HOUSING POLICY FOR INDONESIA: MARKET ENABLING OR COMMUNITY ENABLING?

B. Setiawan

ABSTRACT

This article questions the unclear policy direction and development program of urban housing in Indonesia and suggests some basic changes. The main message of this article is that housing development program in Indonesia should emphasize on creating a condition that enables the community to build their own houses (community enabling). A policy that is totally market oriented and emphasizes on economic efficiency (market enabling) is not abandoned, but should be develop without sacrificing the aspect of social justice.

I. INTRODUCTION

Providing adequate and affordable housing for millions of the urban poor is one of the most difficult challenges facing developing countries with fast-growing urban population. In Indonesia, it is predicted that every year more than one million housing units should be built to meet Indonesia's housing demand (Herlianto, 1993). As agreed by the international community and stated in *the Global Strategy for Shelter in the Year 2000* (GSS), it is the responsibility of all government to provide adequate and affordable shelter for all. This commitment was further strengthened by the Habitat II Conference in Istanbul, which declared that the right to housing is part of human rights per se. The realization of adequate and affordable housing for all, however, is not easy.

In Indonesia, while there are many supply problems in the formal housing sector (both the public and the private sectors), the shortfall has been effectively compensated for by informal or popular settlements[1], in the form of kampung[2]. As argued by Struyk et al. (1990) kampung settlements have provided serviceable and affordable shelter for a majority of Indonesian urban households. It is true that many kampung face pervasive infrastructure problems, especially in regard to water supply, drainage, and sanitation. In general, though, kampung have met the basic needs of millions of urban dwellers. The flexibility and the variety of housing arrangements within the kampung have enabled millions of migrants to find accommodation in kampung, whether temporarily or permanently. Further, the social environment of the kampung has also enabled new incoming migrants to adapt incrementally to urban lifestyles.

Despite the very clear evidence of the significance of the kampung in Indonesian urbanization and development, the government tends to favor the formal housing sector, and to direct its assistance to it. Rather than trying to enhance the effectiveness of the popular sector, government efforts tend to create more impediments for this sector; access to the basic elements of housing development, particularly land and finance, tends to be limited. It is true that under the Kampung Improvement Program (KIP), the government has helped the poor to receive a basic degree of minimum housing infrastructure. It would be wrong, however, to believe that by itself the existence of a program like KIP could solve all of the housing problems of Indonesia.

Many government policies and programs concerning urban development and housing, including KIP, continue to be conducted in a top-down manner and neglect the potential role that the community can play. A critical point seems to be that the complexities of kampung issues are poorly understood. This is particularly true concerning the potency of kampung people for de-

termining the development process of their settlements. Until now, too little attention has been given to the challenges and problems faced by local communities and by the poor, who are, after all, the most important actors in urban and housing development.

It is in this context that this paper is framed. It attempts to review Indonesian government policy on housing and argues that the future housing policy should be focus more on informal housing sector rather than the formal ones. Through extensive literature reviews, this paper questions the present housing policy in Indonesia that favor 'market' enabling than 'community' enabling. This paper suggests that more attention should be given to empower community to be able to provide their own housing.

II. LITERATURE REVIEW: BETWEEN MARKET ENABLING AND COMMUNITY ENABLING

As is widely recognized, the idea of the 'enabling strategy' was adopted as the main strategy proposed in the agenda of *The Global Strategy for Shelter to the Year 2000* (GSS) in 1987. The GSS aims at achieving adequate and affordable shelter for all, regardless of income, gender, age, and physical capacity. From a review of the literature concerning the strategy, however, it is apparent that there has been little critical discussion of the strategy since it was proposed, and the idea of enablement remains ambiguous. Particularly important in this context is that the strategy does not fully consider the broader socio-political realities in which it is to be implemented.

In general, such strategies mean the reduction of direct government intervention in the housing development process. Further elaboration of these strategies, however, tends to lead in two different directions. The first emphasizes the enablement of the market to supply housing (market enabling approach/ MEA) while the second emphasizes enabling the community (community enabling approach/CEA) to control its own housing process. As these two tendencies have very different philosophical backgrounds and orientations, it is important that planners and decision makers in developing countries clearly understand the implication of favoring or not favoring a particular approach (Jones and Ward, 1994; Leaf, 1993a; Pugh, 1994).

Basically developed from neo-classical economic theories, the MEA analysis housing markets in terms of supply and demand. It is assumed that, as market economies in developing countries are growing, a market-based solution to urban problems, including that of housing, is justified. This approach views housing problems as arising primarily from an imbalance between housing supply and demand. In other words, this approach implies that if the bottlenecks which hinder the free market of housing production by the private sector can be cleared, the market can work more effectively to deliver needed housing. In brief, increasing the efficiency of the housing production process as a whole will allow developers to go 'down market' and provide affordable housing for the poor (Mayo et al., 1986; World Bank, 1991, 1993).

Such an approach fits well with the idea of 'urban productivity,' as proposed by the World Bank[3]. As can be seen in several of the World Bank's documents concerning urban development, particularly "Urban Policy and Economic Development: An Agenda for the 1990s" (World Bank, 1991), and "Housing: Enabling Markets to Work" (World Bank, 1993), the World Bank considers land and housing issues within the context of urban economy. This view moves beyond housing and residential infrastructure and emphasizes the productivity of urban economy and the need to remove constraints on productivity (World Bank, 1991, 1993).

