DECENTRALIZATION AND ITS IMPLICATIONS ON THE DEVELOPMENT OF HOUSING IN MEDAN

A THESIS

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IN ARCHITECTURE DEPARTMENT

POSTGRADUATE PROGRAM
UNIVERSITY OF NORTH SUMATRA
MEDAN 2004
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Submitted in Fulfillment of the Requirements
for Degree Magister of Engineering In Architecture Department
Postgraduate Program University of North Sumatra

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My mother, my pride
ACKNOWLEDGEMENTS

This work could not have been completed without the contribution of the following institutions to whom I extend my thanks: the Spatial Arrangement and Settlement Service of North Sumatra Province (Dinas Tata Ruang dan Permukiman Provinsi Sumatera Utara), Housing and Settlement Service of Medan City (Dinas Perumahan dan Permukiman Pemerintah Kota Medan), City and Building Arrangement Service of Medan City (Dinas Tata Kota dan Tata Bangunan Pemerintah Kota Medan), Department Office of Taxes (Departemen Pajak), and REI (Realestat Indonesia) for providing me data, as well as to all the people in these institutions who helped me through interviews and their insights into the housing development process in Medan.

I wish to express my deepest respect and gratitude to my first supervisor, Prof. Abdul Ghani Salleh, M.Ec, MSc, PhD, for introducing me the fundamentals of scientific thinking and research to conduct this thesis. Without his deep knowledge, expert advice, and continuous encouragement and support, I would never have had the courage and ability to complete this work and write it in English.

I am deeply indebted to my second supervisor, Drs. Subhilhar, MA, for his interest in my work and for his critical and valuable suggestions for the thesis, as well as for his strong determination to make me finally understood how to conduct the thesis comprehensively. I deeply appreciate his kindness for had always been available whenever I need his advice.
I am also profoundly grateful to my third supervisor, Ir. Samsul Bahri, MT, for steadily guiding me throughout all the phases of this work and kept encouraging me to obtain ‘rather’ restricted government data. He has devoted his valuable time to evaluate my statistical processing data and figures in my draft, as well as discussing them in great detail with me.

I owe my sincere thanks to my ‘dearest’ teacher Ir. Dwira N. Aulia, MSc, for her contribution to my wider knowledge on housing. I am also indebted to Mr. Patrick Wayne Guitwen an English teacher at International Language Course, for his excellent revision to my English draft so it convincing me that people could understand the thesis ideas.

I would also wish to thank all my friends, for their companionship, which made moments in campus cheerful and attractive. My special thanks to Mr. Sampurno Pohan and Mr. Ahmad Syaukani who helped me obtained the data easily by using their authorities in the institutions they work for.

At last, my deeply thankful and most grateful to: my parents, for encouraging me in my depressed moments by showing enormous confidence to my capabilities and always supporting me during my study; my aunt, brother and sister, for their great attention and being always side by side in good and bad moments in our family.

Grace Yuswita Harahap

Medan, September 2004
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ABSTRACT

Housing development is in principle under the responsibility of the community, whereas the government’s role is to encourage, direct, provide services for the community, as well as to create housing and settlement development climate.

This study attempts to examine whether the fulfillment of population housing need in Medan is better in decentralized government than in centralized government. Therefore, the study examines three aspects – governments’ programs in housing and settlement development, housing development, and housing need. Since decentralization came into effect in 1st January 2001, therefore, the study appraised housing condition in two facets: centralized government (1998-2000) and decentralized government (2001-2003).

Based on central government direction on balanced-housing development to fulfill the population need of luxurious, middle-class and simple housing in the proportion of 1:3:6, collecting data is carried out to appraise housing development that occurred in Medan in those three classifications – simple, middle-class, and luxurious houses, and the population housing need for each classification; subsequently, the correspondence between housing development and housing need can be obtained.

At the same time, housing and settlement development programs of North Sumatra Province Government and Medan City Government are collected and in-depth interview are carried out, in the effort to appraise the success of the programs in empowering the community on housing development in Medan.

The findings is the development of housing in Medan City during the period of 1998 to 2003 had not achieved successfully to fulfill the intended result of housing development for each classification of housing need during those years.

Housing development in the period of 1998-2000 decreased in accordance with economic crisis that occurred in Indonesia. Meanwhile percentage of overall housing development in 2001-2003 better- and even excessive in middle-class houses development- than the earlier period, but the fulfillment was inadequate along with wide-inequality among the three classifications.

The insufficient administrative capacity and political-will of local government caused no effort was taken to manage housing development or even to understand housing condition in Medan City. Being closer to the people not meant local government automatically could manage the development of housing to achieve the intended result in fulfilling population-housing need, since those weaknesses avoided local government to do so.
ABSTRAK

Pembangunan perumahan pada prinsipnya adalah tanggung jawab masyarakat, sementara peranan pemerintah adalah untuk mendorong, mengarahkan, menyediakan sarana untuk masyarakat, juga menciptakan iklim yang kondusif untuk pembangunan perumahan dan permukiman.


Berdasarkan arahan pemerintah pusat mengenai pembangunan perumahan yang seimbang untuk memenuhi kebutuhan penduduk akan rumah mewah, menengah dan sederhana dengan perbandingan 1:3:6, pengumpulan data dilakukan untuk menilai pembangunan perumahan yang terjadi di Medan dalam ketiga klasifikasi tersebut dan kebutuhan perumahan penduduk untuk setiap klasifikasi rumah; untuk mengetahui keselarasan antara pembangunan perumahan dan kebutuhan perumahan.

Pada saat yang sama, program-program perumahan dan permukiman Pemerintah Propinsi Sumatera Utara dan Pemerintah Kota Medan dikumpulkan dan wawancara juga dilakukan untuk menilai keberhasilan program-program tersebut dalam memberdayakan masyarakat pada pembangunan perumahan di Medan.


Kurangnya kapasitas administrasi dan niat-politis pemerintah Kota Medan menyebabkan tidak adanya usaha yang dilakukan untuk mengatur pembangunan perumahan, bahkan untuk memahami kondisi perumahan di Kota Medan. Lebih dekat dengan masyarakat tidak berarti menjadikan Pemerintah Kota Medan secara otomatis dapat mengatur pembangunan perumahan untuk mencapai pemenuhan kebutuhan rumah masyarakat seperti yang diharapkan, karena untuk melakukan hal tersebut Pemerintah Kota Medan terhalang dengan adanya kelemahan-kelemahan yang dimiliki institusi tersebut.
CHAPTER I
INTRODUCTION

1.1. Backgrounds of The Study

According to the Law No. 4/1992 on Housing and Settlement paragraph 5.1, "Every Indonesian citizen has the right to occupy and/or enjoy and/or own appropriate housing in a healthy, secure, harmonious and in an ordered living environment"; and paragraph 5.2 of the aforementioned law states, "Every Indonesian citizen has a duty and responsibility to participate in housing development." The role of government is mentioned in paragraph 30. It states, "The Indonesian Government conducts the development of housing and settlement in the form of arranging and guiding, giving assistance and accessibility, researching and developing, planning and implementing, and also monitoring and controlling."

Based on the above law, housing development is in principle under the responsibility of the community, whereas the government’s role is to encourage, direct, provide services for the community, as well as to create housing and settlement development climate (Priyono, 2002:1). Therefore, since the law came into effect, housing development depends on the affordability of the community to construct or purchase their dwellings.
For the reason that the above law has never been revised until the present circumstances and decentralization has come into effect in Indonesia since 2001, therefore the above law keeps governing housing and settlement development in centralized and decentralized government.

Meanwhile, housing need in Indonesia is very huge. The fulfillment of housing needs is quite far from being satisfied. In fact, this can be seen from selling realization of housing in 1997-2001 periods that reached 133 thousand units per year. In other words it is about 17.8% from the total need (Priyono, 2002:8). In order to fulfill the housing requirements in Indonesia, set up by Pelita (Five-year Planning) V, the Government has given directions to the housing development as reference for all institutions, institutes and relevant parties handling housing and settlement development. However, the government was confronted with the growing need for houses, the worsening economic situation and global technology development, and on the other side facing the increasingly limited area of housing and residential land. Therefore, policies and appropriate development approach are needed to accommodate all problems that arise in this reform era, and it was named as empowerment strategies.

Empowerment of regional government apparatus and empowerment of private and community as development actors are the requirements that must be applied to accelerate the procurement of healthy and appropriate housing particularly for low-income people. In order to carry out the strategies, the government creates programs
in housing and settlement development that aim to facilitate and encourage private individuals and community to fulfill their housing need.

Meanwhile, the development of housing carried out by private individuals and community keeps growing in accordance with the increasing need of rapid population growth for housing. However, many have argued that housing needs today cannot be met adequately through the efforts of private individuals alone. This access was constrained by many factors, such as high prices of land for housing and high cost of building materials (Cheema, 1993). Moreover, the private market for housing is based on financial resources of firms and their willingness to produce housing for profit, as well as on the income of households and their willingness to pay for housing services through purchase or rental (Bourne, 1981). The inadequate access to shelter becomes one of the housing problems in urban areas.

The whole basis for housing is to provide the shelter requirements of the population, and the ultimate aim of government is to improve conditions of life and equity. In order to respond the public pressure to correct numerous housing problems and inadequacies, it is necessary to acknowledge the extent of government’s empowerment programs in housing and settlement to facilitate and encourage every Indonesian citizen to be able to fulfill the need of livable and affordable housing.

The success of the government in performing its role to encourage, direct, provide services, and create a housing and settlement development climate can be
measured by the success of the housing and settlement programs in affecting the growth of housing development.

There is an increasing recognition that the growth of cities is inevitable and the solutions to urban problems depend heavily on effective local government (Devas and Rakodi, 1993). It is argued that under decentralization, local government is closer to the people and knows the need of the people better than the central government. Decentralization is supposed to encourage local government to perform its responsibility effectively. Furthermore, a decentralized environment offers local government more opportunities to create the conditions for growth, and the devolution provides the possible areas of intervention. The intervention needed to be addressed in designing local government systems in order to manage the development of housing which is satisfactory to society as a whole.

Medan is the third biggest city in Indonesia, and its rapid growth of population caused by the rural-urban migration and natural population is one of the most difficult problems for the local government to manage housing development in order to fulfill the population housing need.

Hence, the objective of this study is to examine whether the fulfillment of population housing need in Medan is better in decentralized government than in centralized government.
This study will assess government programs in housing and settlement development during the period 1998 to 2003 in two facets: centralized government (1998-2000) and decentralized government (2001-2003).

1.2. Formulation of The Problem

The increase in housing need in Medan occurred along with the rapid growth of urban population. To fulfill the need, housing and settlement development has been programmed as all stake holders’ responsibility. Although the housing provision is the citizen’s responsibility, it should be implemented comprehensively with positioning community as the main actor and the government role as an enabler and facilitator in the effort of empower citizens and activate participation of private business.

Meanwhile, the development of housing keeps growing; and generally housing development categorized into simple houses, middle-class houses, and luxurious houses. In order to balance residential environment, government directs the development of housing in a proportion of 1:3:6, which means that every ten houses developed consist of one luxurious house, three middle-class houses, and six simple houses.

The development of housing in Medan categorized into the same way, and this study intends to examine whether the development of formal housing occurred in Medan is the success of North Sumatra Province Government and Medan City
Government in performing their role as enablers and facilitators in the effort to empower citizen and activate participation of private business in order to fulfill the population housing need. In this case, formal housing is housing which is legally developed, i.e. housing that developed in residential land use and possessed permit to build.

The study examines three aspects - governments' regulation which contains programs in housing and settlement development, housing development, and housing need. Beginning with collecting data of housing development that occurred in Medan in those three classifications – simple, middle-class, and luxurious houses, and data of the population housing need for each classification; subsequently, the correspondence between housing development and housing need can be obtained.

At the same time, housing and settlement development programs of North Sumatra Province Government and Medan City Government are collected and in depth interview are carried out, in order to appraise the success of the programs in empowering citizen and activating participation of private business on housing development in Medan.
1.3. Objective

To examine whether the fulfillment of population housing need in Medan is better in decentralized government than in centralized government.

1.4. Hypothesis

The fulfillment of housing development to the population housing need is better under decentralization, as local government of Medan is closer to the people and knows the need of the people better than the central government.

1.5. The Significance of The Study

The study is expected to be an introduction for further study about the development of housing in Medan and it is also expected to be a consideration for local government of Medan about the significance of evaluating the empowerment programs results in order to identify the most appropriate development approaches to empower individuals and communities in participating in housing development in Medan city.
CHAPTER II
LITERATURE REVIEW

2.1. Housing

2.1.1. Housing Problems

The rural-urban migration and natural population increase are the main causes of the rapid growth of urban populations in developing countries. This rapid urban growth has created major social, economic, and physical problems. In terms of housing, the problems are inadequate access to shelter and urban basic services along with the proliferation of slums and squatters settlements (Cheema, 1993:1).

