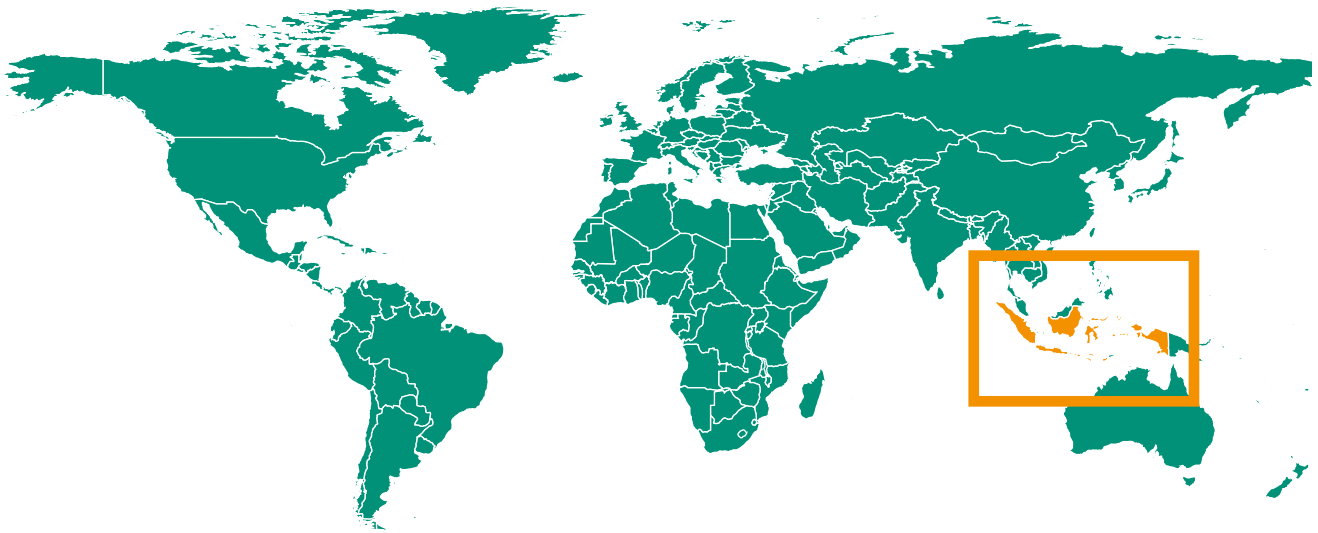


COUNTRY
PROGRAMME
DOCUMENT
2008 – 2009

INDONESIA





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P.O. Box 30030, GPO 00100
Nairobi, Kenya

Fax: + (254 20) 762 4266/7

E-mail: UN-HABITAT@UN-HABITAT.org

Website: <http://www.UN-HABITAT.org>

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FOREWORDS

EXECUTIVE DIRECTOR



In April 2007, the Governing Council of UN-HABITAT approved our 2008-2013 Medium-Term Strategic and Institutional Plan. This plan intends to promote the alignment of UN-HABITAT normative and operational activities at country level.

The UN-HABITAT Country Programme Documents (HCPD) are tangible components of this Plan as well as a genuine endeavour of UN-HABITAT to better coordinate normative and operational activities in a consultative and inclusive process involving UN-HABITAT's in-country focal points, UN-HABITAT Programme Managers, national governments, UN country teams, sister-UN agencies, development partners and all divisions of our Agency. The UN-HABITAT Country Programme Documents are strategic tools meant as a guide for all UN-HABITAT activities over a two-year period. A major dimension of the UN-HABITAT Country Programme Document is to advocate UN-HABITAT's mandate and address the urban challenges facing the world's developing countries.

The UN-HABITAT Country Programme Documents identify national urban development goals and priorities including shelter, urban governance, access to basic services and credit. Important cross-cutting issues such as the environment, gender, responses to disasters, and vulnerability reduction are also addressed. The UN-HABITAT Country Programme Documents focus on UN-HABITAT country programming. They

serve as a work plan for UN-HABITAT Programme Managers and a reference tool for national and local actors involved in sustainable urban development. According to the Medium-Term Strategic and Institutional Action Plan adopted by the UN-HABITAT Committee of Permanent Representatives on 6 December 2007, twenty UN-HABITAT Country Programme Documents were completed during 2008, including the One-UN Pilot countries where UN-HABITAT is active.

In line with the United Nations reform process, UN-HABITAT Country Programme Documents seek to strengthen the role of the United Nations and to demonstrate our commitment. I wish to thank our UN-HABITAT Programme Managers for their input and dedication and for putting together these documents under guidance of the Regional and Technical Cooperation Division and with support from all branches and programmes of the Agency.

Anna K. Tibaijuka
Executive Director, UN-HABITATs

DIRECTOR GENERAL



During the past two decades, Indonesia has experienced rapid urbanization and uneven distribution of growth. Half the population resides in urban areas. About 60% of the population resides in the island of Java, which is only 7% of the total land area. With the current urbanization rate,

it is predicted that the population residing in urban areas in the country will reach 65% by 2025.

The rapid urbanization and unpreparedness of cities and towns to cope with the needs and demands of the population and unprecedented growth can lead to serious urban issues of environmental degradation, lack of adequate housing, infrastructure and services, as well as the urbanization of poverty.

Hence, there is an urgent need to prepare the national as well as provincial and local governments to deal with the complexity of urban issues. In responding to this need, the Government of Indonesia has established the National Habitat Secretariat that functions as a common house and knowledge management center for housing and urban development actors. These two functions are expected to create multiplier effects in developing sound housing and urban development policies and programs as well as the documentation of best practices and knowledge management.

We hope that UN-HABITAT can contribute more in technical assistance, facilitating innovations, and capacity building in particular to facilitate the city-to-city learning for better dissemination of good ideas, experiences, and examples.

The Government of Indonesia conveys its support for the Habitat Country Program Document 2008-2009 as part of UN-HABITAT Mid-Term Strategic and Institutional Plan (MTSIP) 2008-2013. We would like to utilize the National Habitat Secretariat to develop future housing policies and programs together with UN-HABITAT and other international agencies.

A handwritten signature in black ink, appearing to read 'Budi Yuwono P.'