As argued by Jones and Ward (1992:17) and also by Baken and van der Linden (1993), the World Bank thus favors a formal housing industry, developed by the private sector, rather than a process of incremental-informal housing development conducted by the popular sector. In other

words, the Bank is focused on the MEA as a means of increasing urban efficiency and productivity. Rather than examining and exploring ways in which communities can be enabled to develop and improve their shelter, the World Bank's focus is upon ways in which market can be enabled to increase the productivity of cities. Such a view does not address the housing needs and strategies of the poor[4].

While it is certain that the market enabling approach (MEA) addresses the inefficiencies in housing markets, it ignores the socio-political aspects of such markets, accepting as a given the large inequalities of capitalism. In other words, under this policy there are no guarantees that special attention (or support) would be given directly to the problems of informal settlement—something that characterized previous World Bank involvement in site and services schemes and upgrading programs (Pugh, 1994:160-162). Further, Baken and van der Linden (1992:75-77) believe that a self-correcting market has never been achieved in reality; there are many factors that contribute to the imperfect and irrational nature of markets, so that a market approach in itself would not guarantee access to affordable housing for the poor.

As many writings have shown, the tendency of governments in developing countries such as Indonesia to adopt only the market enabling approach could have detrimental effects on the popular housing sector. Within the market enabling approach, for example, there is no need to call specifically for the state's direct intervention, in order to ensure that the poor will have access to affordable and adequate housing. Further, with the tendency of governments always to be on the side of capital, the struggle of the poor for urban resources, particularly for land, becomes more and more difficult.

In brief, if there is one most important lesson to be gained from this literature review, it is the idea that promoting the community enabling approach is not only useful but also necessary. It is necessary in order to counterbalance the global trends which favor the market enabling approach, and which thereby neglect the needs of the poor for adequate and affordable shelter. In other words, the reasons for advocating a com-munity enabling approach (CEA) are many, but the most fundamental reason is based on the ethical consideration that, in the con-text of increasing modernization and the de-veloping global market, the interests and the needs of poor communities have increasingly been neglected.

III. THE CONTEXT: HOUSING PROBLEMS IN INDONESIA

Comprise largely of informal settlements or kampung, but undergoing rapid changes and development pressures, Indonesian cities pose a dilemma for planners and decision-makers. In what direction should urban and housing development strategy be developed and implemented? The policy of Indonesia's government toward the kampung has, for several decades, accepted their de facto status. This policy has enabled kampung to provide about 80% of Indonesian urban housing (Struyk et.al., 1990).

With increasing development and commercialization in Indonesian cities, and a growing interest among international agencies and bureaucrats in fostering the economic functions of these cities, however, the future of Indonesia's kampung is uncertain. There is some doubt that the current status quo policy will be able to serve the future objectives of urban development in terms of efficiency and productivity. On the other hand, there is no clear answer to the question of whether a more formalized process of urban development is likely to reduce existing economic and social inequalities.

Critical Review of Housing Policy and Program in Indonesia

It is commonly believed that the Indonesian Government has comprehensively and successfully solved its urban problems, particularly the kampung problem, through its widely known scheme called the Kampung Improvement Program (KIP)[5]. Looking more carefully into the Indonesian Govern-

ment's policies and programs on urban housing and kampung, however, reveals that such optimistic views must be questioned.

Not only does the KIP itself contain several flaws and weaknesses, but also further there is no indication that the government's policies and programs on urban development and housing were based on a comprehensive understanding of housing and urban problems. The following discussion will show the weaknesses found in KIP, and also show how the government's other urban housing programs were not intentionally directed at helping the poor.

3.1 KIP: Several Weaknesses

Already well known in the literature, KIP is an infrastructure-upgrading program for the kampung that focuses upon the installation and improvement of roads, footpaths, water supplies, drainage facilities, and sanitation. It encompasses the idea that the improvement of physical and social facilities in the kampung would also stimulate the improvement of individual houses and eventually upgrades the socio-economic conditions of the community. Several of the program's weaknesses, however, are commonly discussed.

The first common criticism of KIP is usually of its limited focus, i.e. the physical infrastructure of the kampung (footpaths, drainage and sanitation facilities). It is true that the program stimulated individual housing improvements and increased house values, but it has also led to the increase of housing rents within the kampung, and therefore may have forced many of the poor to leave the kampung. Further, these physical improvements also tend to be temporary; after several years, many of the improvements made under the programs have decayed and either the government or the communities make no further improvements.

The second criticism of KIP is that this program does not have a wider city impact. As the implementation of this program is based on the smallest administrative unit, the *kelurahan*, its coverage is limited to the area selected annually, based on the government budget. In other words, this program has consistently failed to upgrade more complex infrastructure networks, like the water supplies and sewer systems, which require city-wide action beyond the kampung level. Besides, KIP is also criticized for depending very much on central government funding and neglecting cost-recovery issues. Since its first implementation in Jakarta, followed by other Indonesian cities, the funding for this program has been mostly from the central government.

