

Evaluation of Informal Settlement Policy

Supporting the Municipality to Reduce Informal Settlement in Urban Area.



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Shelter Situation Analysis

Basic General Data

Geography and Administration

Indonesia is one of archipelago countries and located in Southeast Asia, it comprise more than 13,000 islands and total area 1,903,650 sq km, extending 4,830 km along the equator from the Malaysia mainland toward Australia. The archipelago forms a natural barrier between the Indian and Pacific oceans. Indonesia's main island include Java, Sumatra, Kalimantan (Borneo) , and Sulawesi (Celebes); Bali, and Papua (West New Guinea). Administratively, Indonesia is divided into thirty-three provinces; and 400 districts (*kabupaten*) and municipalities (*kotamadya*).

Demography and Health

In 1995, the population of Indonesia was 195 million, and 219 million in 2005 by 1.23% growth rate annually¹. 79% of population inhabit on the Sumatra, Java, and

¹ Indonesia Statistical Data Bureau, 2005.

Bali Island which is 30% of Indonesia area. The population is misdistribution, for instance Kalimantan Island is 28% of Indonesian area whereas it is only 5.5% of Indonesian population. Jakarta, the capital city of Indonesia, is the largest city and also as the highest density about 13.344 per sq km.

Urban population is 105 million or 48 % in 2005, and expected 65 % by 2030 (Nation Secretariat, 2002). A key factor in rapid urbanization is the concentration of industrialization and economic growth in urban area, while employment on the rural areas has become less attractive to the younger members of the population. Urban migration, especially to the capital city, Jakarta, started in 1950 unrest broke out in parts of the country. The urban population grew rate is 4.4% (World Bank 2003). Because of the migrant to the urban area are unskilled and limited accesses to infrastructure, making their live unhealthy and 20.9 million urban populations live on the slums area.

Economy

Crude oil is Indonesia's most valuable natural resource. Also, Indonesia is the world's leading supplier of liquid natural gas. Nearly all of the country's oil and gas deposits are located on Sumatra, though oil fields have recently been discovered in Kalimantan Timur province.

Indonesia is one of the world's major rubber producers; other plantation and smallholder crops include sugarcane, coffee, tea, tobacco, palm oil, cinchona, cacao, sisal, coconuts, and spices. Despite plantation cultivation, Indonesia has a wide landholding base; the majority of the people are largely self-sufficient in food. Rice is the major crop; cassava, maize, yams, soybeans, peanuts, and fruit are also grown.

In 2007, Indonesia GDP is \$ US 3,725 and 5, 05% annual growth rate (CIA World Fact book). However, much of its working force is still engaged in agriculture. Industry is mainly limited to food, mineral and wood processing, a variety of light manufacturing, and cement production.

Shelter Related Fact and Figures

Access to Shelter

About 85% of housing development in Indonesia has been done through household based system including informal system such as self help housing, rotating saving clubs, and cooperatives, 15% was build through formal system. Accessibility to the shelter especially for informal sector is quite difficult since the instrument and mechanism of long term financing for housing not yet available.

The housing backlog almost 4,350,000 unit because of the housing demand is high than housing supply. Based on the prediction and assuming that the backlog will be eliminated in 10 years; there will be 435,000 unit of housing to be delivered per year. On the other hand 800,000 additional young couple household predicted as annual household. It needs to be provided in total around 1,235,000 housing units per year.

Formal rental houses called as simple multi-storey house (Rusunawa) provided by central government and managed by local government. The aim of Rusunawa is to provide the houses for the people who live on the slums area. The construction of Rusunawa has started in 2003. The informal rental house is also quite common in Indonesia through the housing tenure but it is uncontrolled.

