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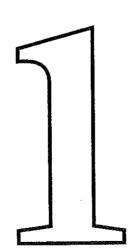
# Land Management and Guided Land Development in Jakarta

By Liliana Marulanda and Florian Steinberg



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IHS Working Paper Series No. 1

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### Liliana Marulanda and Florian Steinberg

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Correspondence: Carolien Bos Institute for Housing and Urban Development Studies P.O. Box 1935 3000 BX Rotterdam The Netherlands.

*Telephone*: 31-10-4021540

*Fax*: 31-10-4045671

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Liliana Marulanda Florian Steinberg

1991

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## Chapter 1 Introduction

#### 1.1 Background

It is widely acknowledged that the urban poor in developing countries have mostly relied on informal access to urban land to house themselves, i.e. they have acted as their own urban (land) "managers" (Angel et al, 1983; Payne, 1989; Baross/van der Linden, 1990). In this manner, they have become the 'builders' of large parts of Third World cities.

In the past decades, many Third World governments discovered the potentials of these self-help housing processes. As a result, housing policies shifted from a largely conventional public housing delivery approach (slum clearance and resettlement), to an (informal) settlement improvement approach. Indonesia is no exception to this observation. By providing infrastructure and (de facto) tenure security, the Indonesian government has effectively accelerated the gradual improvement process of self-built settlements.

Although the slum upgrading approach has proven to be capable of improving the housing conditions of many urban poor households, it does not directly contribute to the alleviation of the chronic shortages of land available for new low income residential developments. This reveals a fundamental problem which has been recognized by many housing scholars. In terms of policy, it resulted in the 'new wisdom' enshrined in United Nations Centre for Human Settlements (UNCHS) reports: "...the emphasis of public policy should shift from the housing construction process to the land delivery process." (UNCHS, 1984, p.127). Government should get out of housing construction and concentrate instead on ensuring an adequate supply of serviced land as a basis for "informal" i.e. self-organized construction and neighbourhood development.

Although the rise in urban land values is to a large extent 'socially created' (by e.g. urban growth and public investments), it is not equitably shared by all segments of the urban community. As the urban poor increasingly have to compete with other, economically stronger, interest groups, their participation in urban land markets is becoming more and more difficult. State intervention in urban land management has so far encountered many practical difficulties in finding adequate land management instruments (institutions, legislation, resources and technical administrative manpower, etc.). In fact, adequate approaches to increase the availability of land for low income housing have yet to be developed (e.g. through new experimental projects, innovative arrangements of land provision programmes, new legislation and administrative or entrepreneurial procedures). It is increasingly recognized that possible solutions should not concentrate on purely technical issues, but, instead, on political and institutional development.

## 1.2 The study: an outline

This case study touches on various land problems faced by the rapidly growing city of Jakarta.<sup>1</sup> The main aim of this study is to provide an insight in the set-up of an innovative approach to increase the availability of land for low income housing: Guided Land Development (GLD).

Chapter II gives an insight in several important land and housing problems and land policy in Jakarta.

Chapter III addresses the land supply mechanisms catering for the urban poor today. It contains a description of the 'paths of land supply' in the urban fringe (III.1.). Furthermore it deals with the role and market behaviour of the supply actors active in these areas (III.2.).

Chapter IV addresses the principles of the guided land development approach. It includes an in-depth description of the set-up of a GLD project which will take place in Jakarta in the near future. Finally, some concluding remarks are presented.

<sup>&</sup>lt;sup>1</sup>This working paper combines earlier (so far unpublished) work by Soetojo, H., Rukmana, N., Steinberg, F., on: Problems and Issues of Land Development for Jakarta's Low-Income Families, presented at the HABINET seminar in Bangkok, 22-26 January 1990, and by Triaco on Guided Land Development Project, GLD Klender, Jakarta 1989.

## Chapter 2 Land problems in Jakarta

To begin with, this chapter gives an insight into the dimensions of Jakarta's land and housing problems and it briefly addresses low-income informal housing solutions (kampungs and informal subdivisions) (II.1.). Subsequently, it focuses on problems related to land rights and land acquisition/registration and the way in which they affect the 'housing security' of the urban poor. These problems as well as their possible results (land conflicts), will be analyzed (II.2.). The chapter concludes with a section on Indonesian land policy (as described in the master plan of Jakarta 2005) and 'the public tasks ahead'. It gives an outline of the requirements needed to develop effective instruments of land management.

#### 2.1 Some figures and facts

#### 2.1.1 Population growth and land/housing needs

Jakarta's population is growing at an average yearly rate of about 4.1%. This means that every year some 250,000 people join the group of urbanites in search of housing, and at least some 50,000 are added on the labour market. Jakarta's population, presently between 8 and 9 million (Greater Jakarta - i.e. Jakarta, Bogor, Tangerang, Bekasi = Jabotabek - : 13.5 million) is projected to reach some 18 millions in 2005. This means that Greater Jakarta is likely to become one of Asia's Mega-Cities.

The projection of a 4.1% population growth can be translated in an annual additional need of 70.000 new housing units (JKP 4.2.1989). This means that, by the year 2005, Jakarta will require 30.800 hectares of land to build houses, whereas empty space presently available for urban development is only 21.500 ha. In 2005, 25% of the future population will still belong to the low-income category. They will have serious difficulties to purchase even the most modest houses built by real estate developers (Rais 1988, p.5).

It is estimated that the private sector presently manages to satisfy 85% of the housing demand, and some 75% of all new housing is built on informally subdivided land (Jabotabek 1980, p.3). During the 1970's ca. 30.000 ha were converted from agricultural to other uses and this trend holds on, spreading out into Greater Jakarta and the adjoining areas. This underlines the importance of the contribution of the private (partly informal) sector to land and housing supply in Jakarta.

The constantly growing competition for urban land is inflating land prices at a frightening speed, especially in fringe areas (Warta Ekonomi, No. 8, 1989), where prices increase tremendously mainly because of the urbanization of land itself.

Table 1 gives a rough indication of today's prices for both formal and informal land on different locations. Among other things it shows the quantitative importance of informal land supply mechanisms and indicates that land supplied through these mechanisms is much cheaper compared to land supplied through formal channels.

| Ratio of      | <u> </u> |          |          |
|---------------|----------|----------|----------|
| Distance      | Formal   | Informal | Formal/  |
| from CBD, km. | Sector   | Sector   | Informal |
| 0.5 - 0       | 514,828  | 232,162  | 2.22     |
| 5.1 -10.0     | 206,783  | 102,878  | 2.01     |
| 10.1 -15.0    | 98,660   | 43,352   | 2.28     |
| Over 15       | 48,070   | 18,068   | 2.66     |
| Overall       | 199,083  | 92,313   | 2.16     |

Formal and Informal Land Prices in Jakarta by Distance from CBD, 1989 (in Rp./sqm)

(source: Dowall et al 1990, p.9).