Budi Yuwono P.
Director General of Human Settlements
Chair of National Habitat Secretariat Indonesia

SITUATION ANALYSIS

NATIONAL URBAN POLICY CONTEXT

The Republic of Indonesia is an equatorial archipelago of over 17,500 islands (6,000 inhabited) extending about 3,200 miles or 5,150 kilometers East to West and 1,250 miles or 2,012 kilometres North to South. It is the largest archipelago in the world with 1,919,443 square kilometers or 741,098 square miles divided into 33 provinces. Indonesia is also the fourth largest (and the largest muslim) population in the world with 218,868,791 people .

The Capital City is Jakarta (located on Java Island) with a population of 8,699,600 people in 2005, surrounded by 7 neighboring urban areas better known as Metropolitan Area or Greater Jakarta or Jabodetabek (Jakarta-Bogor-Tangerang-Depok-Bekasi) with total 23.650.350 million people. The government of Indonesia estimates that the population of the

Jabodetabek region will reach 32 million by 2016. As the capital city, Jakarta is referred to as the 'window of Indonesia' as it is the national strategic center of activities including administration, education, trade, etc.

The level of urbanization reached 48,3% in 2005, and is projected to reach 50% by 2010 and almost 68% by 2025, mostly generated by migration from rural to urban areas (contributing 30-40% of urban population growth), natural population growth, and reclassification of areas from rural to urban. Geographically urbanization in Java Island already exceeds the national level (60%) compared to Sumatra (17,1%), Kalimantan (20,3%), Sulawesi (16,1 %), Irian Jaya (16,3%).

Urban challenges in Indonesia are increasing with regard to urban poverty, pollution, traffic congestion, crime and violence, lack of access to almost all basic urban services and facilities such as clean water, sanitation, solid waste management, energy supply as well as haphazard urbanization or emergence of informal settlements (slums and squatters).

In the political sector, the decentralization in Indonesia was marked by the Laws 22 and 25 of 1999 that defined Regional Autonomy and Fiscal Decentralization. These laws devolved most government services and functions to local authorities—apart from defence and national security, foreign affairs, fiscal policy and religion. Since 2001, decentralization in Indonesia has entered new phase of consolidation, where actors are working to refine rules of game, reinvigorate decentralized governance, gather lesson learned, and replicate best practices. However, local institutions in many areas still lack the capacity to fulfil their new mandates effectively.

The National Long Term Development Planning is a national planning document which explicates the goals as stated in The Constitution of 1945 through national development vision and mission for 20 years period (2005 – 2025). The objective of this long term plan is to pursue 'sustainable development' which translates to a more compact, efficient, comfortable, healthy, prosperous and productive urban settlement. In addition, the National Mid Term Development Plan endeavours to reduce the unbalance development between islands, or even cities/urban areas.

STATISTICAL OVERVIEW

Urbanisation (2008)

- Total population: 234 m
- Urban population: 121 m (52 %)

Annual growth rates (2005-2010)

- National: 1.2 %
- Urban: 3.3 %

Major cities (2008)

- Jakarta: 9.3 m
- Surabaya: 2.9 m
- Bandung: 2.5 m
- Medan 2.1 m

Source: UN DESA

Slum indicators (2005)

- Slum to urban population: 26 %

% urban population with access to:

- Improved water: 79 %
- Piped water: 29 %
- Improved sanitation: 84 %
- Sufficient living area: N/A %
- Durable housing: 86 %

Source: UN-HABITAT, 2002



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FOCUS AREA 1: ADVOCACY, MONITORING AND PARTNERSHIP

Advocacy on good local governance, security of tenure and right to urban livelihood was undertaken through Legal Empowerment of the Poor (LEP) campaign, a collaboration program among civil society organization, local government (mayors and regents) that was facilitated by UNDP, UN Special Ambassador for MDGs in Asia-Pacific and the High Level Commission on Legal Empowerment for the Poor. The LEP campaign undertaken by working groups encompassed discussions, national consultation, and regional consultation. By giving high appreciation through public recognition to pro-poor and innovative mayors and regents, the legal empowerment for the poor program expected its influence:

1. to trigger other pro-poor innovative mayors and regents to take similar actions
2. to educate voters to vote candidates running for mayors and regents who have pro-poor innovative programs.

Advocacy on MDGs was also undertaken seriously in collaboration with media, particularly national TV stations. The UN Special Ambassador for MDGs took a good lead on advocacy activities in partnership with relevant UN Agencies, International Society and CSOs.

Monitoring on Urban Sector issues is undertaken by the Ministry of Public Works through yearly award for local government achievements in human settlements, infrastructure, and urban development. The awards are given to the following various categories:

- a. slum upgrading
- b. city-wide water and sanitation
- c. sustainable urban and regional spatial planning
- d. building codes and regulation compliance
- e. road and bridges development, operation and maintenance

In issues related to housing, the State Ministry of Housing has been signing various agreements on strategic partnership with relevant institutions — such as universities, other ministries/departments, local governments, financial institutions, etc.

Responding to national needs in strengthening the urban platform, UN-HABITAT has been supporting Ministry of Public Works and Ministry of Housing in setting up a National Habitat Secretariat.

The Minister has promulgated a decree on NHS that involves relevant ministries such as: Coordinating Ministry for People's Welfare, Ministry of Public Works (host), Ministry of Housing, BAPPENAS (National Planning Agency), Ministry of Home Affairs, Ministry of Environment etc. On January 8, 2009, Minister of Public Works has inaugurated the National Habitat Secretariat office in Jakarta, and expected that the NHS could function as Common House and Knowledge Management Center of housing and urban development actors. As a common house, NHS could regularly organize forum for policy and program development.

Work with national and local partners to develop support facilities to implement pro-poor urban sector programmes. The support facilities could be functioned for capacity building, resource mobilization and



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management, strategic facilitation, technical assistance to enable local partners to address urban sector issues.

FOCUS AREA 2: PARTICIPATORY URBAN PLANNING, MANAGEMENT AND GOVERNANCE

According to Laws 32, of 2004, on Local Administration which highlights the importance of regional autonomy and fiscal decentralization, local authority (government) is mentioned to have greater authority in administering their respective areas. The shift of paradigm (from centralized to decentralized) is giving chances to all province/regency/city to develop and being responsible to their own development planning, implementation and monitoring. The process of planning also shifting from top-down to more participative approaches that will be more customized to the local needs and budget.