The whole basis for housing is to provide the shelter requirements of the population (Beyer, 1958:35). But, the governments in the Third World countries have failed to tackle the housing problem in a coherent way, largely due to inadequate budgetary allocation to this sector. The rapid increasing gap between supply and demand has led to the proliferation of informal settlements and the growth of shantytowns (Awotona, 1999). The failure to expand housing supply to match the growth of population is a huge challenge to the governments to be responsible in the provision of housing; that means governments should somehow intervene in order to control and organize the situation (Devas, 1993:31).
Underlying the housing problem is the long-evident and still-growing contradiction between a concentration of population in cities, in response to the concentration of opportunities (or possibilities for survival) there, and this same population’s capacity to pay for accommodation. The cheapest legal forms of accommodation that meet even rudimentary standard are too expensive for large portions of this same city population. If access to housing is determined by capacity to pay, a high proportion of city inhabitants lack the purchasing power even to enter the housing market (or the market for house site). In effect, government’s intervention in housing, regardless of the form its policies take, is justified by the need to address this contradiction between a city-based labor force on whom the city’s prosperity depends and a city housing market in which the cheapest reasonable-quality accommodation is beyond the means of much of this same labor force. The success of governmental housing policies can be judged by the extent to which they resolve this contradiction (Cheema, 1993:117).

2.1.2. Housing Allocation

Whatever its ideology or form of government, each society must have some mechanism for allocating investment to housing and then for allocating housing to its population (Bourne, 1981).

There are two principal mechanisms for allocating housing. One is the traditional private “market” which allocates households to housing on a competitive
basis in terms of the values people attach to housing and their ability to pay. The second is that of public sector allocation in which governments, housing officials or some other community group, distribute housing according to individual and collective needs and the objectives of the agency involved (Bourne, 1981).

Most countries obviously have some mixture of both forms of housing allocation. The emphasis varies from largely public sector allocation in societies, which are centrally planned to an almost exclusive reliance on the private market mechanism in “laissez-faire” societies. In between are a range of combinations quasi-market or quasi-public systems—including those in countries in which a large public housing sector operates within a larger market system and those in which small market sector operates within what is essentially a state-controlled housing system (Bourne, 1981).

The housing market is a complex matter, not only because the market does not work as neatly as economic theory implies, including the observation that it is never in equilibrium, but also in addition it is shaped by a multiplicity of decision makers, rules and regulations. A myriad of participants or actors are involved in the real-world production and allocation of housing, all of whom operate within an established system of “institutions”.

The institutional context of housing contains both individual and corporate actors, such as government agencies, and it also suggests guidelines for the behaviour of all actors. The latter includes, for example, the legal system which defines property
rights, the financial system which determines who gets what credit (and where), the policy system (national and local government policies) which sets out building and land use regulations, as well as the context of societal preferences and precedents.

An alternative view interprets the housing allocation process as the result not of a competitive economic market or institutional behavior as such, but of a deeper process of class conflict. Following the earlier classical work of Max Weber, Rex and More (1967) argues that housing allocation is a direct function of the class struggle inherent in capitalist societies as well as the central element in understanding the social structure of the city. That structure, they conclude, is the result of “...a class struggle over the use of homes in the city.”

That struggle arises when people have differential of access to the housing market. The fundamental cause of such differentials, of course, is the existence of wide differences in income in our society (Bourne, 1981).

2.2. Urban Management

Urban management is a holistic concept. It is aimed at strengthening the capacity of governmental and non-governmental organizations to identify policy and program alternatives and to implement them with optimal results. The challenge of urban management is thus respond effectively to the problems and issues of individual cities in order to enable them to perform their functions (Cheema, 1997).
One of the most common issues that faced by these cities is inadequate access to shelter. The access of the urban population to shelter was constrained by many factors (Cheema, 1993). A number of those factors are: high prices of land for housing, inflexible building codes and standards, and high cost of building materials.

According to Richardson (1984), the weaknesses of urban management are evident throughout the city-size distribution in developing countries, although which problems are critical may change with city size. For example, small city may suffer more from supply constraints in managerial talent and technical skills (e.g., engineers) and from the absence of routine management procedures and sound budget accounting systems. In large cities, on the other hand, the problems are more likely to arise from the difficulties of managing growth and development under strong population pressure (Cheema, 1993).

If the ultimate aim of urban planning and management is to improve conditions of life in the city, there are instruments planners and managers have at their disposal to achieve this end. In theory, at least, a wide range of tools is available, as suggests below (Devas and Rakodi, 1993:47):

1. Public ownership of land (including open-market land acquisition, compulsory acquisition, land nationalization)

2. Legal regulation of private land ownership/tenure

3. Legal powers to control private use and development of land

4. Legal powers and fiscal penalties to control public nuisances (pollution and so on)
5. Legal controls over vehicles and transportation
6. Government provision of infrastructure
7. Government construction of housing
8. Government construction of other public buildings/facilities
9. Direct government provision of public services (water, refuse collection, transport, etc.) or the contracting of these services from other agencies/private sector
10. Regulation of private provision of public services (transport, commercial activities, etc.)
11. Taxation of land and land development
12. Recovery of the costs of public services from beneficiaries
13. Subsidies for public or private provision of public services.

In practice, of course, not all of the tools listed above will be available in any particular situation, either because the legislative powers do not exist, or because there is no capacity to implement the power. In many cases, tools may exist on paper, but there are insufficient administrative or legal resources, or insufficient political will, to enforce the instruments effectively. It is the task of urban management to marshal the instruments, which are available in a way, which achieves the policy objectives most effectively.

‘Urban management’ has been referred to as if there were a clearly defined locus of such management authority. In practice, in many cities in the developing
(and developed) world, there is no clear locus of management authority. Indeed, that is frequently one of the fundamental problems confronting rapidly growing cities. Responsibility for city management may be divided between a local government (or several local governments), a central government department (or several departments), and a variety of public sector agencies. Private sector and non-governmental organizations may also play a significant role. Rakodi (1990) stated that institutional arrangements vary enormously, depending on the local context, and there is no ideal arrangement (Devas and Rakodi, 1993).

2.2.1. The planning, policy, and management cycle

According to Devas and Rakodi, traditionally, the planning process has been regarded as a linear sequence of survey-analysis-plan-implementation. Clearly, though, such a simple linear process misrepresents what is a considerably more complex, cyclical process (Devas and Rakodi 1993:44-46). The cycle of activities involved in the planning/policy/management process may include:

a. Survey and analysis

- Estimation of current and projected needs
- Survey of the existing situation
- Analysis of economic and development potential
- Identification of available resources (finance, land, personnel, etc)
- Evaluation of results of past intervention (feedback)
- Responses from the public.

b. Development of strategies and policies
- Clarification of goals and objectives
- Identification of key issues/problems
- Identification of alternative strategies/policies
- Analyzing the costs and benefits of alternatives
- Identification of the likely consequences of adopting the various alternative courses of action
- Prioritization of alternatives
- Selection of alternatives, which achieve the optimum balance between goal achievement and resource utilization.

c. Implementation
- Identification of implementing agencies
- Mobilization of the necessary resources
- Specification and co-ordination of activities
- Specification of programs and projects
- Preparation of program budgets
- Specification of terms for implementation
- Specification of performance measures and targets
- Supervision of routine operation and maintenance functions.
d. Monitoring and evaluation

- Regular monitoring of performance against targets
- Ex-post evaluation of performance and impact
- Feedback of results into previous stages through an effective information system.

Three important points should be noted about the above model. First, whilst these various stages may appear to represent a logical cycle of activities, they are not necessarily sequential in practice. In most cases, the process must be iterative one and may need to involve short-circuits. Given limited resources and the pressure for immediate action, it is clear that it may not possible to pursue the various stages of survey, analysis, development of alternatives and evaluation to their logical conclusion. Indeed, it may be very important to compress many of these stages in the interest of providing a rapid response to pressing problems. There is, however, a real danger that vital stages in reaching a satisfactory solution are replaced by a series of crisis-responses. Meanwhile, the failure to monitor and evaluate outcomes may mean that mistakes are repeated.

The second point concerns uncertainty. Given the paucity of data available, in most developing cities, and the poor quality of much of those data, it may be very difficult to determine the scale of needs, and the level of resources available. It may be even more difficult to predict the precise outcomes of proposed government interventions. Risks of error are very high. It is thus particularly important to incorporate within the planning/management cycle an effective system of monitoring
and feedback. This needs to be an integral part of an information system, which provides relevant information for policy-making and planning in a timely manner. Given the limited resources available, however, any information system needs to be relatively simple and to concentrate on the key issues. An alternative strategy for dealing with the problems of uncertainty is the adoption of a flexible and incremental approach to problems, which permits not only the steady consolidation of initial success but also modifications to the plan in the event of failure.

The third point concerns choices and conflicts. As we have already noted, public policy-making involves choices about goals, strategies and actions. It also involves conflicts between individuals and groups, particularly between those who gain and those who lose from particular policies or actions. What matters here is that the existence of such choices and conflicts should be recognized, and that there should be legitimate processes for considering the issues involved and for reaching decisions about the policies and actions to be pursued.

2.2.2. Government intervention in urban development

It is understood that governments should somehow intervene in order to control and organize the phenomenal growth of cities in the developing countries. Yet this begs two fundamental questions (Devas and Rakodi, 1993:31). The first is whether governments should, in principle, seek to intervene in the process of urban development, or whether they should simply leave the process to the ‘self-regulating
forces of the market’. The second is whether governments have the skills and abilities to intervene in the process of urban development in a way, which succeeds in producing a better outcome.

Casual observation of what happens in many cities in the developing world (and indeed in the developed world) suggests that they may not. Certainly, much government intervention in urban development has been singularly inappropriate and unsatisfactory.

Discussing about whether governments should intervene in the urban development process; in one sense, this is a non-issue, since all governments intervene in the process of urban development, directly through systems of urban planning and management, or indirectly, through interventions in the wider economic system which have consequences for urban development.

The essential justification for government intervention in urban development, as elsewhere in the economic system, is the failure of the market mechanism to provide an outcome, which is satisfactory to society as a whole. Whilst the market mechanism offers considerable benefits as a system of economic management, but it is clear that the market on its own will not produce an outcome, which is satisfactory to society as a whole. Thus, the question is not whether the state should intervene, but rather to what extent it should intervene, and what form that intervention should take. Although it is not clear, however, that government intervention can actually resolve all the problems created by the failure of the market.
2.2.3. Institutional characteristics

The institutional characteristics are critical to the effectiveness of local government in the urban planning and management role. There are a number of dimensions that local government needs to perform its role (Devas and Rakodi, 1993:155-164).

a. Size and territorial jurisdiction

This dimension determines the ability of local government to employ the staff, plant and other resources to execute essential urban functions; and the opportunity to plan and manage expansion of the urban settlement and infra-structure.

b. The range of functions

The range of functions entrusted to local government determines the extent of local government possess the regulatory powers and manage the infrastructure which influence the pattern of urban growth and determine the conditions of urban life. Particularly, the extent of local government power to control or influence those functions, which need some integration in their direction if a strategic approach, is to be taken.

c. Executive capacity

First, this dimension is about the ability to employ professional and technical staff, related in turn to the general skilled personnel supply, the competitive nature of municipal salaries and career prospects, and the satisfactions or frustrations arising from the local authority’s range of tasks and its general working environment.
Second issue is about the extent of the internal management structure and processes of local government can promote the values and behavior which the planning and management tasks demand – a strategic approach but combined with responsiveness, concerns for equity but also efficiency.

d. Financial resources

The importance of the financial base to the planning capacity of a municipality is generally understood, but the nature of the problem is less well organized. Two aspects of the revenue base are critical. One is its buoyancy – the response of the local government’s revenues to the pressures of inflation, increasing population and economic growth which fuel demands on its budget. The second is the political sensitivity of the revenues – the degree of political cost involved in determining tariffs, assessing liability and enforcing payment.

e. The nature of central government control

The effectiveness of local government administration is also conditioned by the nature of central government control. This extent varies widely from the high degree of constitutional autonomy, to the constitutional dependency.

Ultimately, it is important to acknowledge the significance of the political cost-benefit ratio in urban government. To manage a growing city effectively involves a myriad of politically expensive decisions – enforcing planning regulations and reservations, increasing water charges, collecting property taxes, curbing nuisances, or restricting street parking. These cost are acceptable only if their benefits – better
services and an improved environment — can be delivered in the perception of the electorates. One can expect a municipal administration to have the self-confidence to manage urban growth effectively only if it has the functional mandate, the discretion, the buoyant revenue bases and the skills to achieve visible improvement within its electoral life.

2.2.4. Criteria for evaluating performance

Evaluating the performance of plans, which have been implemented; interventions, which are already taking place; or policies, which are proposed; we need some criteria on which to base our judgments (Devas and Rakodi, 1993:55-56).