Table 1:

By considering the differences in prices of land on various locations, it seems to be obvious that new low-income residential developments largely occur in peripheral areas.

#### 2.1.2 Low income housing: kampungs and informal subdivision

Unplanned urbanization of Jakarta dates back to the colonial era, when the city was still called Batavia. At that time, migrants started to build their village-type settlements, 'Kampungs', around the colonial township. Since independence, the rapid population growth has accelerated the proliferation of 'unplanned' and unserviced Kampungs adjoining formal housing areas. During recent years the number of Kampungs has increased so much that today some 70% of Jakarta's population live in such settlements.

In many Kampungs (which are built on former agricultural land) there is a complex and difficult landownership situation. Land rights which, in themselves, do not offer a secure tenure prevail: the 'Hak Guna Usaha' allows for agricultural land use and some modest and temporary buildings only, whereas the 'Hak Guna Bangunan', is a right to build, and as such of a rather temporary nature. In many cases, ownership 'rights' are just derived from (semi) official letters confirming residence and payment of fees/taxes.

Despite their 'informal' nature many Kampungs offer rather good living conditions as far as the physical side of housing is concerned. Since the late 1960's a major neighbourhood improvement programme, the Kampung Improvement Programme (KIP), has been successfully implemented. It provided the large majority (some 70-80%) of the Kampungs with basic infrastructure (Devas, 1980; Taylor, 1987). By its very nature however, this environmental and infrastructural betterment programme was, not able to stop further unplanned growth and continuous informal land subdivision at the fringe of the city.

In these areas, unserviced land is subdivided and sold. The peripheral subdivisions not only cater for the housing needs of the urban poor, but can also take the form of middle and high income residential developments. They are illegal in the sense that they do not comply with the existing (planning and building) regulations (e.g. concerning plot sizes, building permits etc.).

During the initial stages of peripheral informal land development, land prices increase tremendously. The urbanizing activities which cause such increases are mainly the result of the efforts of inhabitants. As soon as basic services are provided, the value of the land rises further. As a consequence, even without any considerable financial inputs, the trade in peripheral land yields very high profits. This high investment/profit ratio has led to the emergence of a specialized group of entrepreneurs: land brokers. They are the actors who organize (informal) land supply and development. Through the years they delivered a steady flow of cheap plots.

From a (local) government's point of view however, this kind of land supply/development has many shortcomings: due to its informal nature, the costs attached to possible public infrastructural investments are hardly recovered; moreover, it frustrates land use planning and a more or less orderly urban growth; it renders efficient tax collection almost impossible etc.. In more general terms, it can be stated that, by nature, illegal land supply and development takes place outside the legal/planning framework. So far, regulations and instruments which would enable the government to guide or control (illegal) urban land development processes are either absent or inadequate (e.g. in the fields of land use planning, tax regulation, land acquisition, land registration and information).

The day-to-day reality of the land market not only shows the constraints of the processes of land title issuing and land acquisition, but also a constant series of land conflicts between inhabitants of low-income housing areas (endangered by development projects) and development agencies. Land speculation, land banditry and open land conflicts are recurring issues in the news covered by the local media.

Any progressive urban development and land policy has to take these issues into account if effective responses to the enormous land requirements for (low-income) settlements are to be developed.

#### 2.2 Land problems in Jakarta: an overview

This section addresses the problems related to land rights and land acquisition/ registration and their possible results (land conflicts). Special attention will be given to the impacts of these problems on the 'housing security' of low-income groups.

#### 2.2.1 Land rights

In Jakarta, land titles are either based on traditional ('hak adat') or statutory law. Traditional law is mostly unwritten. Thus titles based on it are uncertain. Statutory law, on the other hand, is based on various government decrees that are subject to amendment at any time. Titles based on that law are more flexible and less uncertain

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than those based on traditional law. The Agrarian Law (5/1960) distinguishes seven types of land rights:

- 1) 'Hak Milik': right to "own", grants a perpetual right of ownership and use.
- 2) 'Hak Guna Usaha': temporary (25 years) right to "use for cultivation" and limited (temporary) construction.
- 3) 'Hak Guna Bangunan': temporary (up to 30 years, with the possibility of 20 years of extension) right to "use for construction".
- 4) 'Hak Pakai': temporary (up to 30 years) right to "use" for any purpose including occupying it. Periods of 10 and 20 years are most common.
- 5) 'Hak Sewa': right to lease for indefinite periods of time.
- 6) 'Hak Gadai': right to pawn, transferring land to the provider of a loan. The land is to be returned when the owner has paid back his loan.
- 'Hak Menumpang': right to temporary occupation of private land without payment of lease - allowing for the erection of temporary houses. (see: Henssen 1988)

Apart from the above land titles, there is a quasi land right which stems from any sort of letter or document of recognition of 'tenure', for instance acknowledging payment of property taxes, fees, etc. (resulting in a letter of 'girik'). Such a document is an informal (lower status) type of acknowledgement of 'use rights'. This system is quite common among the low(est) income groups.

A recent survey indicated that only 37% of all land owners in Jakarta have a land certificate (see Struyk et al 1989, p. 432). These certificates cover 27% of the 650 sqkm of urban land (including those land titles granted by the government through a special programme mass titling program, PRONA [JKP. 21.10.1989]).

Of the title holders the vast majority (some 83%) seem to have a 'Hak Milik', i.e. full ownership right:

|   | Land Right                       | All<br>Unit Owners | Owner With Certificates | Owner Without<br>Certificates |
|---|----------------------------------|--------------------|-------------------------|-------------------------------|
| 0 | Hak Milik                        | 30.36              | 82.81                   |                               |
| 0 | Hak Guna Bangunan                | 4.94               | 13.46                   |                               |
| 0 | Hak Pakai                        | 1.37               | 3.73                    |                               |
| 0 | All Certificates<br>Tax Receipts | 36.67              | 100.00                  |                               |
|   | ("Surat Girik")                  | 23.55              |                         | 37.18                         |
| 0 | Other                            | 39.78              |                         | 62.82                         |
| 0 | All Unregistered                 | 63.33              |                         | 100.00                        |
| 0 | Total                            | 100.00             |                         |                               |

#### Land Rights of Unit Owners (in percent)

(source: Struyk et al 1989, p. 4.32)

Table 2:

The Kampung Improvement Program (KIP) has given the Kampung dwellers (particularly home owners) a good sense of security. In most cases however, no legal security was provided. Traditional land titles were not regulated under KIP and, in the case of squatter Kampungs, no lease or transfer of ownership was arranged. As the land tenure situation in urban Indonesia, particularly in inner city areas, is confusingly complex, it was decided not to take up tenure regularization as a project component. Nevertheless, The experience of KIP proves that, in a climate of positive intervention, settlement upgrading alone can produce the necessary sense of security considered to be an essential precondition for home owners' investments in housing and infrastructure. Indeed, in practice, KIP has triggered significant private housing investments. This is reflected in increases of property values, considerable public gains in the form of land tax revenues (PBB) and the 'doubling up' of tenants.