On top of this, however, KIP has been criticized for not becoming involved in local communities in any real sense. Although it is formally stated that the program should be implemented with the involvement of communities, this does not, in practice, occur. Community participation in the program is generally limited and is not institutionalized. This situation has created a further negative effect, since communities consider that the operation and maintenance costs of such improvements are also the full responsibility of the government. Since, in reality, operation and maintenance generally receive a very low priority in the city budget, many improvements within kampung that were done several years ago are now in a state of serious decay.

It can be concluded, therefore, that, although KIP has benefited millions of urban residents, it should not be seen as the only solution regarding housing issues in Indonesia. It can be considered an ad-hoc solution that does not guarantee the long-term prospects of the majority of urban residents. In other words, KIP fails to develop the institutional capacity necessary for long-term development processes in kampung; it even tends to enhance people's dependency on the state.

3.2 Integrated Urban Infrastructure Development Program/IUIDP:

Considering that KIP alone could not solve the magnitude of Indonesia's urban pro-

blems, in 1985, the government initiated a program called Integrated Urban Infrastructure Development Program (IUIDP). With the main aim of increasing the quality of urban environments, this program also has the secondary aim of increasing the capacity of local governments in planning, managing, and evaluating the development of city infrastructure[6]. Within a broader context, then, this program emphasizes decentralizing planning and implementation capabilities and improving coordination at the local level.

As there is no comprehensive evaluation of the strengths and weaknesses of this program, it would be unfair to make such an assessment in this study. Three points, however, should be made. First, this program tends to channel limited local government resources to the already wealthy urban residents[7]. Second, the role of local governments has been rather more limited than was expected. Finally, and perhaps most important, the IUIDP program has also been accused of neglecting the potential for community and private sector involvement. Part of the reason was that the Local Public Works officials, the executing agency of the program, may not have been geared up or ready for community participation. In other words, the nature of the IUIDP seems not to be very open to people's involvement, and this may hinder the achievement of its objectives (Devas and Rakodi, 1993).

3.3 Public Housing Sector

Although heavily subsidized, the public housing sector in Indonesia is not working very well. It started in 1976, when the government established a National Housing Development Corporation (Perumnas), with the main task of providing low-cost housing for middle-and lower-income groups. Until 1991, however, with the financial support of the State Mortgage Bank, the Bank Tabungan Negara (BTN)[8], Perumnas had built only 216,556 units, which means only about 14,400 units per year. This is considered a very low number compared with the units constructed by the private sector (which started several years later) at about 992,252 units. In *Repelita V* (1989-1994), the government has targeted that Perumnas could built 122,500 units (about 24,500 units per year); however, in first two years of operation (1989-1991), Perumnas was able to build only 17,962 units (Herlianto, 1993). Further, this Perumnas housing also fails to reflect the equity aspect of housing development, as most of the housing built by Perumnas was bought by civil servants. Due to increasing land prices in many cities, it has been reported that now Perumnas cannot continue to build housing (Setiawan, 1993).

Considering that the cheapest housing produced by the formal housing sector was still not affordable by the poor, in 1990 the government proposed the construction of very simple housing units commonly called in Indonesia *Rumah Sangat Sederhana* (RSS)[9]. These are simple housing units of fifteen square meter of floor area, on a sixty square meter plot of land. The problem is that paying for such housing still requires a regular monthly income and a down payment, neither of which conditions can be met by those who work in informal sector activities with irregular incomes. Further, the program has also tended to be used by some people for speculative purposes. A study done in five cities in Java found that, five years after their construction, at least 30 per cent of such housing units had been re-sold (Sastrosasmito et.al., 1996).

3.4 Private Housing Sector

Although started several years after the public housing sector, in terms of numbers of units built, the private housing sector in Indonesia has shown significant progress. Up to 1991, the share of this sector of the total housing supplied by the formal sector accounted for about 942,352 units, which was almost four times more than the number of units built by Perumnas. The problem is, however, that the beneficiaries of this sector's expansion are mainly the moderate- and upper-income groups.

Further, the operation of the private sector has resulted in an increase in land prices

and a growing the inequality in land distribution (Herlianto, 1993). As is widely known by Indonesians, the weakness of land management and regulation in Indonesia allows many developers to engage in vast, uncontrolled land speculation and monopolization[10].

3.5 Urban Renewal Programs (*Program Peremajaan Kota)*

The urban renewal program is proposed as a part of government efforts to combat problems of urban development and housing. Its aim is to increase the productivity of cities by revitalizing districts or quarters that are in decay; particularly kampung built on government land. Based on the Presidential Instruction No. 5/1990 regarding slum renewal (Inpres No. 5/1990), this program is directed particularly at big cities like Jakarta, Bandung, Medan and Semarang. It was expected that during the Pelita V (1989-1994) 140 urban districts could be revitalized. However, by the third year of Pelita V (1992) only 32 projects had been realized. The Ministry of Public Works, particularly the Directorate of Human Settlement executes this program (Cipta Karya, 1992)

As stated in the Inpres No 5/1990, the implementation of this program should meet both the interests of the urban economy in general and the needs of the poor for affordable housing. In many cases, however, especially in Jakarta, such projects tend to harass the poor. They relocate thousands of the poor further to the city's periphery and remove hundreds of hectares of kampung that have already existed in the city for several decades (Dorleans, 1994). In the future, more innovative mechanisms that give more opportunities for communities to determine the process will be crucially needed.