An attempt has been made to arrange the various possible criteria into groups. In order to discuss about housing development, there are number of groups to be considered. Within each group there are both broad, long-term goals and more specific criteria, which could be applied to particular plans, policies or projects. In general, the sequence is from the broad to the more specific.

a. Improving standards of living

A principal goal in most societies is to improve the standard of living of its members as a whole, through an increase in the production of goods and services. This requires a number of things. First, the diversion of: a proportion of resources out of current consumption and into investment, in order to increase productive potential. The greater the proportion of resources devoted to investment, the more rapid the rate
of economic growth that could be achieved, and other things being equal. Second, wherever possible, there needs to be effective competition between producers, and a real choice of goods and services for consumers. Third, resources should be used in the most economically efficient manner possible. This means achieving the maximum output from a given level of inputs (resource cost), or achieving a specified output or objective from minimum amount (value) of resources. In other words, improving standards of living is a matter about economic efficiency.

b. Distribution and equity

There is widespread agreement in principle that the benefits and the costs of development should be fairly distributed among all members of society. It is, however, much more difficult to reach agreement on what is meant by a ‘fair distribution’. Answers may range from total equality of wealth and income on the one hand, to a much more general notion of equality of opportunity within a competitive system on the other.

The criterion of equity may be taken further to require that public sector interventions (and private sector activities) do not disadvantage the poor and other vulnerable groups, that they protect such groups, or even that they are specifically designed to advantage them (positive discrimination). This may mean directing public policies to ensuring that basic physical needs (for food, water, clothing, shelter) are satisfied for all people. However, here again we encounter a problem of defining both
the minimum levels and the range of goods and services to be included within this concept of basic needs.

In the end, we are left with the problem that many of the concepts of equity and fairness conflict: what is perceived as being fair depends on one's point of view. It is not logically possible to achieve a system, which is totally equitable from everyone's point of view.

c. Fundamental rights, freedoms and personal needs

Judging government policies and programs in the urban sector, we may derive a number of practical criteria:

1. Plans and public sector actions should seek to minimize the infringement of any of the freedoms and basic human rights identified above;

2. Where individual choices and freedoms have to be restricted in the interests of the wider community, such as decisions should be taken in a manner which is open to public scrutiny;

3. Decisions concerning people's lives and communities should be made in such a way that those affected have the opportunity to influence those decisions; this may be through some form of democratic election, or through formal or informal processes of public participation/consultation; either way, those making decisions should be some way accountable to those who are affected;
4. Systems of urban planning and management should be designed to enable individuals and communities both to improve their own living situations, in ways, which match to their own objectives, and to enhance their personal, social and spiritual well-being.

d. **Effectiveness and the ability to implement**

   However good a plan, policy and program maybe in terms of all the above criteria, it will not be effective if it cannot be implemented. There are two broad aspects to this. The first is administrative capacity and the second is political will.

   Those institutions, which have to implement the plans, policies and actions, must have the administrative capacity to do so. This requires technical skills, financial resources, management competence and legal power. It also requires that the capacity of the institution is not diverted by competing private interests – in other words, corruption. In many countries, it is the lack of an honest, efficient and competent administration, which means that even the best laid plans and programs are not implemented, or not implemented satisfactorily. Therefore, plans and policies have to take realistic account of the institutional capacity to implement them, and of the factors that constrain that capacity.

   If plans and policies are to be implemented effectively, they also require a commitment of political will. If that is to occur, plans and policies must somehow be acceptable to those in positions of political power. People in power are not (generally) a homogeneous group, but rather a variety of individuals and groups with different
objectives and agenda. Some will have achieved their positions as a result of a commitment to change. Others can be persuaded that changes will be in their interests. Some may even recognize the need for changes in the interests of society—in other words, they may not be motivated solely by self-interest. Clearly, political situations are never static, and window of opportunity may open unexpectedly which can be exploited for good or ill.

However, this consideration of political will does imply that, in the absence of dramatic or revolutionary political changes, plans and policies which are directly opposed to the vested interests of those in power are unlikely to succeed. It is also implies that it is not sufficient for planners and urban managers merely to devise plans and policies. It is necessary for such plans and policies to be ‘sold’ to those people in power, or at least to someone or some group, which has sufficient influence within the power structure to be able, to put the proposals on the political agenda and to generate the necessary political will. This requires that the urban planner/manager is able to exercise political as well as technical and managerial skills.

e. Conflicts and uncertainty

We have already noted that there are conflicts between some of these criteria. Both economic growth and the pursuit of equity may necessitate some surrendering of individual freedoms. One of the most obvious conflicts is that between equity and efficiency, with the self-evident trade-off between redistribution of income and incentives to work, save, and invest. Thus, a balance has to be struck between these
conflicting objectives. These are fundamental political choices. In some cases, however, careful policy design may permit improvement on more than one front.

One particular problem in applying any system of criteria to judge either past performance or future proposals is that of uncertainty. In the case of past performance, there are two main problems: first, obtaining sufficiently accurate data on the outcomes; and second, determining the nature of the relationships between cause and effect. In the real world of public administration it is rarely possible to conduct controlled experiments. In judging future actions, though, the problem of uncertainty about outcomes is compounded. In complex system such as a city, many things can change, either independently, or as an unanticipated consequence of policy interventions. Thus, using criteria to appraise risk analysis or sensitivity analysis, to estimate the likelihood of particular outcomes, and to estimate how variations in the pattern or outcomes will affect the result of our appraisal. Not all activities, however, are susceptible to such an analysis.

2.2.5. Effective urban planning and management

Ultimately, the need for realism in relation to the task of planning and managing urban development is important (Devas and Rakodi, 1993:270-273). Realism about the scale of the task involved, so that the solutions developed match the scale of needs. Realism about the limited resources – financial, skilled personnel, management capacity – available to tackle these problems, so that the best possible
use can be made of those resources. Realism about, and a better understanding of, the position of the urban poor and their survival strategies, so that the policies adopted do not (intentionally or unintentionally) disadvantage them further. Realism about the capacity of governments to intervene effectively within complex urban systems, about the capacity of institutions to deliver what is required, and about both the motives and the competence of the actors involved – politicians, planners, and managers.

All this implies the need to adopt more appropriate and affordable standards, and to intervene more selectively. Over-ambitious attempts to control not only lead to frustration and failure but also encourage corruption, as people seek ways around the controls. The benefits, such as they are, of such misdirected intervention are likely to accrue only to the privileged.

Lest it might appear that this ‘new realism’ implies wholesale deregulation and the abandonment of any attempt to manage urban growth, it is important to restate the case for government intervention. The realistic reappraisal of the failures of master planning and state intervention should not be replaced with a wholly unrealistic view of what unfettered market forces and individual initiative can achieve. The state, whether at the national of local level still has a clear role in providing the appropriate framework for development and acting to counteract inefficiencies, inequities and environmental damage. But the interventions need to be more selective, more strategic and more realistic.
At the disposal of the institutions concerned with urban management are technical knowledge, resources and access to power. Our ability to manage future urban growth depends on how these are deployed. First, in some areas, we have a considerable stock of technical knowledge and can expand this stock by drawing on experience elsewhere. However, our information tends to be imperfect and incomplete. Even if the implications of actions are explored, outcomes are not wholly predictable. Better information, to be able to predict more accurately the consequences of alternative courses of action (or failure to act) is a crucial prerequisite for effective planning and management.

Second, the institutions, which are attempting to manage the urban development process, have at their disposal a variety of resources, including staff, their skills and expertise, institutional capacity to carry out certain functions and financial resources. All these resources are likely to be in limited supply. Thus, realistic appraisals of resource levels and needs, deliberate strategies to increase resource availability, and informed choices with respect to the most efficient way of deploying scarce resources are the hallmarks of effective management.

Third, the interests of many actors are in tension. Planners and managers must realize that there is no such thing as ‘the public interest’, in the service of which they can employ their professional expertise. City planning and management is an inherently political activity, involving choices and conflicts at every stage. It is part of the task of officers to make the implications of alternative actions explicit. Although
this cannot ensure that the most appropriate decisions are taken, they are unlikely to be appropriate without such clarification. In the choice of criteria by which to judge alternative actions and the selection and presentation of relevant information, urban managers are, by definition, playing a political role.

Criteria must also be defined by whom to assess whether institutional arrangements, policies and techniques have achieved their aims; this requires that systems of monitoring and evaluation are also established. Related to this is the need for criteria by which to judge whether solutions, which have apparently been successful elsewhere, can be transferred to a different national or local context.

How, then, do we assess whether a city is being managed effectively? Objectives and criteria by which to judge performance need to be defined at several levels. We recognize that not all the goals and objectives are compatible, and that priorities have to be set and conflicts resolved. Furthermore, criteria such as efficiency and equity are difficult to operationalize for the purposes of evaluating policy choices and outcomes. Nevertheless, urban planners must seek to make the choices and criteria explicit wherever possible.

In addition to specifying performance criteria, we need to identify the conditions, which are necessary for planning and management to be made more effective. There are two general preconditions for more effective urban administration.
a. Credibility and legitimacy

It is vital that local administrative systems are credible in the eyes of central government and the political power structure and legitimate in the eyes of local residents. Urban planners and managers, therefore, need an explicit strategy to build confidence in the system, so that it will be granted greater autonomy of decision-making and revenue generation, and so that its decisions will be respected by actors in urban development process. This is unlikely to be achieved by the inefficient, arbitrary and corrupt administration of regulatory systems, such as development control, which to developers represent a hindrance to legitimate economic activities and to the majority of residents represent part of the restrictive system which prevents them obtaining access to land for housing and income-generating activities. It is more likely to be achieved by a mix of action programs, which directly meet the needs of various urban groups, including politicians and residents; by services, which are directly paid for and efficiently provided; and by improved communication by means of consultation and participation. Consultation, in particular, is a way of improving the information available to planners and managers.

b. Information

The ability to make appropriate decisions and effectively administer services depends, amongst other things, on the availability of information. Essential flows of information needed by planners and managers include:
1) Monitoring of demographic, social and economic characteristics of urban residents, trends in urban economy, land-use changes and physical development;

2) Monitoring of ongoing operations and programs for the purposes of day-to-day management;

3) Evaluation of the outcomes and impact of policies, plans and programs in order to provide both better knowledge of how the urban system operates and a guide to further decisions;

4) Consultation with residents to obtain their views on priorities and proposals.

Clearly, the volume of information passing between actors in the urban development process could be extremely large. However, the generation, channeling and dissemination of this information have resource costs. Parts of the management task are to decide how much information is necessary, which information is most valuable, how it is to be used and how it can most efficiently be collected.

2.2.6. Participation in Urban Development

For the reason that the essence of urban management is taking an active role in developing, managing and coordinating resources to achieve a city's urban development objectives, the urban management approach should take the most important issues in the city as the point of departure. The literature rightly stresses the importance of participation and the role of different actors, the commercial and non-
commercial sector. According to Dijk, this is certainly a challenge for urban managers, who should forge private public partnerships (PPP), or what is known in Indonesia as private public community partnerships (PPcP).

Civil society needs to be involved. There also exist new opportunities to attract private finance. As an example of the integrated approach one can think of building houses, which not only solve a housing problem, but can also create employment if small contractors are involved and influence the direction in which the city develops and the traffic flows which will be generated.

It is important to urban management to identify in a systematic way what the most important issues are and how they can be tackled in an integrated way. The Urban and city management course of the World Bank defines the key issues urban managers have to deal with (Dijk, 2000):

a. Governance and municipal finance,

b. Competitiveness of cities, and

c. Enhanced capacity to attract private sector investment and promote employment,

d. Capacity to deliver public services in an efficient manner, including

e. Environmental managerial capacity.

An integrated approach to urban management indeed needs to deal with all these issues in relation to each other. Hence, urban management becomes more and more complicated also because it becomes more and more a multi-actor event, whose are want to play a role. The actors are inhabitants, entrepreneurs, organizations of
inhabitants or entrepreneurs, environmental activists and project developers (or organizations of these actors).

According to Dijk, to be able to deal with the situation the urban manager needs clear responsibilities. Therefore, it is recommended that urban development requires decentralization.

2.3. Decentralization

2.3.1. Defining decentralization

Decentralization is the transfer of authority and responsibility for public functions from a central government to subordinate governments. Governments are typically heterogeneous and complex entities that may consist of central, provincial, and local layers. Decentralization involves devolution of different decision-making powers and responsibilities to sub-units of the government (Litvact, 1999).

The literature on decentralization usually identify at least four types:

a. Devolution is the transfer of responsibility for governing in the broad sense (i.e., strengthening sub-national units of government);

b. Delegation is the assignment of specific decision-making authority (i.e., transfer of managerial responsibility for undertaking specific tasks);

c. De-concentration is the spatial relocation of some administrative functions of government (i.e., physical transfer of central government agencies);
d. **Divestment** occurs when planning and administrative responsibility is transferred from government to voluntary, private or non-governmental institutions.

One pertinent concern is that the transfer of responsibility should be usually followed by a transfer of resources (human, financial, material) so that decentralization results in clear benefits to the public. Decentralization processes are usually related to the notions of subsidiarity, shared fiscal responsibility, tax revenue distribution at sub-national levels and local capacity for revenue generation and administration. It implies a need for improved capacity at local level, so that central and local units of government work in a complementary manner.

