bank Financing), to scaling up and improvement of the national Home Improvement Assistance Program (Bantuan Stimulan Perumahan Swadaya – BSPS), targets the bottom 40 percent of Indonesian households that require home improvement rather than home purchase solutions and for whom the market for commercial mortgage finance is unaffordable even with deep assistance enhancements. Potential beneficiary needs to own the land or property or have the legal evidence of land or property possession, with broad definition to include “informal” title (signed by sub-district head/lurah). However the location of land/house has to accordance with the zoning regulation, while currently there are plenty kampungs in urban area are not accordance to the zoning regulation.

3. Component 3: Technical Assistance for Housing Policy Reform (US$ 20.0 million of Bank Financing). This component will support the provision of technical assistance to support policy and regulatory reform and improve governance to strengthen the primary and secondary mortgage markets and the enabling environment for housing finance and housing information system.

Both of project serve as a way to formalize self-built kampung/neighborhood. The first component of NAHP only addressed limited number of informal income households (10% on the first year, 15% on the second year, and 20% on the final year) and depend heavily on market rate mortgage. The second component of NAHP is not addressing the local context, where many of lower income households in urban area live in houses located not on the residential zoning.

Rental Issues

There are no government data available to provide information about condition on rental units in Indonesia. However we could provide sample from various kampung/vernacular neighborhood in Jakarta. In Kampung Aquarium, total number of families are 500, while total number of houses are 280 houses. The similar statistic also found in other kampungs, such as Bukit Duri, Kampung Pulo and Luar Batang.

Until today, there are no specific program by government related to rental units.

Some Key Statistic

1. A vast majority of Indonesia’s housing stock is self-built. Available data suggests that self-built housing is 71% of the housing stock. This number is decline from 2009 statistic when 80% of housing stock is self-built.
2. According to the World Bank calculation in 2016, affordability remains a main issue in decreasing housing backlog (see table below). Only the wealthiest 40 percent of households in metro areas can comfortably afford to acquire housing in the formal commercial market based on an estimated IDR 250 million (US$ 18,775) cost for a 36m² basic unit.

<table>
<thead>
<tr>
<th>Household Decile</th>
<th>Mo. HH Income (IDR million)</th>
<th>Mo. Payment Capacity (IDR million)</th>
<th>Estimated Affordable Home Loan (IDR million)</th>
<th>Estimated Affordable Home Price (IDR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>20.3</td>
<td>8.1</td>
<td>665</td>
<td>949</td>
</tr>
<tr>
<td>9</td>
<td>10.1</td>
<td>3.8</td>
<td>306</td>
<td>438</td>
</tr>
<tr>
<td>8</td>
<td>8.4</td>
<td>2.9</td>
<td>240</td>
<td>300</td>
</tr>
<tr>
<td>7</td>
<td>7.1</td>
<td>2.3</td>
<td>192</td>
<td>240</td>
</tr>
<tr>
<td>6</td>
<td>6.0</td>
<td>1.8</td>
<td>146</td>
<td>183</td>
</tr>
<tr>
<td>5</td>
<td>4.9</td>
<td>1.4</td>
<td>113</td>
<td>141</td>
</tr>
<tr>
<td>4</td>
<td>4.2</td>
<td>1.1</td>
<td>86</td>
<td>107</td>
</tr>
<tr>
<td>3</td>
<td>3.6</td>
<td>.9</td>
<td>74</td>
<td>93</td>
</tr>
<tr>
<td>2</td>
<td>3.1</td>
<td>.6</td>
<td>20</td>
<td>21</td>
</tr>
<tr>
<td>1</td>
<td>2.3</td>
<td>.4</td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>

Notes: Deciles 3-10 with commercial bank rates of 12% at 15-year loan term, Deciles 1-2 with MFI bank rates of 24% at 3 to 5-year loan term.

3. Total government budget spent on housing in 2013 only 0.4% of total central government budget. National government spending on housing has been regressive – disproportionately funding programs targeted to middle or upper-middle class households. First, from 2011 until 2014, 43.3 percent of Ministry of Housing budget was allocated to the FLPP (which caters to households with basic18 individual income of up to IDR 4.0 million (US$ 300) per month, equating to household gross income of ~IDR 10.0 million or ~US$ 751). The remaining budget was divided among other programs, including the BSPS incremental home improvement assistance program (IDR 6.3 trillion or US$ 473 million, 19.3 percent of budget).