> Although in KIP areas, rental space has not significantly increased, the densities of low-income rental arrangements rose by some 200 to 300% because of 'doubling up' practices (Taylor 1987). This illustrates the growing pressures on the housing market and high, but unsaturated demand for land.

The 'doubling up' practices can partly be explained by the fact that many residential areas, covering vast tracts of land, provide less secure land rights than KIP areas do. This problem is particularly manifest in inner-city areas, where historical circumstances have left large tracts of residential land with an ambiguous legal status (Marulanda 1991). The above supports the proposition that a greater attention to the issue of regularization of land rights is required.

#### 2.2.2 Land acquisition and registration

Both land acquisition and land registration are subject to rather complicated procedures. The present process of land acquisition has to start right down from the village heads (RTs) and ends in the offices of the provincial governor and the National (or Jakarta) Land Agency.

Every stage of this process exacts payments, both legal and illegal ("Land acquisition rules", JKP. 27.9.88) and the procedure is very time consuming. As a result, "many Jakartans are reluctant to register their land or to obtain land certificates and other necessary documents" ("Land agency told to simplify procedures", JKP. 4.2.89). This implies that many, poor and middle-income families do not have a secure tenure position. Moreover, they cannot use their land (and houses) as a collateral for mortgage loans.

According to the current regulations, the issuance of land certificates and other documents takes between six months and one year. The Jakarta Land Agency intends to shorten this procedure to three or four months.

Even for developers land acquisition procedures are very complicated and expensive. "A developer who applies for land title documents has to undertake a 34-stage process just for the land agency offices. The developer must also meet 21 conditions set by 14 government offices involved in the issuance of land use permits". The whole process takes nine months to four years. "The costly permit issuance process has caused the drastic increase in land prices in Jakarta and its surrounding areas. It seems impossible for a developer to build low-cost housing as stipulated by the government regulations." ("Land acquisition procedures are costly, complex", JKP. 9.8.89; see also Struyk et al 1989; "REI complains about land acquisition problem", JKP. 23.11.89).

In order to help low-income people a special quick land registration system, PRONA, was introduced in 1981. Until 1989 some 37.000 certificates within designated areas were issued for a relatively small fee (Rp. 23.700) which compares favorable to other registration procedures. Nevertheless, "Most land is not covered by proper certificates", JKP. 21.10.89). This hinders the assessment and collection of property taxes (typically the largest revenue source for local government).

#### 2.2.3 Land conflicts

The regularly recurring land conflicts in Jakarta are strongly related to the above problems. In fact, these problems can be regarded as important causes for the occurrence of land conflicts.

Relentless restructuring of the city imposes a threat to the survival of legal as well as illegal neighbourhoods. There are cases in which economic and development pressures work against the - above described - relative security of tenure of low-income settlements. If the government supports (re)development effort these pressures will increase. In that case, the original inhabitants of a given area will most certainly be forced out (relocated).

#### Relocation and Compensation

In case of relocation, Kampung dwellers have to leave their neighbourhood for some kind of development project, or after their houses have been hit by fire. In such cases the private developers, or the government (or both) are considered responsible to pay for compensations.

In practice, this involves a regular series of conflicts and disputes. Hardly a day passes without any newspaper articles about land disputes. These articles can constitute an important source of information as regards land conflicts.

They reveal that the level of compensation is the main issue in such conflicts. Bargaining between squatters, the local authorities and the land owner often take rather dramatic forms and leave few options to the original inhabitants. Particularly if a centrally located low-income neighbourhood is planned to be replaced by middle or high income commercial development, the question of compensating the original owners for the loss of (valuable inner city) land becomes a hot issue. In some cases however, residents may find their bargaining position completely overruled: "The residents said that they had not received compensation, while the land titles were already in the hands of the Company" (Developers, residents asked to discuss land disputen, JKP. 25.4.89).

The impact of land disputes is reflected in the frequency in which these conflicts are brought up in courts and in the City Council ("Land Disputes dominate complaints to Council" (JKP. 5.9.88).

From the following quotations it becomes clear that the government is not always impartial in these matters. The Governor of Jakarta recently expressed concern that the majors of the city pay more attention to land problems "because of the growing tendency that the public regards land as a business commodity" (JKP. 5.10.89). District Chiefs have lately even been urged by the Minister of Home Affairs to settle land disputes wisely, in the spirit of the national state ideology Pancasila, demanding their concern for social justice, seeking consensus between the interests of the private sector and local residents (JKP. 20.9.89; "Legislator wants democracy in handling of land disputes", JKP. 1.2.90; "Consensus eluding land disputes, commission told", JKP. 28.11.89; "Officials should defend landowners' interests", JKP. 4.12.89.).

In fact, mostly, the relocated households get the worst of it. This is clearly visible in Table 3. It shows that compensation payments amount up to only 20 - 30% of the payments expected by the original inhabitants (based on market value estimates).

| Table 3:                       | Compensations for Land in Central Jakarta, 1991<br>(in Rp./sqm.) |  |  |  |  |
|--------------------------------|--|--|--|--|--|
| area:                          | compensation paid<br>or agreed:                                  | Compensation<br>expected by residents: |  |  |  |
| Tanah Abang                    | 300,000 - 800,000  | 1,000,000                              |  |  |  |
| Luar Batang<br>Golden Triangle | 125,000 - 200,000  | 400,000 - 500,000                      |  |  |  |
| (Setiabudi)<br>Kemayoran       | 300,000 - 1,000,000  | ≥1,300,000<br>750,000 -1,000,000       |  |  |  |

(source: Marulanda 1991).

In order to minimize land disputes the government has repeatedly been urged to issue clear compensation norms for land used in projects (JKP. 22.2.89, see also: Land Disputes call for wise handling to find fair solutions, JKP. 4.3.90; Fact Finding Team to investigate row over use of land, JKP. 2.2.90).

#### Land Banditry

The persistance of a complicated mix of land titles and the low coverage of land by official land right certificates has led to another problematic phenomenon: 'Land banditry'. This phenomenon can partly be regarded as a side product of falsified title documents which are given to holders of 'customary' land. " 'Land bandits' are on the rampage and people of lower income are particularly vulnerable. ... Land banditry refers to exploitation of land transactions by well-organized groups". (Govt. urged to amend decrees on land use, JKP. 27.9.88).

In many cases lower level government officials are involved in these shady practices (see JKP. 21.3.89, 10.4.89). The victims of these practices are either banks (obtaining unjustified loans) or local residents who are threatened by relocation.(or both)

The government, particularly the Ministry of Home Affairs, has reiterated its "determination to continue the crackdown on government officials who misuse their power in land actions." The incidents point at the weaknesses in the land registration system.

## 2.3 The role of the government: land policy

In general terms, the Urban Land Policy section of the Master Plan for Jakarta 2005 recognizes the problems outlined above by stating that control of urban land is an important pre-requisite for plan implementation and that land should have a social function. It should be used for the general welfare of the people (see article 33, para 3 of the 1945 Constitution and article 6 of the Basic Law of Agraria).