Therefore, the urban development-in consequence-must strengthen the decentralization effort through what-so-called 'good urban management and good urban governance': (1) urban development transparency; (2) democracy in policy decision making; (3) local administrative responsibilities to the community; (4) efficiency and effectiveness in urban development management; (5) acceleration and accuracy of the formulation, implementation, and control of urban development; (6) enhancing greater community participation in urban develop-

ment; and (6) social justice for all. The government of Indonesia even unveiled an ambitious goal of applying a nation-wide system of good governance by 2008. According to State Minister for Administrative Reforms said of 465 regencies and cities in the country's 33 provinces, more than 50% (293 regencies/cities) already applied good governance.

Even so, there are still many obstacles and problems in realizing such principles, some of which are: (1) doubts on local administrative capability; (2) certain interests to hold on to sectoral existence (therefore hoping for 'the old' centralization to be taken place); (3) existence of local development practices that still reflected the centralized manner due the lack of understanding of this new paradigm; and (4) the need of greater commitment from both national and local administration.

There are great challenges for urban governance to cope with many problems as mentioned in previous sections in this report (such as problems of urbanization, environment degradation, slum, etc), but there is one issue that sometimes overlooked which is the urban informal economy. Following the above-mentioned issues on sectoral and area-based programmes in particular the ones with demand driven approach in the context of Indonesian cities which is still approximately 74% consisting of informal sector economy which also forms informal settlements, traditional markets, improper economic areas (pasar senggol, street vendors, ect). The challenge of Indonesian cities

governance is how to combine the regulatory framework between the formal and the informal sector.

Due the rapid urbanization and urban sprawling, the most productive and fertile paddy field which usually located in peripheral areas of big cities and be the source of foods for urban communities is gradually decreasing. According to some data, the square meters of paddy field in Indonesia is decreasing up to 8.225 hectares per year and most of this (almost 80%) occurred in periphery areas in Java island. The lack of law enforcement and monitoring in land use planning implementation in urban areas also gives significant contribution to decreasing urban green areas and greenery (trees).

Indonesia remains vulnerable to natural disasters and armed-conflicts. Indonesia continues to face the earthquakes that hit in many parts of the country. To name but few: the earthquake and tsunami that strike in Province of Aceh and North Sumatera on 26th December 2004, the earthquake in province of Yogyakarta and Central Java on 27th May 2006, the earthquake in province of West Sumatera, and many experts estimated that the list would go on in future. Those disasters caused death toll of thousands of people and left thousands of houses, public facilities and infrastructures damaged, not mentioned the losses of trillions Rupiah. In total, material damage from those earthquakes must be ranked among the most costly natural disasters in developing world over the past ten years. Those damages demonstrated the vulnerability of communities to risk of natural disasters and the most vulnerable groups of all are women and children.

Many reports and studies conclude that the primary cause of damage was the lack of anti-seismic features in many houses and recommended that affected communities be involved in reconstruction programme and be encouraged to spend more for quality to avoid similar death in the future. The government –through the National Planning Agency— produced principles and strategies and put high priority on community-based development approaches.

As consequences, those disasters represent a significant challenge to the Government of Indonesia, as well as international community to complete not only for joint damage and need assessment programmes but also to start developing effective, efficient, and integrated disaster mitigation system, policy, regulation and programme.

Following the 13th Conference of Parties on Climate Change in Bali held in December 2007, the National Council on Climate Change of Indonesia was established on July 4, 2008. The council is led by the President of the Republic of Indonesia under Presidential Decree No 46/2008. The Council's daily coordination is led by Minister of the Environment and supported by 17 ministers and a head of national agency. The council has five functions as follows:

- a) To formulate national policies, strategies, programmes, and activities of climate change control;
- b) To coordinate activities and implementing tasks with regard to controlling climate change encompassing adaptation, mitigation, technology transfer and financing;
- c) To formulate the regulating policies on mechanism and procedures of carbon trading;
- d) To execute monitoring and evaluation on policies implementation of climate change control;
- e) To strengthen Indonesia's position in urging developed countries to be more responsible in climate change control.

FOCUS AREA 3: PRO-POOR LAND AND HOUSING

Referring to the MDG's Target 11 to achieve significant improvement in lives of at least 100 million slum dwellers by 2020m therefore using the indicator of proportion of household who classified as house owner or renter, there is still 17% or 8.8 million households (from total 52 million) who do not own or rent house and most of them living in urban areas. Due to the vast problems such as inadequate housing operation system and policy, unstable housing finance and market, limited availability of land, and ineffective housing operation institution, the urban shelter condition is worsened. Many of those households mentioned above is living in inappropriate housing condition which most of them located in slum areas.

There are still many households' lives in slum areas in almost every urban areas in Indonesia, even though some data mentioned that over 60% of urban dwellers are housed informally (but not necessarily lives in urban slums areas). Unfortunately there is no accurate data or exact number of how many slums area in Indonesia. Even so, based on Village Potencies Statistics in 2005, there are still 6.190 villages (from 69.957 villages) with slum areas which scattering in 15.739 locations and accommodate 854.906 households. Nevertheless, according to

the data from The Ministry of Housing, slum areas increasing up to 54.000 Ha, inhabited by up to 17.2 million and spreading out to 10.000 locations.

Other source stated that the great majority of households occupy a non-attached dwelling unit and the total stock is approximately 54 million housing units of which 24 approximately millions in urban areas. According to the BPS Housing and Settlement Survey of 2004, there is an indication that the overall quality of housing stock appears to be fairly good (95% of the housing stock is in good to moderate condition) but there is still 2.5 million units that require urgent replacement.

According to the data of 2001, there is a huge backlog between the availability of proper housing units' number with population growth. In 2001 the backlog is 4.5 million units and predicted to reach 11.7 million in 2009, which most of it happened in urban areas. It is predicted that 2 million housing units is needed to be provided per year in order to deal with such backlog. Commercial bank sector can only provide 16% whilst the rest 84% still need government intervention such as subsidy or other facilities. The provision of appropriate housing for low income group of people is facing great obstacle due the disparity between land value and community's ability to pay.