2.3.2. Decentralization creates opportunities for urban management

Decentralization process often creates the momentum for urban management. It creates the space necessary for autonomous policies at lower level of government. To be able as an urban manager to deal with the major problems of the city an urban manager should have ideas and the bravery to implement them. Development projects can give a contribution to the successful implementation of decentralization policies (Dijk, 2000).

According to Rabinovich, there are no magic formulas for good urban governance approaches. Cities require “tailor-made” approached, not “one-size-fits-all” approaches. Experience demonstrates, however, that a framework of urban
governance principles could be considered when facing the interconnected web of problems affecting cities in countries worldwide:

1. Political will

No urban development effort will succeed if not fully and genuinely supported by public authorities. Inconspicuous corruption, party politics acting against social goals and deliberately mismanagement are still a reality in various towns, cities and countries worldwide. It would be naive to expect any strategy to produce positive results under such circumstances.

2. Prevention

National and local governments usually begin to give serious policy attention to cities when it is too late or too expensive. We should not wait until our cities are choked by air pollution or drowned in waste to start acting. Some calculations suggest that the cost of prevention can be cheaper than the cost or remediation by factor of 1:100. Instead of reacting to circumstances, cities should take control of their destiny and work in partnership with private partners and civil society towards a common vision.

3. Scale

We are familiar with the tremendous challenges being faced by cities such as New York, Tokyo, Mexico City, Bangkok, and Lagos. However, we seem to forget that, at the same time, there are thousands of small and medium-sized settlements, which could be repeating today the same mistakes made by those cities in the past. Most
technologies being used in our cities today were invented last century and implemented during the first half of this century. Smaller cities experiencing high rates of urban growth have an opportunity to change course now and make appropriate technology choices that suit their needs and affordability.

4. Planning

Social concerns do not necessarily undermine physical considerations, but enforce them. Cities should understand their pattern and directions of growth and the reasons for urban growth to happen. The definition of an urban growth structure is perhaps the most important element for cities in the developing world with a very fast pace of growth. National governments should have a similar concern about the land use structure in their territory and their system of cities. The availability of specific raw materials; the qualification, quantification and location of natural resources; the existence and patterns of migration and rural-urban linkages; a balance between social concerns and job generation, economic development and preservation of natural resources should be addressed in a complementary way both at the local and national levels.

5. Public Management and Capacity Building

Many municipalities worldwide are trapped in a vicious circle of external dependency from international sources and from central government. Whenever legislation permits, there is a vast potential for revenue enhancement, which is usually untapped.
According to Hayek (1945) and Musgrave (1959), decentralization improves the efficiency of resource allocation because sub national governments are closer to the people than the central government; they are considered to have better information about the preferences of local populations than the central government. Hence, they are argued to be better informed to respond to the variations in demands for goods and services (Azfar et. al., 1999).

2.3.3. Building local capacity

Local (or at least sub-national) capacity one of the most important factors creating a well functioning decentralized civil service. In countries where local institutions already exist the challenge will be to reinforce them institutionally and legally as well as to strengthen their personnel management capacities. In places where local government institutions are embryonic or exist only at an informal level, the institutional and legal framework will have to be created before any type of reform of the administration is undertaken.

The degree of local capacity determines the kind of human-resource management strategies that will be feasible and desirable. Decentralization of human resource management is more likely to succeed in cases where lower-level authorities have the financial and managerial ability to set competitive compensation packages and salary level that will attract local talent. In these cases, the flexibility advantages of allowing local governments the to set hiring levels might outweigh the risk of
increasing inter-regional inequalities. Where talent and skills are lacking at the local level, a unitary hiring system might be preferred to ensure that the necessary skills are present locally in all regions. In these cases where the center retains more control over human resources, caution should be paid to ensure that the management options of local stakeholders are not curtailed.

Adjusting to decentralization: General guidelines for country-specific strategies

The legal framework should clearly define responsibilities and standards. The creation of a strong legal framework to address issues related to financing and reporting, to determine the type of control mechanisms (especially financial) that are necessary and who is accountable for them, to evaluate hiring practices and compensation schemes as well as address issues related to the procurement of public works – must be priority in any reform effort to ensure sound utilization of public resources and minimize corruption.

Consistency and transparency gain support. On the matters of staffing, compensation or oversight of local administration, and most importantly in the delivery of services, it is important to ensure that there is transparency and that changes in the administration (and therefore the civil service) are not seen as an instrument to disenfranchise some groups of favor another.

Reporting mechanisms need to be clear and precise. Clear reporting procedures will need to be put in place vis-à-vis higher levels of government (central
government, in the case of regional administrations, for example) and horizontally, vis-à-vis other government agencies at the same level. In the medium and longer-term, audit courts can be a useful regulatory mechanism. Transitions from the existing system to new system have to be carefully planned to avoid conflict between new reporting arrangements and enduring mechanisms. Channels for citizen-civil servant communication need to be created. By including more citizens in the process of monitoring civil service performance, decentralization creates more opportunities for friction between civil servants and citizens. Harassment by private interest groups can prevent honest and dedicated civil servants from performing their duties, while civil servants can use their positions to threaten citizens. These tensions can be avoided by relatively quick and inexpensive methods and structures for redressing grievances, whether these come from civil servants or from citizens.

Training should contribute to the formation of new working relationship. In addition to building local capacity, training can be a tool for creating personal networks among various levels of government, regions, or types of government workers. One recommendation, for example, might be to train career civil servants and local politicians together to insure that they better understand what is expected of them and what they can expect from each other.

All levels of government should be encouraged to define and plan for the types of workers they will need in order to carry out new responsibilities. In the short term, these sorts of rough plans substitute for the computerized establishment management
capacity and human resource management staff that so many countries lack and can help eliminate duplicate workers, unnecessary hires, and other expensive mistakes. At the very least, they can be exercise in longer-term planning and role definition.

2.4. Housing in Indonesia

In the beginning of Indonesia New Order Government (1966) with advisory and financial support from international organizations including World Bank, an institutional set-up was prepared in the period around 1970 as a framework for a number of housing programs (Marcussen, 1990:100).

The new institutions and programs for housing in Indonesia came into force with the second five-year plan, Pelita II, starting in 1974. Under Pelita II, a number of new institutions were created as a framework for a range of housing programs. The National Housing Authority was established in 1974, charged with the responsibility of formulating overall housing policies. Membership of the authority is under the leadership of the ‘Super Minister’ for economic affairs, and the executive secretary of the authority is the Director General of Cipta Karya, which is the directorate general for housing, planning, building and urban development within the Ministry of Public Works. Cipta Karya is the principal agency at national level responsible for housing programs in response to guidelines laid down by the National Housing Authority.

In 1974, a National Urban Development Corporation (Perum Perumnas) was established. As a government corporation Perumnas has its general policies set by the
National Housing Authority through Cipta Karya. It is the official function of Perumnas to acquire and develop urban land primarily to the benefit of low- and middle-income families, and to build low cost housing as well as site and service all over Indonesia.

Perumnas is structured as a financially autonomous agency, empowered to borrow in the private market and receive foreign investment capital for its projects. Perumnas will prepare project plans, organize financing, supervise implementation of projects, and manage the sale and leasing of developed land and housing.

In 1974 as well, a Kampung Improvement Program (KIP) was started with financial assistance from the World Bank and with Cipta Karya in charge of overall programming. In big cities that have the necessary technical capacity, local governments are responsible for KIP (Marcussen, 1990:101).

The State Saving Bank (BTN) was as well restructured in 1974 and made responsible for mortgage finance. BTN is supposed primarily to serve middle- and high-middle income groups. To serve the highest income groups a Housing Finance Corporation PT. Papan Sejahtera (PTPS), was established in 1980 as a private mortgage institution. Housing for the highest income group is supplied by developers and builders organized in Real Estate of Indonesia (REI).

In 1977, the Office of the Minister of People’s Housing was created. The Minister is appointed by and reports directly to the President of the Republic. The
function of the Ministry is mainly to coordinate the various agencies involved with housing.

The policies started in 1974 aimed at mobilizing public and private resources through a coordinated range of programs that theoretically would address different income levels:

a. KIP would address the ‘low-income’ level;

b. Perumnas would address the ‘low-middle’ income level; and

c. REI / PTPS would address the ‘high’ income level.

KIP brings municipal services to the kampongs: roads and concrete walkways; drainage ditches; water taps from which drinking water is distributed by water vendors; and also schools and clinics. Perumnas and BTN programs comprise financial assistance, with a subsidy component to individual families, for their acquisition of regularized serviced-plots with starter houses develop by Perumnas.

From the State Treasury, capital is, on one hand, provided to Perumnas, primarily for infrastructure construction. For land acquisition and building construction, Perumnas will take loans from domestic commercial banks, from the Bank of Indonesia and indirectly from foreign funding agencies, and capital is furthermore obtained from the revenues of the Corporation’s own activities. On the other hand, capital is supplied from the State Treasury to BTN, enabling BTN to give loans to individual families at subsidized interest rates. Additional capital for BTN operations is obtained as loans from the Bank of Indonesia and from other sources.
According to the original program, Perumnas was supposed to operate on a cross subsidy principle that would result in cost recovery: subsidy components in the delivery of housing for low-income people would be offset by profits made by selling developed land at market prices to upper income groups (Marcussen, 1990:103). Similarly, private developers whose activities benefited from BTN schemes and from public investment in infrastructure were required to build high-income (luxurious) houses, middle-income (middle-class) houses, and low-income (simple) houses in the ratio of 1:3:6.

As a consequence of falling oil revenues, Indonesian government is compelled to reduce its financial commitments; under the fourth five-year plan (Pelita IV) in 1984, the National Urban Development Corporation (Perum Perumnas) was therefore instructed to operate on a basis of financial self-sufficiency, and its financial schemes for core-housing and low cost housing have been revised accordingly (Marcussen, 1990:104).

In order to fulfill the housing requirements in Indonesia, since the fifth five-year plan (Pelita V), the government has given directions to the housing development as reference for all institutions, institutes and relevant parties handling housing and settlement development. However, with the growing need of houses, economic and technology development and on the other side facing the increasingly limited areas of housing and residential land, policies are needed to accommodate all problems that arise. Therefore, the government takes an appropriate development approach, and it
named empowerment strategies. Empowerment of regional government apparatus and empowerment of private and community as development actors are the requirements that must be applied to accelerate the procurement of healthy and appropriate housing particularly for low-income people (Priyono, 2002:8).

The higher the number of social, economic and cultural activities in urban areas particularly the Metropolitan and major cities, the higher the demand to fulfill the housing needs. However, on the other side the procurement of housing land is increasingly limited and expensive, therefore it is necessary to determine alternative procurement of appropriate residence. Alternative housing development that will be continuously developed is vertical construction of simple apartment (Rusuna) and rented simple apartment (Rusunawa). Based on experience at field, there are problems in the construction of simple apartment, because some of the residences sell them to other parties, hence development of rented simple apartment can be considered.

The requirements that must be fulfilled in the procurement of housing in order to achieve the consumers target are efficiency and effectiveness in the use of land. Government intervention is needed for the usage of land by the state-owned enterprises or regional government-owned enterprises, the usage of funds of national, provincial and regent/city budget and also banking supported-fund with the subsidized interests for physical construction and housing ownership credit. Some legislative regulations have issued to support the programs of procurement of
apartment, simple decent houses (RS) and very-simple houses (RSS), among other things.

The Home Affairs Minister's Instruction No. 12/1996 on Relief Not to Collect Retribution For the Permit To Build Simple Decent Houses (RS) and Very-Simple Decent Houses (RSS) aimed at assisting the Government and making the Government programs a success in the procurement of Simple Houses and Very-Simple Houses for low-income community, by providing a relief not to collect any retribution for Building Permit and other type of levy for the construction of RS/RSS not based on applicable regulations.

Development of housing carried out by the community, particularly the low-income community; self-supportedly encouraged and developed under the quality and quantity enhancement guidance. This initiative must be carried out in groups with the support and participation of other parties. This development system is called as Community-Based Housing Development. The success of this system is while the empowerment and active participation of community members accompanied by technical guide for appropriate and healthy housing construction. The success experience of a community needs to be communicated to other communities who are going to carry out the construction; therefore, the construction process can be effectively and efficiently carried out.

Housing and settlement development is directed at materializing balanced residential environment consisting of luxurious houses, middle-class houses, simple
houses in a certain proportion of 1:3:6, therefore, it is expected that a harmonious community group is created consisting of diversity of professions, economic level and social status. This development pattern is not only based on economic value taking into account the social values. This is materialized with the design of residential environmental elements, which can boost the realization of harmonious social contacts and togetherness, taking into account the regional cultural value. Although such pattern has not been successfully implemented, however the good ideas to realize the unity of residents and to eliminate any social jealousness, a macro review must be pursued for any area that will be arranged in the Regent/City Spatial Planning. These directions can be properly implemented at field, however with the readiness of the development actors and Regent and Citizenship Government responsible for the successful development in their region. With the existing authorities, it is expected that any problems arising during the planning, implementing and control, can be overcome. Indonesian situation on the economic and social welfare, dividing into three periods:

a. Before 1997 period

During the 1990-1997 periods, it can be said that the Indonesian economy was growing. The economic growth reached an average of 6-7% and inflation of 9-10%. National Development was more centralized with a large power at the Central Government level.