3.1 Land Development Program

The above discussion of the government's policies and programs related to housing shows, among other things, that the government tends not to approach urban and housing problems in a comprehensive or structural way. In general, they show the government's intention to have more modernized and formalized land and housing development, but they have not resulted in better, more efficient and equal land markets.

The first effort that showed the government's intention of achieving a more formalized and marketable land supply wasthe national program on land registration called *Prona* (*Proyek Nasional Agraria*), initiated in 1974. With the main aim of increasing the percentage of registered land, this program was successful in speeding up the land registration process. Still, it was considered small-scale, in comparison to the magnitude of land problems in Indonesia. As noted by Henssen (1989), only about 15 per cent of land properties in Indonesia have proper legal titles.

Recently, another program to improve land tenure, particularly within urban areas, was launched in cities in Indonesia. It is called *Proyek Penertiban dan Peningkatan Hak Tanah* (P3HT) and focuses on urban land within kampung. In theory, with careful selection of the areas chosen as project areas, many kampungs will benefit from this program. Observations in Yogyakarta, however, have found that the program's implementation has tended to have insignificant results, particularly due to its the limited budget. Further, there are indications that this program has become subject to manipulation. It was found in Yogyakarta for example, that this project has also been used to legalize public land occupied by government officials.

In the mid-1980s, considering that the existing urban planning system did not work to guide urban development and that there were many impediments to supplying land for development, the government initiated a 'land readjustment' or 'land consolidation' program[11]. This land readjustment or land consolidation program was implemented in several cities in Indonesia. Evaluation of this program in Denpasar, however, found that it had caused several unexpected negative results. As this program was imple-

mented in the absence of land price controls, it tended to escalate land prices and give more opportunities to speculators and brokers than to land developers and house seekers. It did not, therefore, serve as an effective tool for increasing the supply of affordable land. It even created a distortion in the land market and hindered the provision of land, particularly to low-income people (Setiawan, 1995).

In order to increase revenues from land development, in the mid-1980s the government introduced a new system of land and building tax, called *Pajak Bumi dan Bangunan* (PBB)[12]. In theory, this kind of land tax can be used as an effective tool in land management. It can even reduce land speculation, which is commonly seen as the main obstacle to the effective working of land markets. This PBB, however, was not intentionally designed for this purpose. Rather than being consciously designed to improve the working of land markets, it was used mainly to increase government revenues. Further, lack of an administrative system, combined with confusion in land ownership, made it difficult to cover all tax objects.

Clear evidence of the government's orientation toward more liberalized land markets was the issuance of several government regulations in 1993, known in Indonesia as *Paket Oktober* 1993 (Pakto 1993). These were part of a 'deregulation' program, directed at removing many of the impediments to the investment process in Indonesia (BPN, 1994)[13]. It is clear that this mechanism was directed at facilitating land commercialization, and that it gave more power to developers to execute land transactions.

IV. CONCLUSION AND RECOMMENDATION

4.1 Conclusion and Theoretical Implication

Housing theories and studies have traditionally been concerned with the physical aspects of housing or settlement patterns. In general, such housing theories and studies were directed at developing housing standards, and took the perspective that housing was defined merely as 'shelter' and should conform to some sort of physical and architectural standards. This tradition altered quite fundamentally when, in the 1960s, Turner promoted the idea of housing as a verb or process, and argued the importance of considering the social aspects of housing. However, studies following from Turner's thesis, however, commonly neglect the relationship between housing and broader social issues, such as social welfare, power relations, equity and social change. It has been argued, therefore, that the concept of self-help as individual effort tends to reinforce the status quo and works against social change or progress (Ward, 1982; Mathey, 1992).

Challenged by this situation, Castells (1977, 1983) and Burgess (1978, 1982, 1985a) proposed Marxist perspectives for analyzing and theorizing about housing (and urban) issues; they argued that housing studies and housing policy should be framed within the context of power relations. Burgess argues that the practice of self-help may improve the physical standards of a settlement, but that it cannot guarantee any raising of people's political consciousness. He interprets self-help housing as 'double exploitation,' because it forces the poor to rely upon their own efforts to shelter themselves. In other words, this situation allows the government to escape responsibility for the welfare of society. The main attack in Marxist writings concerning housing problems is usually directed at the state, which, according to the Marxist view, fails to serve public interests, particularly those of the poor, and tends to be the agent of capital.