The objectives of the urban land policy for Jakarta are as follows:

"To increase the supply of land for the lower income groups,.."(Master Plan Jakarta 2005).

"To improve the land acquisition system needed for programmes in the public interest such as roads, infrastructure and facilities, so that urban development can be carried out as planned" (ibid).

"...the process of land acquisition should be simplified, particularly for plots of land intended for projects in the public interest. Simple regulations and procedures enabling land to be acquired in the public interest are the key to the direction and guidance needed for planned urban development.(...) In order to ensure that land uses shall remain consistent with the planned development objectives, building permits should be accompanied by set conditions stating the status, development rights or levels of ownership of land with each land application. Controls for breaches of land-use restrictions should be tightened and heavy penalties should be imposed, for example the loss of rights over the land concerned as defined in the fundamental Law for Management of the Living Environment (Law No. 4/1982)" (ibid).

"To improve systems for controlling land values so that land can become affordable for all levels of society" (ibid).

"In order to ensure that urban land can benefit all levels of society more equitably, it is necessary to establish an integrated system of land controls which basically will prevent land speculation. Investment by the government, in providing infrastructure, roads, drinking water etc., has created changes in land values. The added value resulting from such government investment should not benefit only the owners of the land concerned; it should also become capable of recovery by the government so that eventually it will be a source of cross-subsidy for the lower income group" (ibid).

#### 2.3.1 Tasks ahead: land administration, land titling and land use planning

Currently the National Land Agency is in the process of formulating an integrated land administration system covering the processing of land certificates, land ownership and land use (JKP. 4.3.1989).

In order to increase the availability of land for low-income housing, the following aspects need to be dealt with:

- Land delivery has to become a part of an integrated housing development programme, based on consistent legislation. It should take place within the wider framework of urban land use planning.
- In order to endow land with secure rights of tenure a simple systematic and comprehensive land registration system should be developed. In this connection special attentions should be paid to:

- a) the conversion of old rights (Western and 'Adat') to the new unified system (Basic Agrarian Law),
- b) the timely issuing of land certificates.
- To detect government land which is suitable for low-income housing, land information and registration system are needed. Such systems could also be used as a basis for valuation and property tax levels.
- Informal processes of land distribution (or delivery) to the low-income groups should be legalized, thereby providing security of tenure to a significant number of urbanites and simultaneously increasing financial gains from property tax collection.
- Speculation in land should be discouraged by well designed property tax regulation.
  - Wherever suitable, urban land readjustment and guided land development should be applied. It should be kept in mind that:
    - a special Law is necessary, which has to match with the "Spatial Planning Law". Such a law should empower the government to implement land readjustment (in the name of the common good), even if it were against the interests of (a minority of) land owners.
    - an optimal involvement of the concerned land owners must be ensured,
    - optimal coordination and cooperation between involved parties, agencies and institutes must be ensured,
    - due attention must be paid to management, site selection and development techniques (including mapping and information systems).
    - due attention must be paid to public relations activities,

With the above overview of urban land problems, the required scope of urban land management is given. It briefly demonstrates what is needed to develop the necessary and effective instruments of land management.

## Chapter 3 Paths of land supply and the urban poor in Jakarta

This chapter will concentrate on the land supply mechanisms catering for the urban poor in Jakarta. It will firstly address the different paths of land supply mainly occurring in peripheral areas (III.1.). Furthermore, it will deal with the market behaviour of the actors involved in supplying informally subdivided land (III.2.)

### 3.1 Paths of land supply

In many cities of the developing world the majority of the poor still gain access to land by massive squatting (invasion). The case of Jakarta however, shows that the overwhelming majority of low income households have to buy the (use rights of the) land on which they intend live. Non-commercial supply mechanisms (e.g. invasion) have largely disappeared (see Baross 1983). Simultaneously, a variety of commercial modes of land supply emerged, catering for the needs of low income households. In general, land supplied by the government and formal private sector is not accessible by low income households. As a consequence they are dependent on (semi) informal land acquisition processes and therefore have to deal with land agents and informal subdividers.

The variety of land supply mechanisms can be visualized by different "paths" of land

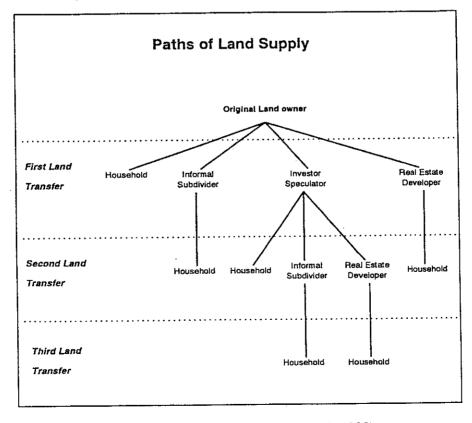


Figure 1 Paths of land supply (source: Struyk et al. 1989)

In the case of the most direct path, a household purchases a plot directly from a farmer or a small land owner. A similarly direct path takes the form of the conversion of (rural) land use to urban residential use by the original land owner himself. Land can also be purchased by intermediaries who subsequently resell it. All intermediaries can be grouped into those who are actively involved in the development of land (real estate developers/informal subdividers), and those who simply hold land for later resale to informal subdividers or (formal) real estate developers (investors/speculators).

In terms of market share, the informal subdivision and sale of land is the major mechanism by which land enters the urban housing market. Moreover, it is by far the most important mode of land supply in terms of reaching low income groups. Therefore, some general traits of the market behaviour of the actors involved in the 'paths of land supply' ultimately leading to the proliferation of low income settlements, will be analyzed below.

#### 3.2 Urban fringe land supply: the roles of the actors involved

#### 3.2.1 Investors and land agents

In general, intermediary supply actors, purchase and subsequently hold land because of expected future increases in land values - derived from urbanization and, in particular, from public/private investments in infrastructure and housing/commercial developments. By doing so, they constrain the direct supply to households and, at the same time, they take the profit derived from the land price increases which go hand in hand with the rapid urbanization of agricultural areas.

To these actors information concerning future urban development is of crucial importance. In principle, both public authorities and private developers try to keep projects plans confidential as long as possible. In practice however, it is difficult to maintain secrecy because of the collaboration between local officials and land brokers ("officials urged not to collaborate with land brokers", JKP. 19.12.89; "Wiyogo to punish delinquent land brokers, officials", JKP. 8.3.90). As development plans become known to investors/speculators, they start acting through the use of local land agents ('calo tanah'). Such agents represent their investors. They deal with local officials/local leaders, collect hot tips about recent land sales, identify owners willing to sell, negotiate in land transactions and receive a commission for these services.