Most of the housing status in Indonesia own by community through the informal process. Transactions through informal markets are dominated by the way how Indonesian households acquire their housing. At least 57% of them acquire the housing without loan and incrementally build their house. If loans are involved, most of them are originated from outside of formal financial institutions, such as employers, families, and friends. The rest came from informal housing finance institutions which might involve informal lending or saving institutions such as trade credit, rotating credit societies, cooperatives, and credit union, and other sources which might include moneylenders, goldsmiths, and pawnshops. (Struyk, Raymond J., Michael L. Hoffman, and Harold M. Katsura, 1990).

The Indonesian population was classified in to five income groups that are the poorest, vulnerable poor, very low income, low income, and middle and high

income². The formal housing loan only provide for regular income. By assuming the effort ratio is 1/3 to get loan, the low income people could get the housing loan. See Figure 1.1 and Table 1.1.

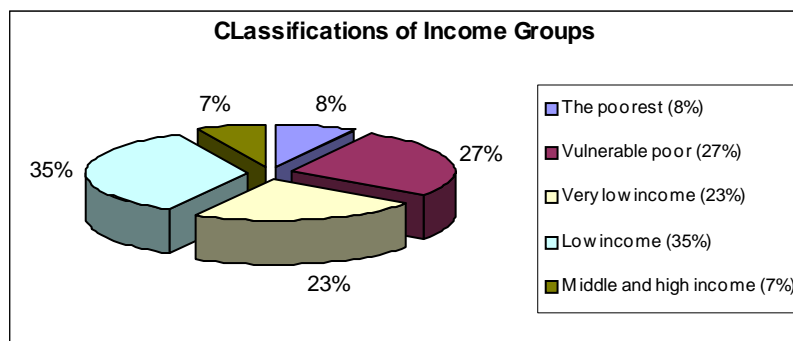


Figure 1.1 Income Groups

Table 1.1 House Price and Affordability of Households

| House Type | House Price (Rupiah) | Down Payment | Loan | Interest Rate | Maturity (year) | Remarks |
|------------------|----------------------|--------------|------------|---------------|-----------------|--|
| Low Cost Housing | RS T. 21 26,810,000 | 10% | 24,129,000 | 11.0% | 20 | Affordable for very low income . |
| | RS T. 27 34,320,000 | 20% | 27,456,000 | 14.0% | 20 | Affordable for low income . |
| | RS T. 36 49,860,000 | 20% | 39,888,000 | 14.0% | 20 | A part of low income is affordable. |

Source: Decree of Ministry of Settlement and Regional Infrastructure No.172/KPTS/M/2001, and Analysis (2001).

Approach and attention to the low income group is by way of constructing very simple houses (RSS), and simple houses (RS) in sufficient quantity at affordable price. Credit for constructions of RSS and RS is made available by the Home Ownership Mortgage Scheme (KPR). The housing standard for the low income consist of type 21, 27, and 36 sq meter.

Housing construction for low income increased by 57%, in 2006 the government built 78.174 units and in 2007 built 122,811 units. It is eligible for workers, civil servants, members of military, and participants of workers insurance. The housing materials for low income is very simple consist of cement, brick, stone, and wood. The housing construction is still below compare to the housing need which more than 1 million units per year.

² Michael Lindfield, 2000.

Access to and cost of Basic Services/Infrastructure

The accessibility of the poor and low income people to the basic infrastructure is limited. The central government has tried to allocate the budget in order to provide the infrastructure but government fund also limited. Since 1998 the government has tried to develop the housing and settlement through local government program. In 2005 the central government has allocated Rp. 1.3 billion for the shelter infrastructure particularly on the slums area³. Every year the public work facilities and basic infrastructure provided by government in order to support more or less 100,000 unit's low cost housing.

Access to and cost of Education

The accessibility for education supported by government regulation to encourage the level of education up to secondary level (9 years) as given priority which is compulsory. All children must be finished the basic education around the country, and the government was place the basic education as a target of Millennium Development Goal. At the same time Indonesia still has the problem particularly on the isolated area and also on the urban slums area.