From this perspective, Castells proposes that new strategies in urban social movements should be directed, not only at making economic demands on collective consumption (in the case of settlement upgrading this is the demand for physical improvements); instead, such strategies must represent something more: that is, a call for

Table 1
Summary of Assessment Concerning Indonesian Government's Policies and Programs on Urban and Housing Development

Policies/programs	Description	Assessment
1. Kampung Improvement Program (KIP)	Started in Jakarta in 1969 Aim: Improve the physical aspects of kampung (basic infrastructure) Executing agency: PU No legal backup	Limited only to the physical elements and neglects socio-economic issues Poor operation and maintenance Low cost recovery Top-down; little community participation Ad-hoc approach; Increased house rents Does not guarantee the long-term future of kampung
2. Integrated Urban Infrastructure Development Project (IUIDP)	Started in 1985 Aim: decentralization of urban infrastructure development and increasing the local governments' capacities	Depends upon central gov't. funding Not in accordance with the master plan Served mostly wealthy urban residents Community involvement is limited
3. Public Housing Sector (Perumnas)	Started in 1976 Target: low income groups	Heavily subsidized, but small achievement Not accessible for informal sector workers; Served only a small segment of society Contributed small % of housing demand Locations are too far from urban centers
4. Private Housing	Started in the late 1970s Utilizing commercial bank	Served not more than 15% of housing need Benefited only middle & upper income groups; Increased land speculation & monopolization
5. Urban Renewal	Started in 1990 under Inpres No.5 Aim: urban productivity and revitalization, Target: kampung located on Gov't land/squatter settlements	Top-down approach Lack of community involvement Needed big investment Caused gentrification Destroyed the existing social institution.
6. Land Development Programs	Consisted of several instruments such as: Prona; P3HT; Land Readjustment; Pakto '93	Caused more land speculation & accumulation; Tended to be ad-hoc, no legal backup No cost recovery Created distortions in land market

Starting in the 1980s, with the development of the so-called 'global market' and the adoption of 'structural adjustments' supported by many international agencies, the housing issue has been viewed mainly as an economic issue. The World Bank's policy on urban and housing development, for example, clearly advocates integrating housing into the wider urban economy, and developing both the housing sector and the urban economy as vehicles for promoting general economic growth and productivity. From this perspective, housing studies and policies have therefore focused on the economic aspects of housing; they assume the existence of a perfectly competitive housing market, in which supply will respond to demand unless there are particular constraints. Many scholars have criticized this trend, referred to here as the market enabling approach, for neglecting the sociological and political dimensions of housing.

This paper is framed within the context of the historical development of housing studies and theories briefly discussed above. It argues that housing issues are basically complex, involving not only economic but also socio-political factors. Efficiency in housing production, as promoted by the market enabling approach (MEA) is, of course, important. At the same time, however, social considerations in the formulation of housing policies should not be neglected. It is from this perspective that the community enabling approach (CEA) for the popular housing sector should be determined; however limited its results, it should be implemented as part of a broader agenda of social equity.

4.2 Policy Recommendation

It can be concluded from the above discussion that, despite the clear significance of kampung for Indonesian society, the Indonesian government continues to favor the formal housing sector and to direct its assistance to it. This kind of policy ignores the socio-political aspects of housing markets, and accepts the large social and economic inequalities of capitalism as inevitable; social considerations that are vital to the formulation of urban and housing policies have thus been neglected.

With increasing development and commercialization in Indonesian cities, and growing interest among international agencies, policy makers, and bureaucrats in fostering the economic functions of these cities, the social considerations of urban and housing development could be neglected. It is within this context that this paper argues the crucial need for giving more attention on the equity aspects of urban and housing development. From this, this paper will now suggest several policy and planning recommendations for Indonesia.

4.2.1 General Housing Policy

The first lesson derived from this paper is that the government of Indonesia should give more attention to the effectiveness of the informal settlement or kampung, which continue to provide serviceable and affordable shelter for the majority of urban residents. The tendency toward favoring the market enabling approach should be carefully reevaluated, as it does not properly address the social considerations necessary for housing policy. From the perspective of community enablement, programs such as KIP should be reformulated to include much more comprehensive community development programs (human and economic development), as well as stronger and more meaningful community participation.

4.2.2 Developing a fair, transparent urban development mechanism.

The second important lesson is that the Indonesian government should direct its efforts at developing fairer, more transparent and democratic processes for urban and housing development. Urban development is based upon more than an economic rationale, and involves many complex socio-political factors. This suggests that more transparent and fairer urban development mechanisms, which guarantee the involvement of all parties, including kampung people, are not only important but also necessary.

4.2.3 Careful reformation of the formal legal framework for urban and housing development.

With respect to the second lesson, the third lesson for policy is concerned with efforts to reformulate the legal framework, the laws and regulations concerning urban and housing development. The fact that regulations concerning housing and land development are unable to solve present problems suggests that we should carefully re-examine both the philosophical basis, as well as the implementation of these laws and regulations. In this context, it is crucial that efforts to formalize and legalize urban and housing development mechanisms should be carefully conducted, in accordance with the social, cultural, and political contexts of Indonesian society.

4.2.4 Reorienting planning theory and practice.

The fourth lesson we can gain from this study is that planners in Indonesia should clearly understand that urban and housing development is basically a socio-political process. The role of planners, therefore, should go beyond merely mapping out the physical layout of the city, working for the state and articulating the state's interests. They must deal with broader socio-political issues of urban development, and act to further values of equity, justice and democracy.