During this period, all economic activities were adversely affected with growth rate in 1998 standing at 13% and inflation rate at 78%. Improvement occurred in 1999 and 2000 with the average economic growth rate at 0.8% and inflation rate at 8%.


Despite the absence of any guarantees for full economic recovery, however the fluctuations toward that direction have been seen, with an economic growth rate at 3.5% and inflation rate at 8% in 2001. Beside that, security improved and foreign exchange rate increased in the middle of 2001.

2.4.1. Housing provision condition

The high of decent and affordable housing demand in one side, and the lowness of people capacity to provide it in other side is primary problem. The low of capability of poor and low-income people to provide decent and affordable housing to meet responsive (healthy, safety, harmonious, and sustainable) settlement environment standard might be caused by the limited access to key resources and information, especially for poor and low-income people, related to rights upon land and financing housing and settlement provision.

Unavailability of long-term fund for housing finance has caused financial mismatch in housing provision. In addition, housing subsidy system and mechanism
for such a low-income and poor person has not been stable yet through both formal market and self-help community-based process.

The environmental carrying capacity is getting limited for the development of housing and settlement, especially in urban area, to provide infrastructure and facilities in the realization of healthy, safe, in order, harmonious and sustainable settlement. This condition is also triggered by un-accommodated and in-appropriated land demand for housing and settlement infrastructure and facilities with the development of urban system infrastructure and facilities by developer. The getting limited or decreasing capacity has caused the increase of slum.

2.4.2. Housing development in current situation

Housing development in Indonesia currently is in difficult situation where influenced by economic crisis since 1997, so that the housing development has been stagnant caused by among others the lack of finance resources for Home Ownership Credit (KPRS/RSS). The impact of that situation is more than 100 related activity industries on housing sector have been slow down dramatically since 1998. This is one of the sources to the great unemployment people.

So far, the housing development carried out by private developer associated in Indonesia Real Estate Association (REI), Perum Perumnas (National Housing Authority), and Cooperative have succeeded to develop about 1.3 million housing unit where 70% of them developed by REI members. The number of REI
membership can be considered as one of the indicator to measure the housing sector development in Indonesia. Year 2000 was indicated as the lowest point of REI membership, i.e. 1,060 members compared to the previous period before the crisis happened are about 2,500 members. In year 2001 the membership amount of REI was increased to 1,190 members. This situation indicates that housing industry will be recovered.

Housing need in Indonesia in fact is very huge. For example, as the total population of Indonesia in year 2000 about 210 million inhabitants and the total backlog of housing need is about 4.3 million units, meanwhile the growth of new housing demand is more than 800 thousand unit per year. However, in fact, the fulfillment of housing need is quite far from the above calculation. This can be seen from selling realization of housing in 1997-2001 periods that reached 133 thousand units per year, or in other words is about 17.8% from the need.

The heaviest challenge in the fulfillment of housing need is how to provide the decent and affordable housing, especially in housing finance. In the low-income community, the housing provision is much more depending on the availability of subsidy scheme provided by the government; meanwhile, the capacity of the Government is very limited. Therefore, it is needed to develop strategic effort to overcome the situation.
2.4.3. Development of housing policy and strategy

To achieve sustainable urban development, it is inevitable for the government to have leverage in housing and settlement development. Therefore, housing and settlement development in Indonesia has been programmed as all stakeholders’ responsibility, although the housing provision is the citizen’s responsibility which should be implemented comprehensively with positioning community as the main actor and the government role as an enabler and facilitator in the effort of empower citizens and active participation of private business. The field of housing and settlement development cannot be viewed as their physical dimension only, but should also be interrelated with social and economic concerns, and implemented based on cultural equality, harmonious and sustainable development principles. The ultimate goal is to enrich capacity of citizens to develop and maintain their housing and settlement responsively.

According to the principle of regional autonomy, the implementation of housing policies requires positive perception from all stakeholders, beside way of thinking, action programs, and local institutional capacity to work with community.

Based on the vision that “every Indonesian citizen (household) be able to fulfill the need of livable and affordable housing in healthy, secure, harmonious and sustainable living environment in effort of establishing productive and self-reliant community”, and objectives to: (1) Empower citizens and other key stakeholders in housing and settlement development; (2) Facilitate and promoting the creation of
conducive environment for housing and settlement development; and (3) Optimize the utilization of supporting resources required for housing and settlement development; development policy and strategy in housing and settlement are described as follows:

a. Policy

i. Institutionalization of housing and settlement development; system that based on community participation as the key stakeholders;

ii. Establishment of housing as one of the human basic need;

iii. Establishment of sustainable and responsive human settlements that support identity, productivity and self-reliant citizens.

b. Strategy

i. Development of law and regulations, establishment of institutions in housing and settlement, and facilitating the implementation of transparent and participative neighborhood planning and design.

(1) Development of various law and regulations in housing and settlement development and management;

(2) Affirmation of institutions through promoting the establishment of credible and responsive housing and settlement institutions, and capacity building at all level.

(3) Enforcement of building law, regulations and standards.
ii. Fulfillment of the needs of livable and affordable housing with concentrating to the poor and low-income citizens.

   (1) Development of financing system and empowering housing markets (primary and secondary market);

   (2) Development of community-based housing;

   (3) Development of various forms and mechanism of housing subsidies;

   (4) Provision of economic support for poor people (poverty eradication);

   (5) Housing provision support for natural disaster victim and internally displaced persons;

   (6) Asset management of state building and housing.

iii. Establishment of healthy, secure, harmonious and sustainable living environment.

   (1) Improvement of living environment; quality (slum upgrading);

   (2) Provision of settlement infrastructures and services;

   (3) Implementation of responsive settlements and direction for improving quality of settlements.

Those above strategies will be implemented by using some basic approaches, such as based on:

a. The integration of TRIDAYA basis (social, economy and environmental development);

b. Healthy housing and neighborhood development;
c. Sustainable development principles;

d. Multi-sector (holistic) and decentralized basis; and

e. Role sharing, stimulating and pre-conditioning basis.

2.5. Decentralization in Indonesia

The explanation about decentralization in Indonesia is quoted from an article of Indonesian—German Technical Cooperation, titled: Support for Decentralization Measures (www.gtzsfdm.or.id/documents/laws_n_regs).

2.5.1. Background

The political transformation of the Indonesian political system since the downfall of former President Soeharto in May 1998 includes the radical overhaul of the role of the regions and the re-definition of the relationship between the center (national government) and the governmental bodies at provincial and local levels. While Indonesian political rhetoric had always supported the right of the regions for regional autonomy (otonomi daerah), the passing of Law No. 22/1999 on Regional Governance, and Law No. 25/1999 on Fiscal Balance Between the Center and the Regions transformed the concept of decentralization and regional autonomy into reality.

In great haste and without much public debate, both laws were pushed through parliament and approved in May 1999. While both laws stipulated that the new
decentralization framework would come into effect in May 2001 (giving a two-year time frame to allow for the necessary preparations), this date was later advanced to 1 January 2001 by means of the MPR Decree No. IV/MPR/2000, hence, the beginning of decentralization would coincide with the new fiscal year.

However, both laws open up a unique window of opportunity to create new power structures in Indonesia based on democratic multi-party elections, accountability, local participation and a fairer distribution of public revenue. They are regarded as one of the most radical and massive approaches ever seen to the devolution of decision-making power to sub-national authorities (the so-called "Big-Bang Approach"). Decentralization was seen as offering wide opportunities and potential benefits, but also as encompassing large risks.

Even more than three years after the respective laws came into effect, decentralization remains a "work in progress", needing adjustment and improvement of the regulatory framework. It still requires massive socialization to civil society and political actors in the regions of its purpose and meaning, and still necessitates a major adjustment of the working procedures and the organizational structures of national and regional governments. Efforts to harmonize existing sectoral laws with the new distribution of authorities between the levels of government as regulated by Law No. 22/1999 have only just started, and the multitude of conflicts between regions and the center and between the Government and the private sector because of unclear and contradictory legal regulations is bound to continue for some years to
come. However, decentralization has already changed the structure of political power in Indonesia and has made the regions strong- and at times successful-political players.

2.5.2. Building blocks of the decentralization framework

The key features of Law 22/1999 are the devolution of a wide range of public service delivery functions to the regions, and the strengthening of the elected regional councils, which received wide-ranging powers to supervise and control the regional administration:

1. The law places regional autonomy on five fundamental principles: democracy, people's participation and empowerment, equity and justice, recognition of the potential and diversity of regions, and the need to strengthen the regional legislatures. Though broadly worded, these principles provide guidance for the interpretation of the law's stipulations and for the formulation of implementing regulations needed to operate the law.

2. The law determines the local level (kabupaten/kota) as the level of government, which is to have broad and wide-ranging autonomy ("otonomi yang luas"). Para 7.1 stipulates that the local level has responsibility for all governmental matters (kewenangan dalam seluruh bidang pemerintahan) except in the five areas of foreign affairs, defense and security, justice, monetary and fiscal affairs, religion and other matters. These "other matters" are listed in Para 7.2 as "macro-level
planning, fiscal equalization, public administration, economic institutions, human resource development, natural resource utilization, strategic technologies, conservation, and national standardization". Para 11 again provides a positive list of local responsibilities which local governments have to fulfill (bidang pemerintahan yang wajib dilaksanakan oleh Daerah Kabupaten/Kota), these include public works, health, education and culture, agriculture, transport, industry and trade, investment, environment, land matters, co-operatives and manpower.

3. Responsibility for such matters includes planning, financing, implementation, monitoring and evaluation, and maintenance (see Elucidation to Para 8).

4. Regions can re-transfer their functions to the provinces if they are not capable of handling them (Para 9.2).

5. Regions can be given additional tasks as "tugas pembantuan" (co-administration), such transfer has to be accompanied by the provision of means to carry out the tasks (like funds, infrastructure, staff) (Para 13.1).

6. Regions are to be given control over their finances, their civil services and their organizational set-up.

7. While regional autonomy on the local level is defined as "wide" (luas), regional autonomy on the provincial level is defined as "limited" (terbatas). The Governor continues to have a double function as head of an autonomous region (kepala
daerah otonom) and as representative of the central government in the region under the command of the President (via the Ministry of Home Affairs). Para 9 defines as the main functions of the provinces cross-regional functions (kewenangan pemerintahan yang bersifat lintas kabupaten dan kota), and functions in regional macro-planning, human resource development and research, the management of regional ports, environmental protection, trade and tourism promotion, pest control/quarantine and spatial planning.

8. The kabupaten/kota level is removed from the line of command that under the Orde Baru government ran from the President down to the village level. The election of Bupati and Walikota no longer requires the clearance from higher levels of government. They are accountable only to their respective local parliaments (DPRD).

9. While Law No. 5 (1974) included both the legislative and the executive branch in the term "local government", Law No. 22 (1999) draws a clearer distinction between the DPRD as local legislative body, and the administration as the executive branch.

10. The de-concentrated offices (instansi vertikal) of central government agencies at regional level were merged with the respective agencies of the regional governments. Staff and assets were transferred to the regions. Exceptions are in those areas where the central government retains responsibility (like religion). De-concentrated functions, i.e. central government functions to be discharged by the
provinces, will be handled by the provincial agencies. De-concentrated functions must be accompanied by appropriate funding from the central government (Para 8.2), an important stipulation to ensure that the central government does not transfer so-called "un-funded mandates" to the local level.

11. The kecamatan (sub-districts) become de-concentrated units of the local government. At the village level, the communities elect a village council and a village head; such local institutions can be fashioned in accordance with local traditions (adat) and needs.

12. All revenues and expenditures of the local government must be reflected in the local budget (APBD). Local governments can borrow from capital markets; however, foreign borrowing requires previous approval by the central government.

13. For delivering services and for other purposes, regional governments can establish interregional cooperation (Para 87).

14. Supervision and development (pengawasan, pembinaan) by central government agencies are defined as "facilitating" the activities and the capacities of regional governments (Para 112).

15. Para 114 codifies the mechanism for nullifying regional decisions (like regional regulations) by the central government, and the appeal mechanism for regional governments against such decisions.
CHAPTER III
METHODOLOGY OF RESEARCH

3.1. Location and Time

The study is about formal housing development in Medan, the third largest city in Indonesia. Medan City covers the area of 26,510 hectares (265.10 kilometers square) or 3.6% of the total width of North Sumatra Province. Therefore, compared to other regions in North Sumatra, Medan City covers a relatively small area but with a large of population.

According to the population census in the year 2000, the population of Medan City is estimated to be 2,210,743. The population density of Medan City is approximately 8,339 people per-kilometer square. It is also important to note that 1,904,273 people are permanent residents of Medan City, and 306,470 are non-permanent. At the moment, Medan City may be classified as a dense city (Medan City, 2001:1-3).