"It appears that brokers have established very close working relationships with local officials. In addition to supplying information, such officials help establish the 'legitimacy' of the broker ... In the case of disputes or uncertainty about ownership, these same officials are called upon to resolve the problem. They are not uninterested parties in such matters, since the fees and commissions they receive for witnessing land transactions and other services are a significant part of their income." (Struyk et al 1989, p. 4.23).

More than 90% of Jakarta's developers use brokers to purchase land for housing complexes (or other buildings) ("Most Developers Using Brokers in Land Acquisition", JKP. 7.3.90).

Although some of the land held by investors/speculators goes to (large-scale) real estate development projects - such as the 6.000 ha Bumi Serpong Damai new town to the South-west of Jakarta - most of the speculators' holdings end up in less formal segments of the housing/land market. In that case, small parcels are sold to individual households for building purposes, or larger parcels are sold to informal subdividers. (see above section).

#### 3.2.2 Informal subdividers

The term 'informal' implies that the subdivision of land takes place outside the legal/planning framework. In practice, subdivision regulations concerning size and layout of plots and the provision of infrastructure are applied to formal residential developments only. Hence, informal land subdivisions can proceed rather undisturbed, providing land for low income housing. In fact, the purchase of land and subsequent subdivision becomes an ongoing business, supporting an incremental housing process (some investors/speculators eventually become subdividers themselves by selling individual building plots).

Land subdividers - with sufficient knowledge of the market in which they are active generally cater to a wide range of low and middle income households (excluding the poorest and the wealthiest). Negotiations are held directly between the subdivider and the landowners. If the original landownership is complicated, or under dispute, the subdividers make an initial down payment to the owner, and sign a letter of authorization ('Surat Kuasa') - witnessed by the subdistrict chief, the neighbourhood chief (RW) and Community Chief (RT). This establishes their right to divide and resell the land. Subsequently, they will invite the local officials of the National Land Agency to survey the site and to get a site plan.

A disadvantage of the informal land subdivision process from the viewpoint of urban planners is that the layout of plots is usually on an ad hoc-basis with the buyers often deciding on size and location. Except for access roads and paths, no space is kept for future infrastructure service development. Many urban Kampungs originate from this sort of land subdivision, leaving the provision of infrastructure and services to the local government and the inhabitants.

The legal status of the land involved in the above transactions is generally 'Hak Milik Adat' or 'Girik' (a traditional right of full ownership proven by tax receipts and letters/documents from local officials such as the sub-district (Lurah) or district (Camat) chiefs who usually receive 0.5 % of the selling price as registration fee). The registration procedure gives rise to additional trouble and costs.

The profits derived from the subdivision and sale of land appear to be sound, with sale prices being at least twice as high as the original price (see also Devas 1983, p. 216). The typical production costs attached to the informal subdivision of land are roughly estimated to be 25% of the initial land price (see table 4).

| Table 4:                | Typical Costs: Informal Subdivision |
|-------------------------|-------------------------------------|
| Item                    | % of Initial Land Price             |
| First Agent             | 2.5                                 |
| Second Agent            | 5.0                                 |
| Payments to Local Offic | cials 2.0                           |
| Surveying of Land       | 0.5                                 |
| Land for Roads & Servi  | ices 15.0                           |
| Total                   | 25.0                                |

(source: Struyk et al 1989, p. 4.31)

## Chapter 4 A land development strategy for Jakarta

In Jakarta, the availability of land for low income housing is rapidly decreasing. Past experiences have proven that public housing supply is grossly inadequate, catering for a very small group only (about 5% of the urban population). As seen above, private suppliers have been more successful in reaching low income groups. Informal land subdividers in particular have been creating a steady flow of relatively cheap plots. Given both the relative failure of public initiatives, and the success of private (informal) suppliers, the question arises whether it would be feasible for the government to support and guide past informal land developments in order to:

- (a) increase the availability of land for low income housing;
- (b) guide future growth to areas which are suitable for the expansion of the metropolis.

Such a support and guidance of the private land and housing sector could take the form of Guided Land Development (GLD) which can be regarded as a form of 'land readjustment' or 'land pooling'. In contrast with a large scale public land acquisition and land banking approach, which is an exclusively public undertaking - implying many difficulties concerning the time and financial resources needed for the acquisition of land (Devas 1983:216) -, this land management approach aims at:

"an integrated and synchronized public and private investment in a sizeable land site which otherwise would have ended up fragmented into many small development pockets. Conceptionally, the main attraction of land pooling is not only that it can lead to a more controlled and planned urban growth, but also that the cost of providing roads, public utility networks, and land for social functions can be recovered out of the increased land values generated by government participation in the process itself" (Baross 1987, p. 32).

### 4.1 Guided Land Development: a description

Guided Land Development creates a legal/planning framework within which popular (Kampung type) settlements can proliferate. It seeks to reinforce the most workable and effective (in)formal land developments by increasing their effectiveness and technical standards (Rais, 1988 p.7)

GLD schemes are initiated by the local government. It selects suitable land, and plans for roads/footpaths, water supply lines and the rights-of-way - in consultation with the local land owners and village heads (lowest ranks of the local government structure). Subsequently, an implementation and financing plan is drafted for the incremental provision of infrastructure. This plan should enable and partly determine the gradual development of the new settlement.(Ibid, p. 9)

GLD concentrates on providing a cost-efficient layout of roads and basic services on sparsely developed land in urban fringe areas.(Ibid, p. 7) Just as the residents of KIP areas, land owners in GLD areas are not compensated for providing land to be used for infrastructural development. The increasing value of their land (caused by the provision of infrastructure) is thought to be a sufficient compensation in itself. (Ibid, p.12)

GLD seeks to provide land for all income groups within one settlement. It thereby allows for a significant degree of cross-subsidy. It is hypothesized that a supply of large plots along major roads to high income groups will result in the financial base needed to bring down the price of small low-income plots served by footpaths only. Plots with direct road access will get individual water connections. The areas which have footpath access only, will be served by hydrants and MCKs (public washing/toilet units). Space is being reserved for religious buildings, play grounds and recreation. The provision of employment facilities will be supported.(Ibid, p. 8,13)

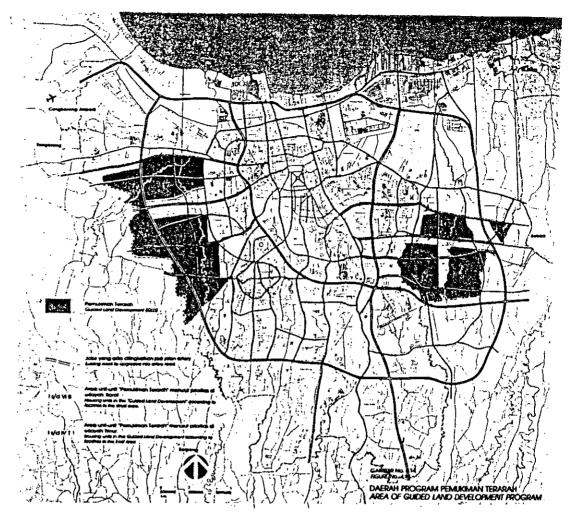
### 4.2 Guided Land Development in Jakarta

The concept of GLD has caught on with the local government of Jakarta. In fact, the GLD approach has been gradually incorporated in local policy thinking and urban development plans. A GLD scheme, involving the provision of basic infrastructure to some 26.000 ha of privately owned fringe land, has been proposed in the Jabotabek Metropolitan Development Plan of 1980 (JMDP Report T-29, 1980). This proposal aims at encouraging land owners, holding land within the programme area, to subdivide and sell (or lease) their land for residential development. The infrastructure costs would be recovered from them through property tax (PBB).