Actors in Shelter Delivery and their Roles

The actors that are involved in on shelter delivery consist of government, private enterprise, semi private enterprise (government enterprise), and non-government offices (NGO) which are located on the national level and local level. On the national level they have to set up settlement development policy and housing policy, and also formulate the housing development program including housing provision and financing. On the local level, they have to plan land provision, infrastructure, planning and monitoring. The actors on national level such as; Ministry of Public Works, State Ministry of Housing, National Development Planning Agency (Bappenas), Ministry of Finance, National Land Agency, State Saving Bank, and National Housing Public Company. On the local level, consist of: Local Development Planning Agency, Section of Public Works, Urban Spatial Planning Section, and Local Land Agency, NGO, and Community Based Organization (CBO).

³ National Planning and Development Agency (Bappenas), 2005.

The position of national level is as a decision making and standing policies particularly for long term period, and for the short term period it has also related programs and projects at local level.

Shelter Design

One of the project consist of shelter design is the Neighbourhoods Upgrading Shelter Sector Project (NUSSP) financed by ADB. The physical planning should be done by local government, and also it should be responsibility to provide and execute land acquisition (if necessary). Land use for the settlements should be in line with Local Spatial Planning. The location for settlement should have good access to the city centre and economic activity which is a potential possibility to be developed in the future. The approach may deal with the community on the area development through infrastructure and housing development.

The housing project is landed houses whereas the housing lots is quite small as 72 sqm or and 48 sqm, and one hectare consist of 95 housing lots and 145 housing lots. The population density approximately 475 - 725 inhabitant per hectare. There is some aspect that should be considered in shelter design including the quality, safety, and comfort since the shelter design involuntary decided without in-dept consideration alternatives of shelter.

The local government has responsibility to prepare cooperation with the local institution and developer to build the housing. The housing construction could be carried out by contractor or community it self and financed by Local Financial Institution, bank or non bank.

The government also provide the shelter design for low income through the rental of simple multi stories houses consist of type 21 sqm and 24 sqm. In one hectare could be constructed for 3 twin block or 288 housing units, and the population density approximately 1,440 inhabitant per hectare.

Housing and Settlement Policy

The vision of national policy and strategy on housing and human settlement Indonesia 2020 is “All people living in adequate dwelling in healthy, safe harmonious and sustainable human settlement. While the mission is:

- a. To enable people for living in adequate dwelling in healthy, safe, harmonious and sustainable human settlements through empowerment and enablement.
- b. To help people create a culture of organic growth in the community through human settlement development⁴.)

The policy and strategy cover the development of decent housing and settlement, affordable by all layers of the community, with low income groups given first priority, the sustained development of housing and settlement with environmental concept, in balance urban and rural development directed to create a stable national settlement system.

The Existing Policy

The existing settlement policy refers to National Housing and Settlement Policy and Strategy (KSNPP), launched 2002. The KSNPP cover three fundamental policies: (a) institutionalizing community and people-cantered housing and human settlement governance, (b) achieving shelter as basic need for all, creating healthy, save, harmonious and sustainable human settlements for supporting identity, self reliance and productivity⁵.

The policies are aimed to improve the settlement condition through the actors on the local level based on three basic policies as the platform for human settlement development:

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

⁴ National Policy and Strategy on Housing and Human Settlements (KSNPP) Indonesia 2000-2020, Ministry of Human Settlement and Regional Infrastructure).

⁵ Human Settlement Country Profile Indonesia, 2004

Organisation of the Directorate of Settlement Development

The organization namely the Directorate of Settlement Development (DSD) as part of Ministry of Public Works (MPW) where I work. The DSD has the responsibility to formulate settlement development policy and strategy, and to facilitate the local government in order to solve the settlement problems at local context such as slums area, informal settlement, etc. The DSD also provide technical assistance and also providing the settlement infrastructure as stimulant project at local level.