As a consequence of its large of population, Medan City encounters a tremendous need for housing. Regarding regional autonomy, Medan City’s efforts are expected to give equal and fair services to the society (Medan City, 2001:10); therefore, the correspondence among government housing programs, housing need and formal housing development must be examined. The data to examine the housing
development condition was taken during the period of 1998 to 2003, during the economic crisis in Indonesia. Meanwhile, Indonesia has implemented decentralization since 2001. This study will assess the effectiveness of local government in managing housing development during the period of 1998 to 2003 in two facets: centralized government (1998-2000) and decentralized government (2001-2003).

3.2. Scheme

The scheme of this study is to carefully examine the success of housing and settlement programs and their effect on the growth of housing development in order to fulfill the population housing need in centralized and decentralized governments. This study will involve six stages of scrutinisation, which will discover the success of such programs:

a. Identification of provincial and local government programs in housing and settlement,

b. Classification of the population housing need and the development of housing in Medan per year into simple, middle-class, and luxurious housing,

c. Identification of the correspondence between housing development and population housing need for each classification,

d. Identification whether the development of housing is effectively affected by governments programs in order to fulfill the population housing need,
e. Identification of the obstacles, which the regional governments have to deal with in managing the development of housing.

f. Appraisal of alternatives for local government institutional management in decentralization environment, which may be effective in managing housing development to meet the population housing need.

The methodology for the study of the effectiveness of local government in housing development involves a qualitative approach. Although most of the data is quantitative information, the assessment of the success of governments’ approaches to perform their role in managing housing development in order for it to succeed meeting the population housing need, must be evaluated. This qualitative approach is appropriate because it is able to explain the way the institutions perceive their role, the obstacles that they have to deal with, and also the interaction between institutions and all actors involved in housing development.

Figure 1 shows the conceptual framework of the study with consecutive steps for each aspect to process data and examine the correlation among the three aspects - governments’ regulation, housing development, and housing need; in centralized government (1998-2000) and decentralized government (2001-2003).
Grace Yuswita Harahap: Decentralization And Its Implication On The Development Of Housing In Medan, 2004
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Figure 1. The Conceptual Framework of the Study
3.2.1. Secondary data

The secondary data used in this research basically comes from five government institutions as follows:

a. Information about provincial and local government programs in housing and settlement is obtained from Dinas Tarukimsu (Dinas Tata Ruang dan Permukiman Provinsi Sumatera Utara = Spatial Arrangement and Settlement Service of North Sumatra Province) and Dinas Permukim-Medan (Dinas Perumahan dan Permukiman Pemerintah Kota Medan = Housing and Settlement Service of Medan City),

b. The information about housing need is based on population growth from BPS-Medan (Badan Pusat Statistik Pemerintah Kota Medan = Medan Board of Statistics), which is then classified into high-, middle-, and low-income families in proportion of 1:3:6,

c. Information about housing development is derived from housing construction license named IMB (Izin Mendirikan Bangunan = Permit to Build). Formally, the permit should be applied and the retribution should be paid by society before the houses or shops are developed. This data provides information about the location (class of the road) and the size of the houses. It is assumed that permitted houses to build are developed. The data is obtained from Dinas Tata Kota-Medan (Dinas Tata Kota dan Tata Bangunan Pemerintah Kota Medan = City and Building Arrangement Service of Medan City),
d. The assessment of housing value is based on the assessment value for land and building tax from PBB-Office (Kantor Pelayanan Pajak Bumi dan Bangunan Medan II = Land and Property Tax Service of Medan II). The data is in random sampling data about land and building tax in random years, which contains the location (name of the road), the size, and the value of the houses.

e. The classification of housing development into simple, middle-class and luxurious houses is based on Keputusan Menteri Negara Perumahan dan Permukiman (Ministry of Housing and Settlement Decree) in 1999, Keputusan Menteri Permukiman dan Prasarana Wilayah (Ministry of Settlements and Regional Infrastructure Decree) in the period of 2001 to 2003 and Keputusan Menteri Keuangan (Ministry of Finance Decree) in 2001.

3.2.2. Primary data

The primary data had been obtained from formal interviews with the officers of Dinas Tarukiimsu and Dinas Permukim-Medan. The interviews were about how the institutions programs were managed, from planning through evaluating; and obstacles they have to deal with when performing their responsibilities.

The information obtained from the interviews are used to identify whether government programs successfully affect the development of housing and ultimately to identify the success of regional governments in managing the development of housing in the effort to fulfill population housing need.
Other primary data, about housing development in Medan from the private sector's point of view, has been obtained through an interview with an officer of "Real Estate of Indonesia" (organization of developers and builders in Indonesia).

3.3. Implementation of Research

3.3.1. Regional governments programs

Provincial agency. Dinas Tarukimsu is a provincial agency that handles central government functions, which are delegated to the provinces. The institution programs in housing and settlement related to housing development in Medan were collected per year during 1998-2003, as follows:

(1). Programs in 1997-1998

a. Research planning on 36 square meter-type earthquake resistant houses,

b. Organizing Medan Fair Exhibition,

c. Counseling of housing and settlement, which supports housing construction.

(2). Programs in 1998-1999

a. Organizing Medan Fair Exhibition,

b. Improving the quality of the environment as well as housing facilities and infrastructures (drainage channel and footpath) in North Sumatra Province.

(3). Programs in 1999-2000

a. Organizing Medan Fair Exhibition,

b. Developing drainage channel at the river banks and other places,
(4). Programs in 2000

a. Development study of a healthy house model by using local construction materials.

b. Organizing Medan Fair Exhibition,

c. Managing the arrangement of construction technical observation in housing and settlement.

d. Identification study of facilities and infrastructures in housing and settlement to support development of slum area programs (PLPK).

e. Developing drainage channel.

f. Monitoring and managing urban infrastructure development in North Sumatra Province.

(5). Programs in 2001

a. Organizing Medan Fair Exhibition,

b. Developing footpath in Tuntungan district.

(6). Programs in 2002

a. Developing drainage channel in Medan City.

b. Developing drainage channel on the city border (concreted street ditch, enlarged and concreted street ditch, and primer drainage channel development).

c. Organizing Medan Fair Exhibition,
d. Providing 36 units of low-priced instant houses and a model of low-priced house.

e. Draining social-housing development site in Martubung.

(7) Programs in 2003

a. Rehabilitating drainage channels,

b. Developing a drainage channel,

c. Developing primary drainage channel on Deli Serdang-Medan border,

d. Organizing Medan Fair Exhibition,

e. Establishing and coordinating on housing development among related institutions with private sectors and communities in North Sumatra Province,

f. Managing and socializing housing and settlement development finance,

g. Monitoring the implementation of Co-Build program to Non-Government Organization (Lembaga Swadaya Masyarakat-LSM) and communities,

h. Implementing the training for the tutors of society (Tenaga Penyuluh Masyarakat-TPM) in spatial and settlement arrangement.

Source: sorted through the data of Dinas Tarukimsu in 1998-2003

Local government. Since decentralization came into effect in 2001, the implementation of regional autonomy in Medan City is realized by the responsibility of local government to manage the development based on the authority of Medan
City government. Therefore, to perform its role in housing and settlement development, Medan City government established housing and settlement institution (Dinas Perkim-Medan) in 2002. Actually, the institution had previously carried out its programs for two years, but the data obtained for this study was only for 2003. The implemented programs and projects in 2003 are as follows:

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Programs</th>
<th>Amount of projects</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational facilities</td>
<td>Operation and maintenance of Educational facilities</td>
<td>65</td>
<td>14.41%</td>
</tr>
<tr>
<td>Health facilities</td>
<td>Community health services</td>
<td>8</td>
<td>1.77%</td>
</tr>
<tr>
<td>Governmental apparatus</td>
<td>(1). Development of government offices</td>
<td>7</td>
<td>1.55%</td>
</tr>
<tr>
<td></td>
<td>(2). Rehabilitation of government offices</td>
<td>8</td>
<td>1.77%</td>
</tr>
<tr>
<td>Basic infrastructure of housing environment</td>
<td>(1). Maintenance of housing environment</td>
<td>196</td>
<td>43.46%</td>
</tr>
<tr>
<td></td>
<td>path and drainage</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2). Renovation of housing and settlement</td>
<td>80</td>
<td>17.74%</td>
</tr>
<tr>
<td></td>
<td>(3). Maintenance of Government-owned offices:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Governmental apparatus facilities</td>
<td>42</td>
<td>9.31%</td>
</tr>
<tr>
<td></td>
<td>b. Educational facilities</td>
<td>43</td>
<td>9.53%</td>
</tr>
<tr>
<td></td>
<td>c. Health facilities</td>
<td>2</td>
<td>0.44%</td>
</tr>
<tr>
<td><strong>Total amount of projects</strong></td>
<td><strong>451</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: categorized from the data of Dinas Perkim-Medan in 2003

Figure 2. Implemented Programs and Projects of Housing and Settlement Service of Medan City in 2003
Considering all of the provincial and local government's programs in housing and settlement should be relevant to National Housing and Settlement Strategies, therefore, every program will be classified to its related strategy. Hence, the capacity that the institutions possess to perform its role in managing housing development can be assessed.

3.3.2. Classification of the population housing need

Classifying the population housing need is based on collaborative regulation of three ministries: the SKB tiga Menteri jo SK Menpera No.04/KPTS/BKP4N/1995, which is about the government regulation on balanced housing allocation. The housing development actors and local government are required to develop luxurious, middle-class, and simple housing in the proportion of 1:3:6. Based on this regulation, and because of limitation of data, the study accepts the government decision on the affordability of the population to fulfill the housing need as follows: 60% of population can afford simple houses, 30% can afford middle-class houses, and 10% luxurious houses.

The population housing need per year is obtained by: dividing the population by the number of population per household and then subtracting it with the amount of housing need in the previous year. This method is applied per year, for each classification of housing (see Table 1).
Table 1. The Population Housing Need for Each Classification 1998-2003

<table>
<thead>
<tr>
<th>Years</th>
<th>Population</th>
<th>Population per household</th>
<th>Housing need (unit)</th>
<th>Simple Houses (60%)</th>
<th>Middle-class Houses (30%)</th>
<th>Luxurious Houses (10%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>1,974,300</td>
<td>6.25</td>
<td>316,090</td>
<td>189,654</td>
<td>94,827</td>
<td>31,609</td>
</tr>
<tr>
<td>1998</td>
<td>1,901,067</td>
<td>5.93</td>
<td>320,834</td>
<td>192,500</td>
<td>96,250</td>
<td>32,083</td>
</tr>
<tr>
<td>1999</td>
<td>1,902,500</td>
<td>5.86</td>
<td>324,674</td>
<td>194,804</td>
<td>97,402</td>
<td>32,467</td>
</tr>
<tr>
<td>2000</td>
<td>1,904,273</td>
<td>4.33</td>
<td>439,307</td>
<td>263,584</td>
<td>131,792</td>
<td>43,931</td>
</tr>
<tr>
<td>2001</td>
<td>1,926,520</td>
<td>4.33*</td>
<td>444,924</td>
<td>266,954</td>
<td>133,477</td>
<td>44,492</td>
</tr>
<tr>
<td>2002</td>
<td>1,963,855</td>
<td>4.33*</td>
<td>453,546</td>
<td>272,128</td>
<td>136,064</td>
<td>45,355</td>
</tr>
<tr>
<td>2003</td>
<td>1,982,708*</td>
<td>4.33*</td>
<td>457,900</td>
<td>274,740</td>
<td>137,370</td>
<td>45,790</td>
</tr>
</tbody>
</table>

*Assumption from the previous data

Source: processed from data of Medan in Figures, 1998-2002 (BPS-Medan)

From Table 1, housing need per year for each classification can be obtained by subtracting housing need from to the previous year, as shown in table 2:

Table 2. The Population Housing Need for Each Classification Yearly in 1998-2003

<table>
<thead>
<tr>
<th>Years</th>
<th>Simple Houses Needed per Year (unit)</th>
<th>Middle-class Houses Needed per Year (unit)</th>
<th>Luxurious Houses Needed per Year (unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>189,654.00</td>
<td>94,827.00</td>
<td>31,609.00</td>
</tr>
<tr>
<td>1998</td>
<td>192,500.40</td>
<td>96,250.20</td>
<td>32,083.40</td>
</tr>
<tr>
<td>1999</td>
<td>194,804.40</td>
<td>97,402.20</td>
<td>32,467.40</td>
</tr>
<tr>
<td>2000</td>
<td>263,584.20</td>
<td>131,792.10</td>
<td>43,930.70</td>
</tr>
<tr>
<td>2001</td>
<td>266,954.27</td>
<td>133,477.14</td>
<td>44,492.38</td>
</tr>
<tr>
<td>2002</td>
<td>272,127.71</td>
<td>136,063.86</td>
<td>45,354.62</td>
</tr>
<tr>
<td>2003</td>
<td>274,740.14</td>
<td>137,370.07</td>
<td>45,790.02</td>
</tr>
</tbody>
</table>

Source: processed from table 1 above.
3.3.3. **Classification of housing development**

Classifying housing development in simple, middle-class, and luxurious housing is conducted in three steps, as shown in figure 3.