4.2.5 Community empowerment

Finally, and most importantly, the communities themselves should learn and clearly understand that they have to empower themselves. As urban growth continues and requires even more land for commercial purposes, the kampung, which now comprise the major part of urban areas, will become the main victims or targets of urban development. With increasing external and internal pressures on kampung, kampung communities should be aware that their future very much depends on their ability to establish solidarity among their members and to negotiate with external agencies. In other words, it is very important to maintain and strengthen the solidarity of kampung communities, since they safeguard the interests of the majority of the urban poor.

V. REFERENCES

Abrams, C. 1966. *Squatter Settlements: The Problems and Opportunities*. Washington DC: Division of International Affairs, Department of Housing and Urban Development.

Angel, S., R.W. Archer, S. Tanphiphat and E.A. Wegelin. eds. 1983. *Land for Housing the Poor*. Bangkok: Select Books.

Baken, R.J. and Van Der Linden. 1993. Getting the Incentives Right: Banking on the Formal Private Sector. *Third World Planning Review* 15 (1): 1-22.

Baross, P. and Jan Van Der Linden. 1990. *The Transformation of Land Supply System in Third World Cities*. Avebury: Aldershot

Burgess, R. 1985a. The Limits of State Self-help Housing Programmes. *Development and Change*. 16: 270-312.

_____. 1985b. Problems in the Classification of Low Income Neighborhoods in Latin America. *Third World Planning Review* 4 (7): 287-306.

_____. 1982. Self-help Housing Advocacy: A Curious Form of Radicalism. A Critique of the Work of John Turner. In *Self-help Housing, A Critique*, ed. P. M. Ward. London: Mansell Publishing Limited.

Castells, M. 1983. *The City and the Grassroots, A Cross-cultural Theory of Urban Social Movements*. Victoria: Edward Arnold.

_____. 1977. *The Urban Question: A Marxist Approach*. London: Arnold Press.

Collier, D. 1976. *Squatters and Oligarchs, Authoritarian Rule and Policy Change in Lima*. Baltimore: The Johns Hopkins University Press.

Desai, V. 1995. *Community Participation and Slum Housing, A Study of Bombay*. New Delhi: Sage Publications.

DeSoto, F. 1989. *The Other Path*. New York: Harper and Row.

Devas, N. 1980. *Indonesia's Kampung Improvement Programme: An Evaluative Case-Study*. DAG Occasional Paper 10. Birmingham: University of Birmingham.

Gilbert, A. 1991. Comparative Analysis: Studying housing processes in Latin American cities. In *Housing the poor in the developing world. Methods of analysis, case stu-*

dies and policy, eds. G. Tipple and G. W. Kenneth. London: Routledge.

_____. 1990. The Cost and Benefits of Illegality and Irregularity in the Supply of Land. In *The Transformation of Land Supply System in Third World Cities*, eds. P. Baross and Jan van der Linden. Avebury: Aldershot.

Gilbert, A. and P. Ward. 1985. *Housing, the State and the Poor: Policy and Practice in Three Latin American Cities*. Cambridge: Cambridge University Press.

Hardoy, J.E., and D. Satterthwaite. 1989. *Squatter Citizen: Life in the Urban Third World*. London: Earthscan Publication Ltd.

Harms, H. 1992. Self-help Housing in Developed and Third World Countries. In *Beyond Self-help Housing*, ed. K. Mathey. New York: Profil Verlag.

_____. 1982. Historical Perspectives on the Practice and Purpose of Self-help Housing. In *Self-Help Housing, A Critique*, ed. P. M. Ward. London: Mansel Publishing Ltd.

Herlianto. 1993. *National Trends in Housing Production Practices*. Nairobi: UNCHS/ Habitat.

Jones, G. and P.M. Ward. 1994. *Methodology for land and housing market analysis*. Cambridge: Lincoln Institute of Land Policy.

Kemeny, J. 1992. *Housing and Social Theory*. London and New York: Routledge.

Lee, B.K. 1994. A Comment on "The World Bank's 'New' Urban Management Programme: Paradigm Shift or Policy Continuity?" by Gareth A. Jones and Peter M. Ward. *Habitat International* 18 (4): 139-144.

Leaf, M. 1994. Legal Authority in an Extralegal Setting: The Case of Land Rights in Jakarta, Indonesia. *Journal of Planning Education and Research* 14 (1): 11-18.

_____. 1993a. *Urban Housing in Third World Market Economies, An Overview of the Literature*. Vancouver: Center for Human Settlements, The University of British Columbia.

Mathey, K. ed. 1992. *Beyond Self-Help Housing*. London and New York: Mansell Publishing Limited.

Malpezzi, S. 1994. Getting the Incentives Right, A Reply to Robert van Baken and Jan van der Linden. *Third World Planning Review* 16 (4): 451-466.

Mayo, S. K., S. Malpezzi, and D. J. Gross. 1986. *Shelter strategies for the urban poor in developing countries*. World bank Research Observer, 1(2): 183-203.

Mitlin, D., and J. Thompson. 1995. Participatory Approaches in Urban Areas: Strengthening Civil Society or Reinforcing the Status Quo? *Environment and Urbanization* 7(1): 231-248

Mitra, B.C., and P. Nientied. 1989. Land Supply and Housing Expenses for Low-Income Families: A Rationale for Government Intervention. Working paper No.19. Vrije Universitet, Amsterdam.