The role of DSD is very strategic because of Indonesia has a big challenging to reduces shelter problems. The DSD try to enhance the awareness of local government to anticipate the shelter and urban problems since the migration to the urban area tend to increase. There are some activities that have been done in order to give more attention to shelter issues through the settlement development activities. The DSD has also tried to encourage the local government to be more coordinate among related institutions in local level.

Shelter Problem

The big cities in Indonesia has faced serious problem of urbanization rapidly since most of the people who migrate to the cities are unskilled and poor people. The urbanization in Indonesia tends to increase from year to year, in 2000 the urban population is 36.3% of 210 million national population, in 2005 urban population 41.1%, and based on the prediction in 2020 urban population will be 54.3%, and 68% in 2025 (Resources; Indonesia Statistical Bureau, 2006). The increasing of urban population is quite related to the migration from the rural area as an impact of disparity between urban and rural development.

The urban economic growth and urban activities has stimulated the people from the rural or sub urban to migrate as a hope for their live. Because of the economic reason they have not be able to access the land and infrastructures. Most of them live in the informal settlements on the urban areas such as on the rivers

banks, rail way corridors, and the areas a long the toll roads. They try to survive in the urban area by occupying the land illegally (see Figure 2.1).



Figure 2.2 Informal Settlement in Urban Area

Based on the data, in 2005 there are 47,000 ha slums on the urban areas including informal settlement, and 23,1% of urban population 112 million live on the slums area and informal settlement.

The informal settlement has been forming a significant process of the urban development in Indonesia, and tend be a big challenge of the cities. In Indonesia the informal settlement displays a very specific condition, event they stay at the illegal land but some of them have a legal card identity. The problem of informal settlement to be more complicated since the role of the actors is not unclear who take the responsibility of the informal settlement problems on the national or local level. For instance, the Presidential Regulation No. 65/2006 on Land Acquisition and Resettlement are not so clear the definition of social and economic impact for the affected person, and there is no provision for vulnerable group, and also no clarity on compensation of the affected person asset.

The Problems Related to the Policy

Refer to the Act. No. 32/2004 on Local Autonomy stated that the local government responsible for the development of urban area. As a main part of the urban area, the settlement policy does not as the priority of urban development at the local level. On the national level, the SDD has involved on settlement development as enabler, but this role is not works well because of the activities tend to think the settlement as a product of activities not as the process, and policy not consider what others aspect related to the settlement process beyond the physical aspect. Otherwise, on the local level the government also is not so understand deeply the settlement development as a part of urban development, and also lack of concern the settlement issues. There are two part of critical shelter problems, first; the local government could not control the area which is occupied illegally, second; both of central government and local government think to solve the problems on the partial aspect on the short term period.

In order to solve the settlement problems related to informal settlement the central government has formulated several settlement policies including;

- Providing the rental multi-storey houses for the people who live on the illegal land.
- Providing the infrastructures such as water supply, sewerage, drainage, and disposal collection on the slums area.

The existing settlement policies are not enough to cover the problems, and for this reason the policies should be evaluated considering the issues of settlement, related aspects of settlement, and current situation of autonomy era. In order to clarify the issue of settlement and the solution of informal settlement several discussion and interview has been done involved the experts and stake holder at national and local level. Based on the discussion there are some issues that could be recognized such as the role of the actors, and the key pushing factors of informal settlement. The discussions and interviews has been held in Jakarta with the stakeholders consist of local government, the universities expert, community organization, and NGO, World Bank Staff, UN Habitat representative in Indonesia, concluded that;

- The settlement policies should be more comprehensive approach including social, income generating, and community's culture.

- The settlement policies should be more consider communities perspective through the dialogues with the communities in place.
- The NGO should be involved to facilitate the government policy by involving the communities on the planning process.
- The government should provide the settlement infrastructure on the area.
- The implementation of policies should be done in the multi years activities since the settlement development is as a process.
- The settlement issues are not to be a priority agenda at the local level.
- There is no policy frame work to solve the informal settlement, including the role actors who suppose to do.
- Lack of awareness to integrated the settlement policy into comprehensive approach including the environment, social and economic impact to the community.