Nevertheless, The State Ministry of Housing estimates higher number of backlog which is 8.1 million units and a requirement of a new housing of more than 800.000 to 1 million per year if the backlog has to be removed by 2020.

Home ownership in urban areas is extremely high (70%) where the great majority of owner household hold legal land ownership title. These rights are either full freehold title or a BPN (the Land Agency) certificate. A survey of 2001 of low-income housing areas in 10 cities showed that in traditional settlements and informal areas are much larger proportion of owner households still had no land title or certificate (Hoek-Smit,2001).

Since the 1997 financial crisis, the government's ability to subsidize low-income housing (RS/RSS) has been increasing. Nevertheless, the government of Indonesia—through Ministry of People's Housing—then starting to revitalize the 'One Million Housing Programme' including provision low-cost rental and owned flats (Rusunawa and Rusunami), which mainly develop in state-owned lands. New modality of housing development collaboration is also being developed between state-owned housing corporation (Perumnas) as the developer and manager, and local authority as the land-owner.

There are some indications that the State Ministry of Housing has been fostering more pro-poor, pro-job and pro-growth housing. The Deputy of Community-Based Housing in The State Ministry of Housing has some programmes to assist low-income communities who do not have any house or have improper house, some of the funding schemes are micro credits and 'Bantuan Langsung Masyarakat' or Direct Funds to Community. Those programmes are undertaken by collaboration between the ministry and local governments (provincial and kabupaten/kota).

FOCUS AREA 4: ENVIRONMENTALLY SOUND BASIC URBAN INFRASTRUCTURE AND SERVICES

Nearly 53.4% (74.1% in urban areas and 36.8% in rural areas) of households had access to safe drinking water in 2004, which includes 19% with access to piped water service provided by PDAM (32.8% in urban areas, 7.0% in rural areas). As a result an estimated 50 million urban poor in Indonesia remain unconnected to piped water, who are estimated to spend 20% of their income to get safe drinking water. Government Regulation No.16, 2005, requires local governments to provide and manage safe drinking water, whilst the National Policy on Community-based Safe Water Development and Health sees the importance of community involvement in safe water provision and its management.

Meanwhile, the level of household's accessibility to sanitation facility is increasing from 63.5% in 2002 to 67.1% in 2004. Some estimates stated that in urban areas the number even reach up to 80%. Nevertheless, in quantitative, the achievement in this sector is fairly high but in quality it is still in questioned due some facts that there are still many open system sewerage (especially in slum areas) and most of existing basic sanitation facilities (such as septic tank) is not fulfill the common hygiene standard.

UN-HABITAT's Water for Asian Cities Programme is preparing Indonesia Strategic Urban Sanitation Improvement Programme that will be started in the middle of 2008. A stakeholder consultation will be convened end of June 2008 in Makassar City.



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FOCUS AREA 5: STRENGTHENED HUMAN SETTLEMENTS FINANCE SYSTEM

Indonesia's housing finance system has both notable strengths and serious weaknesses.

The Ministry of Housing recently had political support from the national legislative (DPR RI) about the upcoming Badan Layanan Umum (BLU) or Public Service Agency to address housing finance issues in particular the gap between the affordability and the price of housing for the low-income community. The future establishment of Lembaga Pusat Pembiayaan or the Centre of Finance Institution is going to be discussed in the Ministry of Finance near soon. The operational activities through facilitation scheme of housing development of such BLU will be started in 2009.

Currently, the Ministry of Housing is developing housing microfinance system that integrates the direct cost subsidy and guarantee system. Parallel with the government's program, UN-HABITAT's Slum Upgrading Facility Pilot Team is trying to mobilize domestic loans to be combined with community's savings and government's subsidy to make housing improvement and development affordable by the poor. The experience of SUF will be continued with the implementation of ERSO in the second half of 2008. Institutional and operational arrangement is on progress.

1. Subsidy Programs Have Wide Scope. Menpera uses a wide array of both demand and supply-side subsidies to achieve its policy goals of expanding housing markets and improving the quality of housing. The current subsidy programs target a wide range of low and middle income house-

holds. Since 2003, GOI has gradually put in place a comprehensive package of subsidy programs and related laws and regulations that tries to expand the different frontiers in the housing market; the formal lower/middle market for single and multifamily houses, and the self-help and home-improvement market for low-income and informally employed households. Targeted household income groups range from Rp.4.5million/month to Rp500,000/month. Subsidy amounts are higher for higher cost housing programs but within programs subsidies increase with incomes:

- (i) The high-rise condominium program has an upper income limit of Rp4.5 million per household per month which reaches somewhere between the 50th to 60th percentile of the household income distribution in DKI, its main target market. Subsidy amounts are around Rp17million, double the subsidies for single family homes. Approximately 75 condominium buildings have been delivered or are under construction and more than 100 are being considered for DED and permit.
- (ii) The formal single family housing program has a maximum household income boundary of Rp.2.5million/month, which is slightly below the assumed median household income for Jakarta and roughly the 55th to 60th percentile of the urban household income distribution outside of DKI. Subsidy amounts range from Rp8.5million to Rp14.5million. Approximately 160,000 subsidies are expected to be issued in 2008 (not the same as units since each disbursement of the buydown subsidy is counted as a separate subsidy), up from 123,000 in 2007 and 60,000 to 70,000 in previous years.

(iii) The self-help program links subsidies to micro-loans and reaches mostly households with incomes below Rp1million per month (approximately 28,000 subsidies for 2008 up from only 500 in 2006). Subsidies range from Rp5million to Rp9million.

(iv) Upgrading and rental housing program are for the lowest income groups. Figures for upgrading were not available and approximately 20,000 rental units were delivered in 2007 by Menpera, PU and APBD DKI. Subsidy amounts are not known.

2. Beneficiary Contributions Required. All ownership programs require that households take out an affordable market loan and down-payment in order to maximize the households' own contributions. The implementation and scaling up of these programs depends, therefore, on the availability of loan funds in the housing finance system and the willingness of lenders to give credit to the targeted beneficiary groups. Both conventional and Sharya compliant lending is included. Credit products include unsecured (personal) loans (largely for home-improvement) to formally employed (consumer credit) or informally employed (housing micro credit – 'MHF'), mortgages, and lease-to-buy products.