Nientied, P. and Van der Linden. 1985. Approaches to low-income housing in the Third Word: some comments. *International Journal of Urban and Regional Research* 9 (3): 311-329.

Payne, G. K. 1989. *Informal Housing and Land Subdivisions in Third World Cities: A Review of the Literature*. Oxford: Center for Development and Environmental Planning/ CENDEP.

_____. 1984. *Low-income Housing in the Developing World: The Role of Sites and Services and Settlement Upgrading*. Toronto: John Wiley and Son.

Perlman, J. 1987. Misconceptions about the Urban Poor and the Dynamics of Housing Policy Research. *Journal of Planning Education and Research* 6:187-196.

Pugh, C. 1994. Housing Policy Development in Developing Countries, The World Bank and Internationalization, 1972-93. *Cities* 11(3): 159-180.

Salmen, L. 1987. Participant-Observer and Evaluation of Upgrading Projects in Two Latin American Cities: La Paz and Guayaquil. In *Shelter Upgrading for the Urban Poor: Evaluation of Third World Experience*, eds. Skinner, et. al. Manila: Island Publishing House.

Schmidt, E., ed. 1989. *Squatters' Struggles and Housing Policies in Asia, Experiences from Five Countries in Southeast and South Asia*. Dortmund: Institut fur Raumplanung (IRPUD), Universitat Dortmund.

Schuurman, F. and Ton van Naerssen. 1989. *Urban Social Movements in the Third World*. London and New York: Routledge.

Setiawan, B. 1993. Housing Delivery System in the Code River, Yogyakarta. *Jurnal Perencanaan Wilayah dan Kota*. July, 1993.

_____. 1987. *Spontaneous Settlement in the Chinese Cemetery*. Yogyakarta: Department of Architecture, Gadjah Mada University: Internal Publication.

Silas, J. 1992. Government-Community Partnership in KIP in Surabaya. *Environment and Urbanization*. 14(2): 33-41.

_____. 1984. The Kampung Improvement Programme of Indonesia: A Comparative Case Study of Jakarta and Surabaya. In *Low-Income Housing in the Developing World*, ed. G. K. Payne London: John Wiley and Sons Ltd.

Sinha, A. 1991. Participant Observation: A study of state-aided self-help housing in Lucknow, India. In *Housing the Poor in the Developing World, Methods of Analysis, Case Studies and Policy*, eds. G. Tipple and G. W. Kennet. London and New York: Routledge.

Skinner, R. J., J.L Taylor, and E.A. Wegelin. eds. 1987. *Shelter Upgrading for the Urban Poor: Evaluation of Third World Experience*. Manila: Island Publishing House.

Steinberg, F. 1992. People's Participation and Self-help in the Indonesian Kampung. In Mathey, K. ed. 1992. *Beyond Self-help Housing*, ed. K. Mathey. London and New York: Mansell Publishing Limited.

Struyk, R. J., M L. Hoffman, and H. M. Katsura. 1990. *The Market for Shelter in Indonesian Cities*. Washington DC: The Urban Institute Press.

Taylor, J.L. 1987. Evaluation of the Jakarta Kampung Improvement Program. In. *Shelter Upgrading for the Urban Poor, Evaluation of Third World Experience, ed. Skinner*, et. al.. Manila: Island Publishing House.

Tipple, G. and G.W. Kenneth. 1991. *Housing the poor in the developing world, methods of analysis, case studies and policy*. London and New York: Routledge.

Turner, B. ed. 1988. *Building Community, A Third World Case Book*. London: Building Community Books.

Turner, J.F.C. 1982. Issues in Self-help and Self-Managed Housing. In Ward, P.M. ed. 1982. *Self-Help Housing, A Critique*, ed. P. M. Ward. London: Mansell Publishing Limited.

_____. 1976. *Housing by People: Toward Autonomy in Building Environments*. London: Marion Boyars.

Turner, J.F.C. and R. Fichter. 1972. *Freedom to Build: Dweller Control of the Housing Process*. New York: MacMillan.

UNCHS. 1990. *The Global Strategy for Shelter to the Year 2000*. Nairobi: United Nations Center for Human Settlements.

_____. 1988. *Shelter for the homeless: the role of Non-governmental Organizations, NGOs*. Nairobi: United Nations Center for Human Settlements.

_____. 1986. *Global Report on Human Settlement*. Nairobi: UNCHS.

_____. 1982. *Survey of slum and squatter settlements*. Dublin: Tycooly International.

UU. No.4/1992. *Undang-Undang Republik Indonesia Nomor 4 Tahun 1992 tentang Perumahan dan Permukiman*.

Van Der Linden, J. 1992. Where do we go from here? *Third World Planning Review* 16(3): 223-229.

_____. 1989. The Limits of territorial social movements: the case of housing in Karachi. In *Urban Social Movements in the Third World*, eds. F. Schuurman and Ton van Naerssen. London and New York: Routledge

Viloria J.G. and D. Williams. 1987. Evaluation of Community Upgrading Programs in Metro Manila. In *Shelter Upgrading for the Urban Poor: Evaluation of Third World Experience, eds. Skinner, et. al. Manila:* Island Publishing House.