There are also some problems and obstacles to reduce the informal settlement at the national and local level, as follow:

- The lack of awareness of settlement issues such as informal settlement.
- The weaknesses of local government to develop the area since the capacity are limited.
- The local government could not control the increasing of informal settlement because of rapid migration.
- Political situation, the mayor and regent leader more focus on their period of time. They tend to avoid the long term program such as the shelter because it will take time.
- There are some activities which are overlapping among the actors in national; or local level.

Proposal for Change and Improvement

The proposal try to consider the formulation of informal settlement policy based on the role the DSD organization by considering the sustainable development program as a part of urban development. Based on the discussions there are three critical factors that should be emphasized as proposal for change and development, that are;

- The central government should be standing as enabler by formulating the integrated policies and strategies by involving related institution, and the local government should be more concern and responsible to the irregular settlement problem.
- The central should encourage local government to formulate the informal settlement policy for the land tenure and land secure. The local government should be strict on the legal permit of land use, and it should be refer to the urban development planning.
- The central government should cooperation with The NGO as a part of integrated stakeholders because it is closely to the communities and it could influence the community through the community based development program.

Evaluation of Proposal

The proposal will be evaluated by using the SWOT analysis (Strength, Weaknesses, Opportunity, and Threat) of organization that more emphasize on the internal and external factors of organization. The result of the analysis will be used as an input for improving the informal settlement policy.

On the internal factors there are a strengths and weaknesses of our organization and the other hand there are opportunities and threats as the external factors. On the analysis there are two strategies; use the strengths to obtain the opportunity, and improve the weaknesses to face the threats.

Strengths:

The DSD is central government institution has a chance to improve the informal settlement, because of the reasons;

- The role of the DSD supported by The Decree of Ministry of Public Works.
- The experiences of slums area development such as KIP (Kampung Improvement Project) project that had been done directly by local government.
- The networking of the DSD with the others stakeholders which are in charge on different activities of settlement development.

Weaknesses

There are also some weaknesses faced by the DSD organization on the activities, as follow;

- The settlement policy and strategy are not directly reducing the informal settlement.
- The existing policy does not consider that the settlement development as the process.
- The scopes of settlement development project relatively focus on physical aspect, and lack of awareness to consider environment, social, and economic aspect.
- The professional staffs of settlement development are limited.

Opportunities

The decentralization as the transformation process of local development from the centralize mechanism. The decentralization era as opportunity of the DSD organization to support the local actors on the settlement development including the informal settlement. This situation also as opportunity to encourage the local government to be more responsible with the informal settlement, in the other hand there are some NGO have experiences and closely to community in place that can be involved on the improving the quality of settlement. There are some opportunities in order to develop the informal settlement;

- The decentralization era where the local government should be responsible for the development area
- Community organization activities with the community in place, but most of their activities are not integrated with the government program.
- There are some financial resources that can be used for settlement development by local government because of decentralization era.

Threats

On the decentralization era also some threats has been faced by the DSD organization at the local level;

- The local government and the local parliament is not so concern to the informal settlement issues.

- The local government does not have enough capacity to reduce or find out the solution of informal settlement.

Referring to the strength and weaknesses of the DSD organization and the opportunity and threat of the DSD organization the role of actors and policy will be emphasized the role of actors and policy as follow;

- The central government should be standing as an enabling for local stakeholders through settlement development policy and strategy.
- The central government should encourage the local government to be more concern and responsible to the shelter problem through capacity building training, workshop, etc.
- The local government should be as the provider and facilitator on the formulation of informal settlement action plan and land titling.
- The NGO could be as facilitator of the community because of their relationship closely.
- The informal settlement policy should be developed on sustainable development frame works by considering environment, social, and economy of society.
- The action of informal settlement plan should be formulated under policy frame work as a guarantee of community livelihood.
- The implementation of settlement project should be done on the integrated plan by involving community institution or NGO.

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