3. Subsidy Programs and Regulatory Incentives Unsuccessful to Trigger Sufficient Formal Housing Production and Provide Housing for Low-Income Households . The Team's main concern about the current subsidy package is that it appears unsuccessful to address the requirement for new housing in the formal housing sector, subsidized or not, even with the sharply augmented housing budget for 2009.

4. Four main reasons contribute to that outcome: (i) inadequate scale of programs for the low income segment of the housing spectrum; (ii) risks in the housing finance market and incomplete incentive package for lenders and developers to expand middle income housing development beyond the subsidy programs; and (iii) lack of housing market and program information that can help shape the adjustment and refinement of policy and programs.

(i) Incomplete Coverage at the Low-Income End. In terms of new construction, no large scale new land development for low-income housing is included in the housing strategy outside of the 1000 Tower project. Of the 800,000 new housing units needed yearly to keep pace with new household formation, at least 500,000 should be for middle and low-income groups that are not yet served by the formal market. In 2008, the combined subsidy programs for new formal construction are likely to produce only 35% of this requirement, or 175,000 units (i.e., between 120,000 and 159,000 ownership apartments and

single family homes, and 17,300 rental units). More than 75 percent of these will go to the highest income brackets allowed under each program (Rp4.5million and Rp2.5million monthly income). Most new low-income housing is still assumed to be built informally, often outside of the existing infrastructure networks.

(ii) Constraints in Expanding Formal Mortgage and Developer Market into Underserved Market Segments. The mortgage linked housing subsidy programs (RSH and to a lesser degree Rusunami) are designed to expand formal housing and housing finance markets to gradually serve a lower income segment, including the informally employed. These programs depend on commercial or cooperative lenders to make loans to households that would not qualify without the subsidy and on developers to produce specified house-types at their own risk. There is, however, a persistent and large gap between the non-subsidized middle-income market and the subsidized market, and there is no evidence that developers or lenders move further down-market than the maximum price bracket under the programs. The subsidized formal construction programs remain disconnected segments in the market with a large part of low/middle housing demand not adequately served. Moreover, the current troubles in the credit markets cause a severe lack of liquidity in the financial sector, and limit the expansion of mortgage lending specifically. BTN, the main lender for the subsidized programs is particularly affected and jeopardizes the full execution of the subsidy program.

On the lending side, BTN – the state housing bank – still makes 95 percent of the subsidized KPR loans disbursed by banks, with BRI and BNI very distant seconds. Nearly all such loans are made to formal sector employees. BTN and BRI also make non-subsidized loans to middle income groups (loan size above Rp150million). While non-subsidized mortgage lending by private banks has increased substantially over the last few years, private banks will generally not make mortgage loans below Rp150million to Rp200million (which means an income group of Rp8million under current loan conditions). Even BTN is limited in scaling up its subsidized lending.

Non-bank financial institutions (multi-finance) and regional banks play an increasingly important role in micro-finance lending and to a lesser but growing degree in mortgage lending for the subsidy programs. They could in future become important in moving the frontier for mortgage lending down-market. NBFIs are also more used to dealing with informal sector employed customers. However, regional banks have traditionally had weaker credit management systems and NBFIs lack their own deposit base and face funding constraints. SMF has expanded its lending program to NBFIs, mostly for micro loans, and is working with regional banks (DKI) to extend a loan.

RECENT AND ON-GOING WORK

The following tables provide an introduction to projects recently implemented or currently underway in by UN-HABITAT and its partners.

UN-HABITAT

Project title	Time frame	Budget (USD)	Funding partners	Partners	Main activities
Aceh-Nias Shelter Support Programme (ANSSP)	Jul 05- Jun 08	35 m	Dutch, Japan, Mexico, UAE, UNDP, ADB	National Rehabilitation and Reconstruction Agency (BRR)	Support local communities to rebuild their houses after tsunami and earth- quake
Slum Upgrading Facility (SUF)	Nov 06- Apr 09	1,5 m	SIDA, Norway, DfID, Cities Alliance	Ministry of Housing, Ministry of Public Works	Support local government and local communities to improve slum areas and build low-income housing with through innovative project packaging and finance scheme
Breakthrough on Urban Initiative and Local Development (BUILD)	Mar 01 - Dec 03	5 m	UNDP	Ministry of Home Affairs (MoHA)	Support local government, citizen groups and civil society organizations in developing local good governance
Partnership for Local Economic Development (KPEL)	Jan 01 - Dec 03	1,2 m	UNDP	Nat Planning Agency (BAPPENAS)	Develop local product clusters and partnership forums to develop local business strategy
City Development Strategy (CDS)	Jan 02 - Sep 03	342,500	Cities Alliance	Ministry of Public Works (MoPW)	Public awareness building, city consultations, city profiling, and pro-poor action planning
Community-based Initiatives for Local Development (CoBUILD)	Mar 01 - Dec 03	5 m	Royal Netherlands Government	Ministry of Settlements and Regional Infrastructure	Local revolving fund for community initiatives for housing and neighborhood improvement

PARTNERS

Project title	Time frame	Budget (USD)	Funding partners	Partners	Main activities
Democratic Governance Cluster					
Governance Reform and DPRD Empowerment (GRADE)	2006–2009	3,322,415	UNDP	Ministry of Home Affairs	To contribute to the efforts of the Government of Indonesia in addressing three problematic issues hampering the country's democratic transition,

PARTNERS (Continued)