The Jakarta Master Plan 2005 of 1985 reveals that the local government both aims at improving the housing conditions in existing low income settlements (through KIP), and increasing the supply of (serviced) land to low income households (through GLD) (see DKI 1987). Recently, GLD has been incorporated in the wider context of the Integrated Urban Infrastructure Development Programmes (IUIDP) for which mediumterm investment plans are presently being prepared.

Map 1 and table X give a rough idea about the dimensions in which GLD is proposed to take place in the future.

#### A LAND DEVELOPMENT STRATEGY FOR JAKARTA



Map 1 Guided Land Development in Jakarta according to the master plan Jakarta 2005 (source: Master Plan 2005, p. 33)

| Housing Dev.<br>System<br>1980-2005<br>Dev. Zone | Total House-<br>hold Increase | Infill<br>Housing<br>Dev. | Guided<br>Land<br>Agencies | Perumnas<br>and Gov.<br>Estate | Real<br>Organiz | Individual/<br>Other Private<br>ation | Gov./<br>Public | Individua |
|--|-------------------------------|---------------------------|----------------------------|--------------------------------|-----------------|---------------------------------------|-----------------|-----------|
|  |                               |                           |                            |                                |                 |                                       |                 |           |
| North Dev. Zone<br>North West                    | 196.000                       | 133.000                   | -                          | 30.000                         | 8.000           | 20.000                                | 5.000           | -         |
| Dev. Zone<br>North East                          | 110.000                       | -                         | 28.000                     | 12.000                         | 8.000           | 62.000                                | -               | -         |
| Dev. Zone<br>Tanjung Priok                       | 117.000                       | -                         | -                          | 18.000                         | 3.000           | 96.000                                | -               | -         |
| Dev. Zone  | 103.000                       | 29.000                    | -                          | -                              | 1.000           | 60.000                                | 6.500           | 6.500     |
| Central Dev Zone                                 | 248.000                       | 145.000                   | -                          | 3.000                          | 5.000           | 78.000                                | 3.500           | 13.500    |
| West Dev. Zone                                   | 365.000                       | -                         | 73.000                     | 40.000                         | 70.000          | 182.000                               | -               | -         |
| East Dev. Zone                                   | 320.000                       | 34.000                    | 38.000                     | 30.000                         | 27.000          | 191.000                               | -               | -         |
| South Dev. Zone                                  | 150.000                       | -                         | -                          | 15.000                         | 18.000          | 117.000                               | -               | -         |
| TOTAL  | 1.609.000                     | 341.000                   | 139.000                    | 148.000                        | 140.000         | 806.000                               | 15.000          | 20.000    |
|  | 100%                          | 21,2%                     | 8.6%                       | 9,2%                           | 5.7%            | 50,1%                                 | 0,9%            | 1.2%      |

| Table 5 | HOUSING | DEVEL | OPMENT | BY | ZONES | DKI | JAKARTA | 2005 |
|---------|---------|-------|--------|----|-------|-----|---------|------|
|---------|---------|-------|--------|----|-------|-----|---------|------|

The Guided Land Development and Perumnas/Other Government Agecies in Northwest, Northeast Developent Zones will be implemented after 1995.

Source: Report of Team on Housing Sector Master Plan 2005, Master Plan Jakarta 2005, p.32.

The main objectives of the GLD programme for Jakarta can be summarized as follows:

- To stimulate (informal) private land and housing supply.
- To support the incremental development process of existing and new informal settlements, and to guide their integration into the urban structure.
- To meet the above objectives at a low cost to the government and the beneficiaries, through appropriate cross-subsidy and cost recovery arrangements.
- <u>To help the lower income groups to house themselves</u> by giving <u>technical</u>(Rais, p. 9) and <u>financial</u> support and providing land at prices they can afford.
  - To create work opportunities within GLD areas and to encourage the development of small-scale industries.(Ibid, p. 8)
- To open up residential land markets in the East and West of Jakarta (where land is relatively cheap). In accordance with the East-West development policy of Jakarta, urban development and employment in these areas will be stimulated through GLD. This development will be enhanced by constructing new access roads and improving the existing ones. (Ibid, p. 8)

The steps of preparing and implementing GLD schemes are outlined in the following flowchart (Archer 1990)

Figure 2 Steps in preparing and implementing a GLD project

| 1 ·   |
|---|
| Selection and designation of project site on "darat" * land that is suitable and "ripe" for<br>development  |
| 2   |
| Preparation of road/lane and infrastructure layout plan using cadastral maps and in consultation with landowners and village heads  |
| 3   |
| Preparation of programme for the staged construction of the roads/lanes, drains and water<br>supply lines, in consultation with landowners and village heads                |
| 4 +   |
| Estimation of costs and preparation of a financial plan showing yearly expenditures, financing and cost recovery targets, in consultation with landowners and village heads |
| 5   |
| Approval of GLD scheme (items 2+ 3+ 4).   |
| <u>6</u>  |
| Design of engineering works   |
| 7   |
| Survey and pegging of the road /lane rights-of-way(R-of-W)  |
| 8   |
| Acquisition of the R-of-W land by landowner donation (with compensation for buildings and excessive land take).   |
| 9   |
| Commencement of construction of network infrastructure works, as programmed.  |
| 10 +  |
| Subdivision of land parcels by landowners/ subdividers into building plots and sale of plots to households.   |
| 11  |
| Building development by households on their plots.  |
| 12 +  |
| Continuing construction of infrastructure works.  |
| 13 +  |
| Cost recovery through user charges and property tax (PBB) collection.   |

\*) \*darat\* land is land with traditional land titles. (source : Archer 1990)

## 4.3 The implementation of GLD schemes in Jakarta: two initiatives

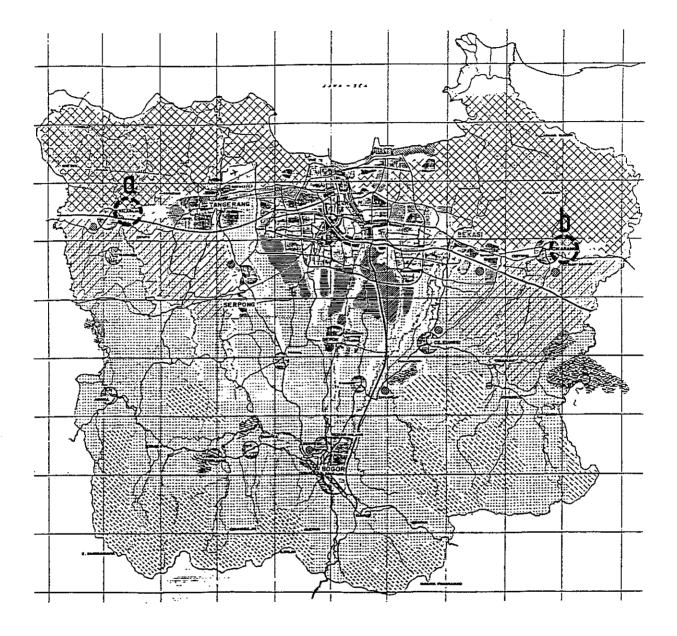
At present two GLD initiatives have been developed in Jakarta. These have not yet proceeded beyond the initial stage of project design.