**First step.** The first step is to determine per square meter basic value of houses for each class of road. Derived from PBB sample data, the size and value of houses for every name of road can be noted. Then, the value of houses per square meter can be obtained by dividing the value to the size of houses. Identifying the name of road to its class of road is based on The Major of Medan City Decree No. 593/3334/SK/1994, which is about the basic value of land in Medan (Harga Dasar Atas Tanah Di Kotamadya Daerah Tingkat II Medan). Based on the decree, there are four classes of roads and every name of road is classified to its class of road. Therefore, the house and its value can be classified into each class of road.

For this study, it is assumed that the highest value of houses per square meter in each class of road is the basic value to assess the value of houses, for this study it called “per-square-meter basic value of houses”. The reason for this assumption is because the Kantor PBB always assesses housing value below the market price.
Figure 3. Steps to Classify Housing Development
Second step. The second step is to determine the cost of houses developed every year. Based on the IMB, houses were documented in each class of road. Therefore, the value of houses developed every year can be obtained by multiplying the size of houses in each class of road by per-square-meter basic value of houses.

Third step. The last step is to classify the houses into simple, middle-class, and luxurious housing. Based on the Minister of Housing and Settlement Decree in 1999 and 2001-2003, the value of subsidized houses is assumed to be the value for simple houses. Then, based on The Minister of Finance Decree No. 381/KMK.03/2001 on luxurious objects to be taxed, luxurious houses are houses with size that equal or greater than 400 m², or with sale price equal or greater than Rp 3,000,000,00 per square meter. From the data about land and building tax, the value of housing that is equal or greater than Rp 3,000,000,00 per square-meter is never obtained, because as it was already mentioned, the assessment value is always below the market price.

Therefore, to determine what the luxurious houses are, two assumptions have been made. First, luxurious houses are houses with size that is equal to or greater than 400 m². Second, luxurious houses are houses with the value based on the per-square-meter value of simple houses in size of 400 m². This explanation is described as follows:
Table 3. Determination of Luxurious Houses 1998 - 2003

<table>
<thead>
<tr>
<th>Years</th>
<th>Size of Subsidized-houses (m²)</th>
<th>Value of Subsidized-houses (Rp)</th>
<th>Value per square-meter (Rp)</th>
<th>Size of Luxurious Houses (m²)</th>
<th>Value of Luxurious Houses (Rp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>36</td>
<td>27,850,000.00</td>
<td>773,611.11</td>
<td>400</td>
<td>309,444,444.44</td>
</tr>
<tr>
<td>1999</td>
<td>36</td>
<td>27,850,000.00</td>
<td>773,611.11</td>
<td>400</td>
<td>309,444,444.44</td>
</tr>
<tr>
<td>2000</td>
<td>36</td>
<td>27,850,000.00</td>
<td>773,611.11</td>
<td>400</td>
<td>309,444,444.44</td>
</tr>
<tr>
<td>2001</td>
<td>36</td>
<td>32,640,000.00</td>
<td>906,666.67</td>
<td>400</td>
<td>362,666,666.67</td>
</tr>
<tr>
<td>2002</td>
<td>36</td>
<td>34,000,000.00</td>
<td>944,444.44</td>
<td>400</td>
<td>377,777,777.78</td>
</tr>
<tr>
<td>2003</td>
<td>36*</td>
<td>36,000,000.00</td>
<td>1,000,000.00</td>
<td>400</td>
<td>400,000,000.00</td>
</tr>
</tbody>
</table>

* assumption, it is not mentioned in the regulation


From table 3 the values of simple and luxurious houses are identified, and then the value of middle-class houses can be identified between the values of simple and luxurious houses. Finally, the basic value to assess simple, middle-class and luxurious houses for each year is as follows:
Table 4. The Basic Value to Assess Simple, Middle-class, and Luxurious Housing in the period of 1998 – 2003

<table>
<thead>
<tr>
<th>Years</th>
<th>Simple Houses</th>
<th>Middle-class Houses</th>
<th>Luxurious Houses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Value is less or equal to: (Rp)</td>
<td>The Size is less than 400 m² or The Value is between: (Rp)</td>
<td>The Size is equal or greater than 400 m² or The Value is greater or equal to: (Rp)</td>
</tr>
<tr>
<td>1998</td>
<td>27,850,000.00</td>
<td>27,850,000.00—309,444,444.44</td>
<td>309,444,444.44</td>
</tr>
<tr>
<td>1999</td>
<td>27,850,000.00</td>
<td>27,850,000.00—309,444,444.44</td>
<td>309,444,444.44</td>
</tr>
<tr>
<td>2000</td>
<td>27,850,000.00</td>
<td>27,850,000.00—309,444,444.44</td>
<td>309,444,444.44</td>
</tr>
<tr>
<td>2001</td>
<td>32,640,000.00</td>
<td>32,640,000.00—362,666,666.67</td>
<td>362,666,666.67</td>
</tr>
<tr>
<td>2002</td>
<td>34,000,000.00</td>
<td>34,000,000.00—377,777,777.78</td>
<td>377,777,777.78</td>
</tr>
<tr>
<td>2003</td>
<td>36,000,000.00</td>
<td>36,000,000.00—400,000,000.00</td>
<td>400,000,000.00</td>
</tr>
</tbody>
</table>

Source: categorized based-on table 3.

3.4. The Limitations of Data Sources

This part will discuss about the obstacles to conduct the study. Each of the types of data in this thesis, both secondary and primary, has limitations. Information from the IMB-documented applications was only about the development of formal houses. This limitation caused an obstacle to cover all housing developments in Medan, especially the development of simple-low-cost housing that infrequently applied for the permit.

The information from Kantor PBB was limited, because it was randomly taken from the first three pages of the documentation of land and building tax for twelve sub-districts (kecamatan) in Medan City. Moreover, in that three first pages the data
was documented in random years, therefore, it becomes only few samples could be used to assess the value of houses beyond 1990.

The population of Medan City in 2003 was not available, and the projection of population growth in 2003 should be estimated. The information about the number of populations per household was only available on 1998-2000, thus, for the years 2001-2003 it was assumed unchanged from the previous year.

Assessing the affordability of the population in order to appraise the proportion of housing need in classification of simple, middle-class, and luxurious houses in Medan City could not be achieved, since income data was unavailable even from the annual Medan statistics of population welfare. For that reason, the study kept applying the balanced residential proportion of 1:3:6, which is directed by the Central government to appraise the proportion of housing need.

Since the existing housing stock data not available, the amount of population housing need was only based on the population growth, without concerning to: the housing aspirations-what people want, and the housing condition-housing to be repaired or housing to be rebuilt.

The Menperkim Decree to assess simple-house value for the year before 1999 was not obtained. The regulation to assess luxurious-house value, which based on The Menkeu Decree for the year before 2001, was also not obtained. Therefore, the assessment of simple house value in 1998 applied regulation in 1999. Then, the assessment of luxurious- house value for 1998-2003 applied the sole 2001 regulation.
Secondary data from provincial agency was not directly obtained from the Subdis Perkim (Sub Dinas Perumahan dan Permukiman = Housing and Settlement Sub-Division), because the division had been merged with the Dinas Tarukimsu in 2001. The process of office relocation caused most of Subdis Perkim’s data was missing. Data from Dinas Perkim-Medan was only obtained in 2003 programs. Its programs in 2001-2002 were misplaced and needed time to be located.

The interview respondents, both from provincial agency and local government, seemed reluctant to discuss the matters since the questions were about their administrative capacity and political will to implement complicated and most important responsibility they had to perform.
CHAPTER IV

HOUSING CONDITION IN MEDAN CITY

This chapter will describe the housing condition in Medan City during the period of 1998 to 2003. In this study, the discussion is specifically about formal housing conditions, which are legally documented and sited in residential land-use, along with regulations to obey. Due to the fact that decentralization came into effect on January 1st, 2001, a description about housing conditions in Medan is explained in two facets: the last three years before decentralization (1998-2000) and the first three years after decentralization came into effect (2001-2003).

The first part of this chapter will describe the fulfillment of housing development to population housing need. It will be conducted through identifying the correspondence between housing developed and needed. In the second part, implemented regional governments programs will be classified to National housing and settlement strategies, and identification of the correlation between the development of housing and regional governments programs would be the analysis of housing condition in Medan City.

For the reason that the whole basis for housing is to provide the shelter requirements of population therefore, the intended result for housing development is the fulfillment of the development of housing to the population housing need. Meanwhile, since the ultimate aim of government is to improve conditions of life and
Meanwhile, since the ultimate aim of government is to improve conditions of life and equity therefore, the intended result for government is to manage the situation successfully in order to achieve the maximal fulfillment of housing need.

4.1. The Development of Housing in Medan

Samples of developed housing in Medan in the three classifications can be seen in figures below. The samples are the exemplification of housing appearance, which the value had been determined in table 4 on page 75.

![Source: REI](houses were developed in 1999 in Medan Marelan Sub-district)

Figure 4. Simple Housing

![Source: leaflet of Menteng Indah Estate](the house was developed in 1999)

Figure 5. Middle-class Housing

![Source: an advertisement of PT. Ira Widya Utama in REI Publication in 2004](houses were developed in 2000)

Figure 6. Luxurious Housing
4.1.1. Housing condition in 1998-2000

In the year 1998, as shown in table 5, the development of housing only met one-third of the housing need.

Table 5. Housing Condition in 1998-2000

<table>
<thead>
<tr>
<th>Housing</th>
<th>% developed to the needed</th>
<th>average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1998</td>
<td>1999</td>
</tr>
<tr>
<td>Simple</td>
<td>3.62%</td>
<td>0.09%</td>
</tr>
<tr>
<td>Middle-class</td>
<td>89.66%</td>
<td>70.23%</td>
</tr>
<tr>
<td>Luxurious</td>
<td>9.70%</td>
<td>19.79%</td>
</tr>
<tr>
<td>Overall developed</td>
<td>102.97%</td>
<td>90.10%</td>
</tr>
<tr>
<td>Fulfilled</td>
<td>34.32%</td>
<td>30.03%</td>
</tr>
<tr>
<td>Surplus / shortage</td>
<td>-65.68%</td>
<td>-69.97%</td>
</tr>
</tbody>
</table>

Source: percentage is rated from table 2 on page 70

The development of middle-class housing almost fulfilled 90 percent of what was needed - the highest percentage during this period. Meanwhile, although the fulfillment of simple housing was the lowest in this year only 3.62 percent of what was needed but it had been the highest percentage of simple housing fulfillment among these years.

In 1999, the total quantity of housing development decreased and met 30.03 percent of the population housing need; less than the previous year. In this year, the fulfillment of luxurious housing was the highest during this period – met 19.79 percent of what was needed and increased more than 10 percent from the previous year. The development of simple housing was the lowest during the years 1998 to 2000, with only 0.09 percent fulfilled the needed amount.
The effects of the economic crisis were getting worse making the housing condition in 2000 worsen. The development of overall housing only met 3.33 percent of the needed that year. In this year, the fulfillment of luxurious housing was the lowest during this period – only met 1.86 percent of the needed - decreased more than ninety percent from the previous year. The development of simple housing was still not even close to fulfill one percent of what was needed.

Housing conditions in 1998 – 2000 met only 22.56 percent, less than a quarter from the overall population housing need. The disproportionate distribution is clearly noticed as housing needs for middle-class housing was fulfilled 55.90 percent. Meanwhile, luxurious housing only fulfilled 10.45 percent of the need. It was worsen for simple housing. Only fulfilled 1.33 percent of simple housing fulfilled that which was needed.

One of the reasons for this condition is the shortage of funds allocated to develop housing and above all, to develop simple housing due to the economic crisis. The allocated funds were used for crucial-basic needs, such as food and education. The community waited for better economic conditions to develop houses. Another reason for this undoubtedly, has been the more favorable financing terms to develop luxurious and middle-class housing just to meet the desires and needs of families from these social and economic characteristics.
Nevertheless, the fulfillment of housing need decreased obviously year by year. It is clearly noticed, that the development trend had been toward the development of middle-class housing (see figure 7).

![Housing Developed and Needed in 1998 - 2000](image)

Source: tabulated from table 5 on page 80

**Figure 7. Tabulation of Housing Developed and Needed in 1998 – 2000**

The highest percentage of middle-class housing developed in 1998 – 2000 shows two indications. One is that those high-income families decreased their demand from high- into middle-class housing. Another indication is that these high- and middle-income families tended to purchase new houses.
The development of formal housing in this period had never fulfilled the population housing need in the proportion of 1:3:6. The worst fulfillment was for the development of simple housing.

For the reason that housing development had not been in accordance with the balanced residential environment consisted of luxurious, middle-class and simple housing in a proportion of 1:3:6, as directed by the government to the development of housing and settlement. Therefore, it is concluded that housing development in the period of 1998-2000 unsuccessful to fulfill the population housing need. This condition was largely because the effect of economic crisis still influence largely to the community that caused both individuals and communities had lack of fund to finance into housing development.

4.1.2. Housing condition in 2001-2003

In 2001, as shown in table 6, the development of housing had increased from the previous years, as the total quantity of developed housing was surplus 21.52 percent, and it was the highest amount of housing developed during this period.