Project title	Time frame	Budget (USD)	Funding partners	Partners	Main activities
Sustainable Urban Development Cluster					
Water and Sanitation Program (WASAP)	2005–	6 m	World Bank, SIDA	Government of Indonesia	Capacity building by forming partnerships with NGOs, govt at all levels, community organizations, private industry, and donors to help the poor gain sustained access to improved water supply and sanitation services
Water and Sanitation Sector Monitoring (WASAP-E)	2008–	1,54 m	World Bank	National Planning Agency (BAPPENAS)	Water, sanitation and flood protection (General water, sanitation and flood protection sector)
Third Water Supply and Sanitation for Low Income Communities Project (PAMSIMAS)	2006-2013	275,1 m	World Bank	Ministry of Health, Ministry of Public Works	To support community driven development (CDD) planning and management of water, sanitation and hygiene improvement program, build stakeholders commitment and expand the capacity of central, provincial and district government agencies
River Basin Water Resources Based Poverty Alleviation Project	2005– 2011	10,19 m	World Bank	Government of Indonesia	Water, sanitation and flood protection (general water, sanitation and flood protection sector)
Indonesia Sanitation Sector Development Program (ISSDP)	-	-	World Bank, Govt of Netherlands	Government of Indonesia	To establish the basis for sustainable sanitation services in Indonesia through Advocacy, consolidating and operationalising policy; Institutional and regulatory reform; strategic planning capacity building and awareness raising
Water Financing Programme (WFP)	2006-2010	12 m	Asia Development Bank	Government of Indonesia	Amongst others: urban water services to support sustained economic growth in cities, including
Affordable Land and Housing					
Neighborhood Upgrading Shelter Sector Project (NUSSP)	2005-2009	126,000,000	ADB	Ministry of Public Works, Ministry of Finance	to address the issue of poverty alleviation in urban slum areas through: (1) planning system & management; (2) infrastructure investment through micro-credit; (3) Poor Neighborhood and New Site Investment; and (4) institutional capacity

PARTNERS (Continued)

Project title	Time frame	Budget (USD)	Funding partners	Partners	Main activities
Poverty Reduction Cluster					
Urban Sector Development and Reform Project (USDRP)	2005–2011	57,000,000	World Bank	Ministry of Public Works, National Planning Agency (BAPPENAS)	To supports the ULGs in implementing urban sector reform programs; long-term urban development strategies and plans (incl local economic development and urban poverty reduction strategies); institutional and capacity development programs
Second Urban Poverty Project (UPP2)	2002–2008	126,9 m	World Bank	Ministry of Public Works (MoPW)	Community development and local government capacity building, supports an extended awareness raising or socialization process encouraging communities to discuss the nature of and how to address poverty.
Povert Reduction Strategy Programme (PRSP)	2002–2008	35 m	DFID, ADB, World Bank, the Asia Foundation	Coordinating Ministry of People's Welfare, National Planning Agency (BAPPENAS)	To strengthen the capability of central and local government in Indonesia to understand and address the causes of poverty and Vulnerability.
Rehabilitation/Reconstruction and Disaster Management Cluster					
Safer Communities through Disaster Risk Reduction in Development (SC-DRR)	2006–2011	10 m	UNDP	National Development Planning Agency (BAPPENAS)	Making disaster risk reduction (DRR) a normal part of the development process in Indonesia for the benefit of communities vulnerable from natural disasters
Community-Based Settlement Rehabilitation for Yogyakarta	2008–2009	61 m	World Bank	Ministry of Public Works	(a) support communities in the reconstruction of approximately 18,000 homes in Central and West Java and Yogyakarta to improved seismic standards through a community-based approach using existing UPP-3 and KDP networks; (b) Block grants for priority infrastructure and hazard risk reduction investments; (c) Community education
Earthquake and Tsunami Emergency Response Project (ETESP)	2005–2008	26 m 48 m 114,5 m	ADB	ADB, BRR NAD-Nias	- Spatial Planning, environment management - Physical Infrastructure Rehabilitation - Community Infrastructure
Community-Based Settlement Reconstruction and Rehabilitation Project for NAD and Nias	2005–2009	87,2 m	World Bank	Ministry of Public Works	To contribute to the Government's grant program for settlement, rehabilitation, and reconstruction, and, provide institutional support to the relevant, lead agency in reconstruction of Nanggroe Aceh Darussalam and Nias.

STRATEGY

NATIONAL DEVELOPMENT GOALS AND PRIORITIES

Government's long-term development agenda (towards 2025) prioritizes four clusters of urban sector issues: 1) The economy, social and cultural cluster is aimed to enhance local identity and economic resiliency through an integrated approach to community empowerment; 2) The science and technology cluster is aimed to learn and document local knowledge and wisdom and to develop appropriate technology; 3) The infrastructure and public service cluster is aimed to develop sustainable human settlements with pro-poor public services and infrastructure; 4) The regional and spatial planning cluster is aimed to create balance regional development through well facilitated democratic planning.

Meanwhile, the current government's mid-term development plan (2004-2009) prioritizes four clusters of urban sector issues: 1) Toward a safe and peaceful Indonesia, aimed at enhancing safety/security and peace to reducing crime rate in urban and peri-urban areas; 2) Toward a just and democratic Indonesia, aimed at assuring gender justice, increasing the role of women in development, and enhancing basic services by implementing regional autonomy and good governance; 3) Toward increasing people's welfare, aimed at promoting pro-poor policy and basic rights of the poor, empowering cooperative, micro, small & medium enterprises, reducing inter-regional (urban-rural) economic infrastructure gaps, improving quality of the environment, and promoting sustainable development; 4) Toward well prepared local people to face disasters, aimed at developing policies and institutions for disaster management, empowering and preparing local community to be ready to face disasters, facilitating community-based housing and human settlements reconstruction, and building local capacity in disaster management.

The following three areas of cooperation form the basis for Indonesia's UNDAF 2006-2010:

- Strengthening human development to achieve the MDGs: through increased educational opportunities, improved health and nutrition, reduced incidence of HIV/AIDS, and increased opportunities for sustainable livelihoods.
- Promoting good urban governance: through increased adherence to the rule of law and human rights, and strengthened participatory and decentralisation processes.
- Protecting the vulnerable: especially children and young people, women migrant workers, cultural communities, peoples affected by social and natural disasters, and reducing gender based violence,

and populations most at risk of HIV/AIDS such as prisoners, injecting drug users, transvestites, women, youth, sex workers and MSM.