The first initiative concerns two proposed GLD schemes in Greater Jakarta, located in Balaraja, Tangerang and in Cikarang, Bekasi (in the BoTaBek region: see Map 2). They will cover an area of 50 ha each, and serve a total population of some 100.000. After some 10 years of discussions and debates on the need for GLD, finally a commitment was made to implement these schemes within the framework of the Botabek Urban Development Project between 1991-1996 in the fringe areas of Botabek.

In a contract with the Asian Development Bank (ADB) the design standards have been laid down (see for details annex). The technical design and implementation of these schemes will be worked out in the course of 1991. Community participation, particularly in the preparation and early phases of the schemes, is thought to be of crucial importance (see also: Jelinek 1990).

The second initiative is the Klender Guided Land Development (GLD) project, an explicitely "participatory" GLD project, proposed for the east of Jakarta. In view of the innovative approach adopted in the case of this experimental project, it will be discussed in more detail below.

Before we go into this discussion it should be acknowledged that GLD, as a conceptual framework for land development, has stimulated innovative thinking in Jakarta. By stressing public-private cooperation it has led to a process of recognition of the potentials of an enabling role of the government and the related advantages of a participatory housing process in which the government, the community and the private sector cooperate and both the efforts and benefits are shared (see: Triaco, 1989).



Map 2 Jabotabek area (Jakarta, Bogor, Tangeran, Bekasi area)

## Legenda:

Location of Botabek GLD projects in: **a** () Belaraja, Tangerang **b** () Cikarang, Bekasi

#### 4.4 The Klender experimental GLD project

The Klender Experimental GLD Project covers approximately 61 hectares in RW 07 and 08 of the Jatinegara district and RW 01 of the Penggilingan district. In the Jatinegara district, 30 hectares of project land are already occupied by low density Kampungs. The site's closeness to one of the city's industrial areas makes it an attractive location for employment and income generating activities.

The objectives of the project are to create an integrated and coordinated development and efficient land use based on the utilization of existing resources. Furthermore it aims at encouraging Public-Private Partnership which allows for land owners' and residents' participation. Through the provision of basic infrastructure, the project intends to support a more organized growth and development in the eastern fringe areas of the city. The project includes not only residential development for various income groups, but also the provision of social and commercial services supporting the growth of sustainable activities within the area. This mixed-use concept is applied to avoid ribbon development with all its known consequences and to generate a more balanced land use.

The physical design follows the main principles of density, subdivision of plots and infrastructure standards laid down in studies made by the Jakarta Planning Office of DKI: the proposed lay-out corresponds to the typical Kampung lay-out patterns. The maximum density will be about 400 persons per ha. 40% of the land will be used for high income housing, whereas 60% is planned to be used for middle and low income residential development.

The project has been designed with the objective to avoid displacement of low-income residents. If relocation would be inevitable, community participation should ensure that it mainly takes place within the same area itself.

Model 2, displays the organizational structure of the Klender GLD project. The local government plays the role of initiator, facilitator and promoter. As such, it participates in the co-development corporation (supply side) and the management board, in which it can function as an intermediate party between the supply and the demand side. Other parties ('actors') such as Development Consultants and Non Governmental Organizations (NGO's) may be involved to create more effective linkages among all the parties mentioned before.

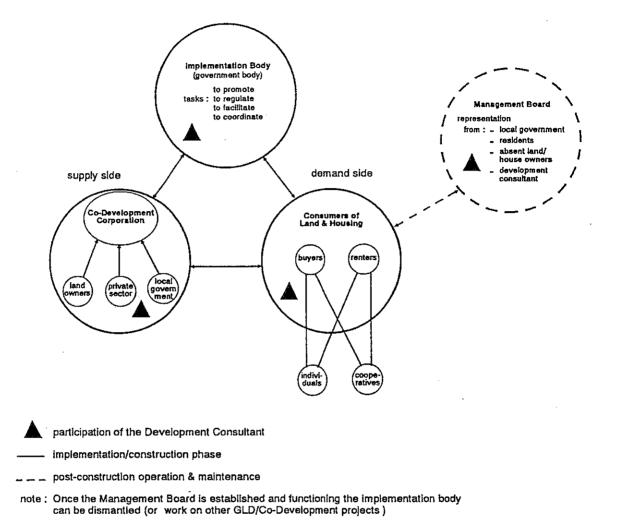


Figure 3 Proposed organizational structure of the Klender GLD project

#### 4.4.1 Underlying concepts

The proposed project is based on five main concepts, whose acceptance by the parties involved is thought to be a precondition for a successful implementation:

The Dynamic Planning Process.

This process is thought to reduce the gap between planning and implementation. It departs from the recognition that urban development is the result of inputs from different actors, with different interests. In this respect, planning can be regarded as a negotiation process needed in order to achieve a more equitable and balanced development.

The project starts with a preliminary design which will change according to the outcomes of negotiations between the parties involved. As a result, physical design will be the outcome of a participatory process, mobilizing the different parties and the existing resources.

The Implementation Body.

This Body facilitates/ motivates the planning-negotiation process and coordinates implementation. It has the power to make major decisions during the planning-negotiation process, and to provide the necessary decrees. The Body is formed by: (a) representatives of the (provincial, local) government offices which have direct interest in the project; and (b) the development consultants who advise the government and act as an intermediary between the other parties, i.e. the private sector and the resident community. The functioning of this special Body is expected to result in a shortening of bureaucratic procedures and a better inter-institutional coordination during the planning-negotiation and implementation process (a more dynamic and faster decision making process is strongly stimulating private sector participation).

"Co-Development".

GLD intends to invite private developers to participate a "Co-Development" process. This concept is based on pooling the resources of the government, local land owners and private developers and sharing the benefits of the resulting physical and economical development of an area. In order to get land owners to provide their land, the project should be designed as a land and business development-joint venture which makes the project profitable for all the parties involved.

To reach this goal, the agreements between the parties involved should be clear in defining risks, costs, benefits, and measures to guard and protect the interests of the weaker income groups, against later gentrification.