Ward, P. M., ed. 1982. *Self-Help Housing, A Critique*. London: Mansell Publishing Limited.

Wegelin, E.A. 1994. Everything You Always Wanted to Know About the Urban Management Programme (But Were Afraid to Ask). *Habitat International* 18(4): 127-137.

The World Bank. 1993. *Housing Enabling Markets to Work*. A World Bank Policy Paper. Washington, D.C.: The World Bank.

_____. 1990. *Urban Policy and Economic Development: An Agenda for the 1990s*. A World Bank Policy Paper. Washington, D.C.: The World Bank.

---

[1] In this research, the term 'informal' or 'popular' settlement and self-help housing are used interchangeably. In brief, both terms refer to housing or settlement development that is executed outside the procedures and regulations developed and imposed by the state, and is produced by both individuals households and communities without reliance on either government or private funding institutions.

[2] The term kampung itself is problematic and need further explanation. In this article, however, the term kampung is defined as typical informal settlements in urban areas in Indonesia. It should be noted that in the Indonesian language no letters are added to nouns to indicate a plural form. I have not anglicized such words by adding –s for the plural.

[3] As many have been aware, the influence of the World Bank on urban and housing policies in developing countries should not be understated. (Pugh (1994: 159) argued that, since it entered the field of low-income housing projects in 1972, the Bank has exerted a powerful influence on the development of housing theory and policy. It should be noted, however, that expenditures by international aid and finance organizations are quite low. Only 1 percent of the United Nations total grant-financed expenditures in 1988 went on human settlement. In 1991, loans from the World Bank and the International Development Association for urban development and water supply and sewerage amounted to only about 5.5 percent of their total lending (Sitarz, 1994).

[4] Further detailed evaluations and criticism concerning the World Bank agenda on urban productivity can be seen in writings by Baken van der Linden (1992, 1993), Pugh (1994), Jones and Ward (1994); while replies are presented by Malpezzi (1994); Cohen and Leitmann (1994); Wegelin (1994); and Lee, B. K. (1994)

[5] As documented by Steinberg (1992: 364), since it was first launched in Jakarta in 1969, the program has reached about 8.7 million urban residents, in at least 427 cities throughout Indonesia. It has improved the physical appearance of about 36,225 hectare of kampung areas, not to mention its possible positive impact on the economy of kampung dwellers.

[6] This program covers seven major service components, which fall under the Directorate General of Human Settlement (Ditjen Cipta Karya) in the Ministry of Public Works. These seven major services are: (1) spatial urban planning; (2) water supply); (3) sewerage, human waste; (4) drainage and flood control; (5) urban roads; (6) MIIP (market infrastructure improvement program); and (7) KIP, or housing

[7] Data from 45 secondary cities in Indonesia reveal that the housing sector (in the form of the KIP program) in this IUIDP program comprised only a very small percentage at about 8.5 percent. The biggest part was allocated for urban infrastructure at the city-wide level beyond the kampung areas such as water supply (36.6%), urban roads (27.4%), drainage and flood control (13.8%), solid waste (8%), and human waste (5.8%). In Yogyakarta, for example, despite the fact that kampung areas comprise about 70 percent of the total city area, between 1990-1995 the total budget for the KIP component within the IUIDP package was only about 9 percent (YUDP, 1991).

[8] BTN itself shows how some discrepancies have occurred in the public housing sector in Indonesia. Rather than serving the majority of the urban poor, however, BTN served mostly those who have already enjoyed the benefits of development. As documented by Struyk et. al. In 1987-1988, the value of subsidies embodied in BTN loans was about 117 billion rupiah, compared to about 37.5 billion rupiah in the Kampung Improvement Program.

[9] The housing target for Repelita V, for example, includes the construction of 500,000 RSS housing units which will largely built by private developers. Private developers, however, feel that there are increasing difficulties in securing land at prices which still allow a reasonable profit margin for them, given that the prices for low income housing are still fixed by the government.

[10] This is particularly clear in the case of increasing numbers of large-scale developments around Jakarta, which cover not only hundreds of hectares, but thousands of hectares. As documented by Firman and Dharmapatni (1994), in total the amount of land requested for housing development in Jakarta over the last 10 years has reached 60,000 hectares.

[11] The idea was to follow the model of several Asian countries, notably Korea and Japan, which land successfully utilized this mechanism to support the rapid process of urban development. Three main aims were set for this program: (1) to increase land supply and overcome delays in development; (2) to use development profits to finance public sector utilities, such as roads; and (3) to provide profits to private land owners.

[12] This replaced the previous household tax (IPEDA) and was administered directly by the Ministry of Finance, through the PBB office *(Kantor Kas PBB)* in each *kabupaten* and *kotamadya*. Local governments are, therefore, passive recipients of the program and receive about 65 percent of the total tax collected by the PBB office.

[13] Focusing on land and building permit regulations, the Pakto 1993 places more responsibility to manage the investment process at the *Kabupaten* and *Kotamadya* levels. This simplifies the investment process, as previously a team consisting of several government agencies, both at the Kabupaten and provincial levels issued location permits.