UN-HABITAT'S PROPOSED STRATEGY FOR THE SECTOR

REGIONALIZING KNOWLEDGE MANAGEMENT AND INNOVATIONS

Responding to the Government of Indonesia's request during the 21st Session of UN-HABITAT's Governing Council in Nairobi, that UN-HABITAT should focus its support to Indonesia in following matters:

- Enhancing knowledge management capacity at national and the local levels in documenting national best practices and link it to higher visibility of national as well as local governments.
- Enhancing planning, management and monitoring capacity of local government in achieving MDGs through localizing MDGs in cities in partnership with national MDGs focal points.
- Develop stronger regional platform and mainstreaming the Habitat Agenda and MDGs in the regions through city to city learning program.
- Demonstrate affordable housing and sustainable urban development through facilitating like-minded local governments in innovating human settlements financing under ERSO pilot program.

DEVELOPING URBAN PLATFORM AND SUPPORT FACILITIES

Responding to national needs in strengthening the urban platform, UN-HABITAT has been supporting Ministry of Public Works and Ministry of Housing in setting up a National Habitat Secretariat.

The Minister has promulgated a decree on NHS that involves relevant ministries such as: Coordinating Ministry for People's Welfare, Ministry of Public Works (host), Ministry of Housing, BAPPENAS (National Planning Agency), Ministry of Home Affairs, Ministry of Environment etc. On January 8, 2009, Minister of Public Works has inaugurated the National Habitat Secretariat office in Jakarta, and expected that the NHS could function as Common House and Knowledge Management Center of housing and urban development actors. As a common house, NHS could regularly organize forum for policy and program development.

Work with national and local partners to develop support facilities to implement pro-poor urban sector programmes. The support facilities could be functioned for capacity building, resource mobilization and



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management, strategic facilitation, technical assistance to enable local partners to address urban sector issues.

CONNECTING NATIONAL NEEDS AND POTENCIES TO REGIONAL AND GLOBAL FACILITIES

Responding various requests from the national as well as local partners on technical as well as funding supports, UN-HABITAT will enable the existing hubs and mechanism to access and utilize available regional and global resources. The upcoming ERSO pilot program will be utilized to demonstrate the possibilities.

PROGRAMME OBJECTIVES

In collaboration with national and local partners:

- Enhance knowledge management capacity at national and the local levels in documenting national best practices and link it to higher visibility of national as well as local governments.
- Enhance planning, management and monitoring capacity of local government in achieving MDGs through localizing MDGs in cities in partnership with national MDGs focal points.
- Develop National Habitat Secretariat as a knowledge platform to mainstream the Habitat Agenda and MDGs enhance urban management capacity through city to city learning program.
- Demonstrate affordable housing and sustainable urban development through facilitating like-minded local governments in innovating human settlements financing under ERSO pilot program.
- Develop national and local support facilities to implement pro-poor urban sector programmes. The support facilities could be functioned for capacity building, resource mobilization and management, strategic facilitation, technical assistance to enable local partners to address urban sector issues or to enable the existing hubs and mechanism to access and utilize available regional and global resources.

URBAN SECTOR PRIORITIES

Harmonization of UN-HABITAT MTSIP framework with Government of Indonesia's Mid Term and Long Term Development Plan and UNDAF, the urban sector priorities will be characterized by the following sentence: partnership in normative activities (advocacy, monitoring, knowledge management and capacity building) and operational works:

- participatory urban planning, management and governance;
- pro-poor land and shelter ?;
- environmentally sound basic infrastructure and services; and
- human settlements financing system

within management excellence to achieve MDGs 7/10 and 7/11. According to the existing development frameworks and recent consultations with relevant stakeholders, the following issues could be put as priority:

1. Decentralization and Regional Autonomy
2. Participatory Democratic Governance
3. Sustainable Urban Development through:
 - a. Affordable Land, Housing and Appropriate Basic Infrastructure
 - b. Enhancing the role of Women in Development
4. Local-based Monitoring and Knowledge Management Network
5. Local Preparedness for Disaster Management
6. Capacity Building of Urban Development Network

IMPLEMENTATION ARRANGEMENTS

KEY PRINCIPLES

The following arrangements will be explored:

- The current institutional framework at the national-level puts the Ministry of Public Works (MoPW), Ministry of Housing (MoH) and the National Planning Agency (BAPPENAS) as the main national partners of UN-Habitat. Meanwhile, Ministry of Home Affairs (MoHA) will be the focal point for governance issues, Coordinating Ministry for People's Welfare will be the focal point for Poverty Reduction Program, and Ministry of the Environment (MoE) will be the focal point for sustainable development issues. Provincial and Local Governments will be project implementing partners.
- UN-HABITAT will assist MoPW and MoH to establish, capacitate and operate a National Habitat Secretariat (NHS) and National Urban Forum (NUF). Co-ordination with major stakeholders will be done through the National Urban Forum and other thematic forums.
- UN-HABITAT starts to build partnership with the Partnership for Governance Reform (PfGR) to develop collaborative projects on MDGs and Climate Change.
- Coordination with UN-Agencies, bilateral and multilateral agencies will be done through donors' forum and UN country team that could be facilitated National Habitat Secretariat.

INFORMATION

Projects will have a built-in component for publication and dissemination of technical and informative material. Conventional and non-conventional tools will be produced, such as reports, publications, etc. Distribution will be widespread including community channels and other options as required. UN-HABITAT websites, publications and training tools will also be used for disseminating more information.



PROGRAMME FRAMEWORK

RESULTS / RESOURCES BY THEMATIC COMPONENT

The following table organises the sub-sectoral priorities of the UN-HABITAT Country Programme Documents with budget in US Dollars.