The Development Consultants.

Considering the limited public resources available, special technical assistance will be provided by Development Consultants. They will assist the government staff in professional and non-routine work, in planning and in organizing the project as a "business". Besides, they will act as intermediaries between the local government, the private sector and the communities.

In contrast with conventional consultants, Development Consultants use innovative and unconventional concepts and practices of urban development. The Management Board.

This board will deal with project management problems. It is formed by representatives of the local government and the residents, and, initially it also includes representation of a non-governmental, non-profit organization (NGO) as a mediator. Once the board is functioning adequately, the NGO may leave the function to a professional manager. The residents' organization should operate and maintain the services in the area, prevent their decay, and regulate the co-existence of various groups. In this manner it is hoped to solve problems in the area in a direct and efficient way - avoiding red tape (see: Ismael, 1989, p.4).

#### 4.4.2 Implementation phases

The implementation of the project is planned to take place in three phases. The <u>first</u> phase takes the form of a Kampung Improvement Programme (KIP), providing/improving infrastructure to increase the accessibility of the area and to create favorable conditions for physical, social and economic development for the existing as well as the future inhabitants.

The <u>second</u> phase concentrates on land development (planned Kampungs), with emphasis on supply of serviced land to low-income households - financed from the profits earned through private real estate development (cross-subsidy).

The <u>third</u> phase consists of the provision of major infrastructure to encourage the development of commercial and recreational facilities supporting growth of sustainable activities within the area.

Below, the implementation process is described in more detail:

- 1. Decree by the provincial government of the DKI Jakarta concerning the adoption of the Klender GLD; formation of the implementation body.
- 2. Start of the **first phase**: negotiations between the private developer and the land owners to define the forms of partnership. Simultaneous negotiations between the developer, who has been given the development right for the vacant land, and the government will take place. The bargaining items, risks, costs and benefits for the three implementation phases will be defined. They will be reflected in the physical design.
- 3. Start of preparations for participatory infrastructure planning and implementation. The formation of the Community Development Fund and the Construction Work Cooperative.
- 4. Start of the construction of the main access road by the developer, in cooperation with the Construction Work Cooperative (which has been trained by him before). Provision of serviced plots to households who have to be relocated because of the construction of infrastructure. The costs of this provision are to be shared by the developer, the government and the community (through their unpaid work).

- 5. Start of the second phase: new land development and planned kampungs; the provision of income generating activities by involving residents in the new construction activities.
- 6. Decree by the Provincial Government concerning the formation of the Management Board.
- 7. Start of the **third phase**: the construction of the artery road, the recreation centre and the street vendors centre and continuation of support for the incremental development in the area.

This project has been conceived as an experiment. Whether or not it will be <u>implemented</u> depends very much on the <u>political will</u> to accept the main principles, which in part are new or at least modifications of the existing government procedures and require some institution building. It is difficult to assess the time needed for the several rounds of negotiations. In fact, it depends on the ability and willingness of the parties to reach consensus. Issues like the settlement of conflicts (f.i. in the bargaining process), the decentralization and resident participation, might give rise to debates and conflicts. Implementation of the project would give the opportunity to investigate these issues, and possibly adopt policy modifications.

## Chapter 5 Conclusions: an initial assessment of Guided Land Development

Land is the most precious <u>resource</u> for urban development and therefore a strategic development issue. From the foregoing, it is clear that in Jakarta the management capacity to guide/control land developments and to increase the availability of residential land, needs further development.

The strength of private sector and people's participation in urban development has been recognized. However, a more active enabling (local) government participation in the urban development process is needed. The framework of GLD allows government to play such a role. Compared to the predominant land supply mechanism of informal land subdivision, the GLD approach is thought to provide cheaper and more easily accessible residential land for all income groups.

Until early 1991, GLD has not been implemented in Jakarta. It is still awaiting its start in the Botabek area. As a consequence, its likely effects can only be assessed in a tentative manner.

GLD recognizes the need for basic housing and land requirements and provides services ahead of need. As a result, in GLD areas, the more costly approach of having to upgrade existing settlements, can be avoided (overcrowding makes improvement programmes time consuming, expensive and difficult to achieve <sup>1</sup> (Rais 1988, p.12)

GLD is a relatively flexible approach: it allows the private sector to supply a plot of a size down to a minimum of 20 square metres. Furthermore, in GLD, extra costs occurring in the informal land subdivision/development process (e.g. for land transfers, registration), can be avoided.(Ibid)

There are many problems involved in implementing GLD: for instance defining the specific responsibilities of local government and land-owners, the identification of beneficiaries, methods of calculating the tax and the scheduling of implementation. Ultimately, its effectiveness will largely depend on the <u>political will</u> and the cooperation of the actors involved.

It is difficult to predict whether the GLD programme could be taken over by the better off rather than serving the low-income groups. So far, the shortage of land is affecting all income groups. If the supply of land through GLD programmes is not sufficient to satisfy the demand for land, the available land will tend to attract higher income groups.

Whether GLD will attract major private land developers (presently active in more central areas) also remains to be seen. So far, however, there is no alternative approach which addresses so many key constraints concerning (low-income) residential development.

<sup>&</sup>lt;sup>1</sup> A summary of cost comparisons between GLD and other techniques of land development, like 1) a "do little" and KIP, 2) sites and services and 3) sites, services and houses, shows GLD to be less expensive than all three other approaches.

| Table 6  | Summar<br>land<br>(in      |   |   |  |
|--|----------------------------|---|---|--|
| Land Development<br>Techniques                                     | Household<br>Affordability | Total <sup>x</sup> on<br>Land Development<br>(Costs/Person) | Site Residential<br>Land Purchase<br>(Costs/Person) | Total Housing<br>Dev. and Land<br>(Costs/Person) |
| GLD<br>"Do-Little" +KIP<br>Site+Service<br>Site+Service<br>+ House | ▲ _                        | •   | -<br>133.400<br>93.890                              | 32.420<br>44.650<br>203.000<br>429.690           |

x)

Does not include administration costs; infrastructure only. Source : JMDP, T-29, Annex 6.2.

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## Annex

| <ul> <li>Water Supply:</li> <li>on site wells (provided by households)</li> <li>public taps</li> <li>direct piped water supply</li> </ul> | <ul> <li>50% of dwellings</li> <li>25% of dwellings</li> <li>25% of dwellings</li> </ul> |
|---|--|
| Housing Access:   |  |
| - 4 m wide roads  | - 75 m/ha  |
| NN .1 () 1  | < 100 m to house   |
| all weather footpath  | < 50 m to house  |
| House Drainage:   | - provided by households/community   |
| Solid-waste:  | - community collection to transport depot  |
| Provisions for Community  | · -  |
| Facilities:   | - 0.58 ha/1000 population  |
| Minimum Plot Size   | - 20.30 sqm.   |
| (Botabek, Jakarta 1990, Appendix 3, p. 3; see also: Jelinek 1990).  |  |

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