**Efforts from Civil Society: Case from Jakarta**

Since 2014, a number of kampung along the river Anak Kali Ciliwung have been under threat of eviction by the government as part of plans for Jakarta’s flood management program. The northern part of Anak Kali Ciliwung has been set aside as a linkage to a flooding control project managed by the central government through the Ministry of Public Works and Public Housing (PUPR) and the Provincial Government of DKI Jakarta’s Emergency Dredging Initiative/Jakarta Flood Mitigation Program (JEDI/JUFMP), which is in turn funded by a US $139.64 million loan from the World Bank.

‘Linkage’ here means waterways that are not directly part of the plan, but are still targeted in programs with different funding schemes. In response, the community of Anak Kali Ciliwung, organised as Komunitas Anak Kali Ciliwung (KAKC), has taken several steps to demonstrate that they are not the problem, but rather form an important part of the solution to Jakarta’s flood management issues. These initiatives include dismantling their homes and moving them back five meters to form an inspection road beside the river bank; building septic tanks in their homes so that wastes are not deposited directly into the river; building 3 multifunctional model houses made of bamboo; promoting urban farming; making compost; reducing plastic use; and of course, forming a KAKC organisation. KAKC is a member of the Urban Poor Network (JRMK), a grassroots organization in Jakarta founded by Urban Poor Consortium (UPC). At the
national level, along with the communities of poor people in various cities such as Surabaya, Lampung, Kendari, Makassar, Aceh, Sidoarjo and Tulang Bawang, JRMK forms part of the Poor Network Indonesia (JERAMI).

The 2017 gubernatorial elections in Jakarta presented an unprecedented opportunity to take control of the public debate and ensure kampung residents’ demands were heard. UPC, JRMK and Rujak Center for Urban Studies organised a ‘political contract’ with one of the candidate teams in the running, Anies Rasyid Baswedan and Sandiaga Salahuddin Uno.

Inspired by the work of ACORN in the USA in negotiating political contracts with Barack Obama, UPC organisers developed a campaign that saw the crafting of a ‘political contract’. In the public domain, and in social media, this ‘political contract’ was articulated as five key demands: 1) Changes to the city plans to include kampung; 2) Legalization of kampung; 3) an affordable housing program for the poor, 4) business licensing for hawkers; and 5) Profession transfer for pedi-cab drivers. JRMK- UPC, made a binding agreement with Anies- Sandi, which required a majority vote for Anies- Sandi in 125 polling stations (TPS). If Anies-Sandi did not win in even one out of the 125 TPS, then the agreement would be void.

This was not the first time Jakarta’s kampung communities had attempted a political contract. In 2012, when President Joko Widodo (Jokowi) was running for governor – the policy was ‘geser bukan gusur’, ‘move not evict’. The agreement signed by Jokowi, however, was expressed in general terms. It was not clear which communities were implicated or under which conditions they would be saved. Moreover, there was no legal basis for the agreement itself.

So, when Basuki Tjahaja Purnama aka ‘Ahok’ took office, the agreement was disregarded and many communities originally part of the contract with Jokowi were evicted. So, this time, having learnt their lesson, JRMK and UPC worked with organisations like Rujak Centre for Urban Studies to put together a binding agreement with specific demands.

However, what is more important about this political contract process than its legal basis is that it offered an opportunity to organise en masse communities of urban poor across Jakarta and place them in a strong bargaining position to demand their rights as urban citizens. “The political contract is a way to position us as equals with the candidates,” says Gugun Muhammad, UPC community organiser and resident of Kampung Tongkol – one of the many kampung along Anak Kali Ciliwung. “By mobilising their votes and organising their communities during the elections to enter into political contracts, Jakarta’s urban poor are acknowledged, they become visible, and can fulfil their basic rights - if the candidates they support win,” says Gugun.

And the result? JRMK-UPC and 31 community groups turned out on election day – all 125 polling booths delivered majority votes for Anies-Sandi – making good on their promise. Currently alliance of JRMK-UPC-ASF (Indonesia Architect Sans Frontier)-Rujak Center for Urban Studies and Faculty of Architecture Universitas Indonesia is assisting 31 community groups and working together with the governor transition team to implement the political contract.

RCUS-UPC also develop a program focused on policy advocacy and legal drafting to support urban agrarian reform, spatial planning review and setting up a government unit focused on affordable housing program for urban poor.