RESULTS / RESOURCES BY THEMATIC COMPONENT			
Programme / Project	Key partners	Funding partners	Resources (USD)
Cluster 1: Participatory Urban Development			
1. Strengthening National Habitat Secretariat and Policy and Programme Advisory Unit	MoPW, MoH, Bappenas	UN-HABITAT, GoI	700,000
2. CDS towards Better Investment Planning and Strategy	MoPW, WB	Cities Alliance; WB; Govt	1,130,000
Cluster 2: Pro-poor Land, Housing and Basic Infrastructure			
1. Strategic Urban Reform Facility	Bappenas, MoPW, PGRI	Partnership for Governance Reform in Indonesia	2,000,000
2. Slum Upgrading Facility	Solo, Yogyakarta, and Jakarta Metro Governments	DfID, SIDA, Norway through UN-HABITAT SUF Nairobi	1,500,000
3. Water for Asian Cities Programme	Medan, Makassar and another two City Governments	Netherlands/ADB through UN-HABITAT WAsCP Nairobi	3,800,000
4. Aceh Governance Support for Sustainable Settlements Recovery	BRR	Donor Trust Fund through BRR	1,000,000
5. Jogjakarta Heritage Reconstruction Guidelines	Jogjakarta Heritage Society	Fukuoka Citizen's Grant	18,000
6. Housing Resource Center Development	Ministry of Housing	Slum Upgrading Facility, Fukuoka Citizen	52,500
7. Capacity Building (institutions & centers)	Ministry of Housing	AusAID and World Bank	Under discussion
Cluster 3: Urban Environment and Climate Change Adaptation			
1. Urban Slums and Climate Change Adaptation	UNDP, Solo and Makassar City Government	UNDP, Norway	1,000,000
2. Support for Sustainable Urban Development Initiatives	MoPW, NHS, Local Governments	K-CAP, Norway	1,000,000

REQUIRED BUDGET**REQUIRED BUDGET**

The table reflects the budget for the UN-HABITAT Country Programme Document. The budget presents a sum of the programme for the four thematic components covered in the country programme. All funds in US Dollars.

Thematic Areas / Programme Components	Year 1	Year 2	Total
UN-HABITAT Projects			
1. Strengthening National Habitat Secretariat and Policy and Programme Advisory Unit	350,000	400,000	Pipeline
2. CDS towards Better Investment Planning and Strategy	500,000	630,000	Pipeline
3. Urban MDGs Profiling and Action Planning	50,000	0	Secured
4. Slum Upgrading Facility	800,000	1,500,000	Secured
5. Water (and Sanitation) for Asian Cities	80,000	1,320,000	50% Secured
6. Aceh Governance Support for Sustainable Settlements Recovery	500,000	500,000	25% Secured
7. Jogjakarta Heritage Reconstruction Guideline	18,000	0	Secured
8. Housing Resource Center Development	50,000	200,000	75% Secured
9. Urban Climate Change Adaptation	50,000	500,000	25% Secured
10. Support for Sustainable Urban Development Initiative	50,000	700,000	25% Secured
Programme Management			
Programme Management	84,400	100,000	184,400
Grand total	2,532,400	5,850,000	8,382,400

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ACRONYMS

APERSI	Asosiasi Pengembang Perumahan dan Permukiman Seluruh Indonesia or Association of Indonesian Housing and Human Settlement Developer
Bank DKI	Bank Daerah Khusus Ibukota Jakarta (Jakarta Regional Bank)
BAPPENAS	Badan Perencanaan dan Pembangunan Nasional or The National Planning Agency
BLM	Bantuan Langsung Masyarakat or community direct funds
BPN	Badan Pertanahan Nasional or National Land Agency
BRR	Badan Rehabilitasi dan Rekonstruksi Aceh dan Nias or Aceh and Nias Rehabilitation and Reconstruction Agency
BTN	Bank Tabungan Negara (National Housing Bank)
CA	Cities Alliance
CSOs	Civil Society Organizations
DPR RI	Dewan Perwakilan Rakyat Republik Indonesia or the National Legislative
DPRD	Dewan Perwakilan Rakyat Daerah or Local Parliament
Gol	Government of Indonesia
GRADE	Governance Reform and DPRD Empowerment
JHS	Jogjakarta Heritage Society
Kabupaten	District
K-CAP	Knowledge Management Center for Asia and the Pacific
Kota	Urban District/city/town
KPRSS	Kredit Pemilikan Rumah Sangat Sederhana or Mortgaged Loan for Low-Income Housing
MDGs	Millenium Development Goals
MDTF	Multi Donor Trust Fund
NHS	National Habitat Secretariat
PDAM	Perusahaan Daerah Air Minum, Local-owned Clean Water Corporation
Perumnas	Perusahaan Umum Perumahan Nasional or State-owned Housing Corporation
PGRI	Partnership for Governance Reform of Indonesia
Rp	Rupiah (Indonesian Currency)
RS/RSS	Rumah Sederhana/Rumah Sangat Sederhana or Modest/Low-income Housing
SUF	Slum Upgrading Facility
UNH	UN-HABITAT
WB	World Bank



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EXECUTIVE SUMMARY

The UN-HABITAT Country Programme Document of Indonesia outlines the main objective and priorities of UN-HABITAT in the country. In collaboration with the Government of Indonesia and other United Nations Agencies, the overall aim of this UN-HABITAT Country Programme Document is to promote the Habitat Agenda.

UN-HABITAT plays an active role in urban sector policies and pro-poor program development. Through collaborations with key partners – Ministry of Public Works, Ministry of Housing, National Planning Agency (Bappenas), Ministry of Home Affairs, and Ministry of the Environment, UN-HABITAT has assisted the development of low-income housing support facility, good urban governance, sustainable urban development network, and the national habitat platform, namely National Habitat Secretariat (NHS).

As the result of seven key sector analysis – urban governance, land and housing, shelter and basic services, urban planning and management, housing/urban development and the environment vulnerability reduction and capacity development, the Indonesia's Country Programme Document

provides an overview of the national policy context and the areas of intervention by the government in addressing urban development challenges.

The multilateral programming instruments presented in Indonesia's UN-HABITAT Country Programme Document are the Government of Indonesia's Long-term Development Plan and Mid-term Development Plan, Indonesia's Poverty Reduction Strategy Paper, and the United Nations Development Assistance Framework. Besides the existing programming instruments, UN-Habitat Programme Manager of Indonesia also employed one on one consultations and mini-workshops to find the urban sector development goals and priorities.



UN  **HABITAT**

Regional Office for Asia and the Pacific
ACROS Fukuoka Building, 8th Floor
1-1-1 Tenjin, Chuo-ku
Fukuoka 810-0001
Japan

Web: www.fukuoka.unhabitat.org
E-mail : habitat.fukuoka@unhabitat.org
Tel : (81-92)724-7121/23 Fax : (81-92)724-7124

UN-HABITAT Programme Manager for Indonesia:
Mr. Dodo Juliman (dodo.juliman@undp.org).