The excessive housing development occurred only in middle-class housing, as it was developed 167.17 percent greater than it was needed. Meanwhile, the development of luxurious housing met only 51.10 percent. The development of simple housing was still in the lowest degree of fulfillment, 46.29 percent of the needed amount.
Table 6. Housing Condition in 2001-2003

<table>
<thead>
<tr>
<th>Housing</th>
<th>% developed to the needed</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple</td>
<td></td>
<td>46.29%</td>
<td>2.22%</td>
<td>27.98%</td>
<td>25.50%</td>
</tr>
<tr>
<td>Middle-class</td>
<td></td>
<td>267.17%</td>
<td>74.50%</td>
<td>233.81%</td>
<td>191.83%</td>
</tr>
<tr>
<td>Luxurious</td>
<td></td>
<td>51.10%</td>
<td>9.63%</td>
<td>43.18%</td>
<td>34.63%</td>
</tr>
<tr>
<td>overall developed</td>
<td></td>
<td>364.56%</td>
<td>86.34%</td>
<td>304.97%</td>
<td>251.96%</td>
</tr>
<tr>
<td>fulfilled</td>
<td></td>
<td>121.52%</td>
<td>28.78%</td>
<td>101.66%</td>
<td>83.99%</td>
</tr>
<tr>
<td>surplus / shortage</td>
<td></td>
<td>21.52%</td>
<td>-71.22%</td>
<td>1.66%</td>
<td>-16.01%</td>
</tr>
</tbody>
</table>

Source: percentage is rated from table 2 on page 70

There are considerable differences in housing development growth rate among each classification of housing. The excessive development of middle-class housing in 2001 and 2003 might be attributed largely to the migration into the city. The migration was due to conflict in Aceh. The population growth rate in Medan can be seen in table 7, below:

Table 7. The Population Growth Rate in 1998 - 2003

<table>
<thead>
<tr>
<th>Years</th>
<th>Population</th>
<th>Population Growth</th>
<th>Population Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>1,899,028</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1998</td>
<td>1,901,067</td>
<td>2,039</td>
<td>0.11%</td>
</tr>
<tr>
<td>1999</td>
<td>1,902,500</td>
<td>1,433</td>
<td>0.08%</td>
</tr>
<tr>
<td>2000</td>
<td>1,904,273</td>
<td>1,773</td>
<td>0.09%</td>
</tr>
<tr>
<td>2001</td>
<td>1,926,520</td>
<td>22,247</td>
<td>1.17%</td>
</tr>
<tr>
<td>2002</td>
<td>1,963,855</td>
<td>37,335</td>
<td>1.94%</td>
</tr>
<tr>
<td>2003</td>
<td>1,982,708*</td>
<td>18,853</td>
<td>0.96%</td>
</tr>
</tbody>
</table>

* assumption from the previous data

Source: processed from data of Medan in Figures 1998-2002 (BPS-Medan)
The population of Medan increased sharply in 2001, i.e. 1.17 percent. In other words, the population of Medan increased by more than 22 thousand people from the previous year. The situation got worse in 2002 as the population increased 1.94 percent, or by more than 37 thousand people.

In 2002, the total quantity of housing development decreased sharply from the previous year, more or less met a quarter of the need, as it developed 28.78 percent to the needed amount. But, the fulfillment of simple housing was the lowest in this year and during this period, as it only developed 2.22 percent. The development of luxurious housing was also the lowest during this period, developed less than ten percent of what was needed.

The excessive housing development occurred once again in 2003 as the overall developed housing surplus was 1.66 percent from the needed amount. It is notable that the surplus had only occurred in middle-class housing, where it developed almost one-and-a half times more than what was needed. The development of simple housing was still in the lowest degree of fulfillment in this year, but it had increased 25 percent from the previous year.

From 2001 until 2003, the development need of simple housing could not be met. It only achieved 25.50 percent of the need. Neither could the development of luxurious house to be fulfilled. It met only 34.63 percent of the need. Meanwhile, the development of middle-class housing was at a surplus of 91.83 percent. In other
words, middle-class housing was developed more than what was needed, but luxurious and simple housing were less (see figure 8).

![Housing Developed and Needed in 2001-2003](image)

Source: tabulated from table 6 on page 84

Figure 8. Tabulation of Housing Developed and Needed in 2001 – 2003

This situation indicates that the excessive development of middle-class housing was developed as a reflection of the fact that this classification of housing had been developed to meet the desires of people who have excess fund to allocate for their new houses.

This argument is based on the fact that it is hardly possible for low-income families to increase their demand for housing into middle-class housing considering the economic situation had not improved. Therefore, it would not cause low-income
families to raise their demand into middle-class housing. Furthermore, it is argued that the excessive development of middle-class housing in the years 2001 and 2003 was a result of the high- and middle-income families’ demands and desires for housing.

Meanwhile, the housing development for luxurious housing only met 34.63 percent of the needed. This situation indicates that high-income families might have decreased their demands into middle-class housing. The argument for this is that it would have been impossible for high-income families not to fulfill their need for housing, while they had sufficient funds to purchase housing.

In another hand, the development of simple housing was lack; it reflected by nearly 75 percent of the development could not fulfilled the population housing need-in these three years. One of the reasons is, it might be caused by the lack of ability of the low-income families to fulfill their need, but with the argument that every family must do their effort to fulfill the basic needs, it is assumed that these families still developed their houses without applying the IMB application. In this case the reluctance of these families to apply for the permit because the charge might be still too expensive for them to pay.

However, the housing development in 2001 – 2003 indicates there was financial improvement of communities to meet the demand in housing and there was an enormous amount of fund allocated to finance housing development. Although the development not matched to the need, and even disproportionate development
occurred to each classification of housing need; but it means the condition provides opportunity to the government to manage the development.

In the period of 2001-2003, the overall fulfillment of housing need was 83.99 percent, better than the fulfillment in the period of 1998-2000 (22.56%). Although the development of luxurious- moreover simple housing- never succeeded to meet the entire need in this period; but the percentage of developed houses to the needed was improved.

Generally, housing development improved in the period of 2001-2003. The greatest improvement was in the development of middle-class housing, and it was surprising that in 2001 and 2003 it developed twice over the amount of it was needed. This condition reflected in one hand, excessive middle-class housing development, and on the other hand shortage of luxurious, and mostly in simple housing. Hence, it was also concluded that housing development in the period of 2001-2003 was unsuccessful, in order to achieve the intended result to fulfill the need in each classification of houses, as shown in figure 9.
Figure 9. Tabulation of Housing Developed and Needed in 1998 - 2003

The reason for the unsuccessful of the development of housing to achieve the intended result was because, first, there was an enormous amount of fund allocated to finance housing development without having any consideration to the housing need, but merely relied on market demand. Second, there had been no policy in local government yet; therefore there was no policy to influence the implementation of housing development.
In Medan, the actors of housing development are individual households, members of Association of Indonesian real estate developers (REI), and Perum Perumnas (Government Corporation). These three actors confront different problems. The individual households mainly must deal with their available fund to finance the development of housing; Perum Perumnas as a central government institution, which is targeted to fulfill the housing need of low- and middle-income groups mainly must deal with financing system and the available of national fund to carry on the National programs. Meanwhile, to conduct housing development private developers usually develop raw land, with syndicates buying up the land and arranging for the builders to build on it. This situation may be risen the housing price.

Based on interview with the REI officer, it stated that it was difficult for them to develop simple housing because of the shortage of low-priced land in Medan. Therefore, it is hardly possible to find low-priced land inner the city; and consequently, the development of low-cost housing that government willingly to subsidize cannot be conducted.

According to the interview, in order to develop simple housing, it was suggested that local government might stand an important portion of the cost of housing development, mainly to supply low-priced land; hence the development can be carried out.
The housing supply in community is inconstant. The various characteristics such as the affordability of community and the rate of demand are continuously changing. The supply is also changing quantitatively.

One explanation for the year-to-year variations in the output of the local house building industry, as shown in figure 6 on page 88, was the prospect for a reasonable profit on the part of the builders. Private builders undertake the construction of new dwelling units when they expect a profitable market for them. Hence, the annual construction rate is closely related to the “paying” demand for housing, i.e. the number of families in the community desiring shelter who at the same time have funds to pay for it, under the lending terms required.

Another primary relationship affecting the annual rate of housing production is the cost of construction relative to the existing level of value. If, for example, families have not bought the built houses, then vacancies are high, and values in the community will be depressed. This will affect the rate of return on housing investments and local builders will not be inclined to build new units. For example, this occurred to the development of housing in outer city, which is lack of accessibility, such as bad condition of road.

Hence, only when a favorable relationship exists between values on the one hand, and cost of housing on the other, including the land, utilities, the building itself, financing, taxes, maintenance and operation, plus a reasonable profit for the builder, dwelling units will be added to the supply.
The number of new units constructed is influenced as much by the financing terms and the relationships between the cost of producing housing and the amount of money available to spend for housing, as it is by the number of units which may be needed at a given time by new families entering the market.

Whereas the fulfillment of housing development can be measured by the success of the local government systems to enable both individuals and communities to fulfill their housing need and improve their living situations; therefore the failure to expand housing supply to match the growth of population is a huge challenge to the governments to be responsible in the provision of housing; that means governments should somehow intervene in order to control and organize the situation.

4.2. Regional Governments Programs

All of the regional governments programs in housing and settlement, both from the provincial agency and from the local government, should be concentrated on implementing National Housing and Settlement Strategies. Classifying implemented regional government programs to National housing and settlement strategies is necessary to assess the capacity of the institutions possessed, in order to perform its role in managing housing development (see figure 10 and 13 on page 94-97 and 104).

Programs in figure 10 were programs among the entire programs of the provincial agency, which is considered to empower the community to fulfill their
housing needs. Programs in figure 13 were the entire programs of housing and settlement institution in Medan City in 2003.

Assessing the success of regional government in housing development is based on the classification of implemented governments’ programs to National Housing and Settlement Strategies (figures 11 and 14 on page 101 and 105). The assessment is not to measure the amount of programs, but to measure the extent of the programs in facilitating and encouraging the community to fulfill their housing need. Therefore, the scope of implemented governments’ programs to National Housing and Settlement Strategies should be examined.

4.2.1. Provincial agency programs

In 1997-1998, as shown in figure 10 on page 94, that there was an effort to fulfill the needs of livable and affordable housing by planning a research on simple earthquake-resistant houses. This research was intended specifically to empower the community, which is that exposed to a natural disaster at the earthquake-zone, to own secure houses. There was also an effort to enforce building laws, regulations, and standards by giving counseling to support housing construction.

In order to carry out the establishment of a healthy, secure, harmonious and sustainable living environment strategy, the provincial agency improved the quality of settlement by rehabilitating housing facilities and infrastructures in 1998-1999 (figure 10 on page 94).
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Development of law and regulations, establishment of institutions in housing and settlement; and facilitating the implementation of transparent and participative neighbourhood planning and design</th>
<th>Fulfilment of the needs of liveable and affordable housing with concentration on the poor and low-income citizens</th>
<th>Establishment of a healthy, secure, harmonious and sustainable living environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programmes</td>
<td>Operational strategies:</td>
<td>Operational strategies:</td>
<td>Operational strategies:</td>
</tr>
<tr>
<td>Research planning on 36 square metre-type earthquake resistant houses</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Organizing Medan Fair Exhibition</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counselling of housing and settlement, which supports housing construction</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998-1999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizing Medan Fair Exhibition</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving the environment quality as well as housing facilities and infrastructures (drainage channel and footpath) in North Sumatra Province</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999-2000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizing Medan Fair Exhibition</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing drainage channel at the river banks and other places</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dev't study of a healthy house model by using local construction materials</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: categorized from the data of Dinas Tarukimsu in 1998-2003

Figure 10: Housing Development Programs of Provincial Agency
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Development of law and regulations, establishment of institutions in housing and settlement; and facilitating the implementation of transparent and participative neighbourhood planning and design</th>
<th>Fulfilment of the needs of liveable and affordable housing with concentration on the poor and low-income citizens</th>
<th>Establishment of a healthy, secure, harmonious and sustainable living environment</th>
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<tbody>
<tr>
<td>Programmes</td>
<td>Operational strategies:</td>
<td>Operational strategies:</td>
<td>Operational strategies:</td>
</tr>
<tr>
<td>2000</td>
<td>(1) (2) (3)</td>
<td>(4) (5) (6) (7) (8) (9)</td>
<td>(10) (11) (12)</td>
</tr>
<tr>
<td>Organizing Medan Fair Exhibition</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Managing the arrangement of construction technical observation in housing and settlement</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Identification study of facilities and infrastructures in housing and settlement to support development of slum area programmes (PLPK)</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Developing drainage channel</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Monitoring and managing urban infrastructure development in North Sumatra Province</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>2001</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<tr>
<td>Organizing Medan Fair Exhibition</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Developing footpath in Tuntungan district</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>

Source: categorized from the data of Dinas Tarukimsu in 1998-2003

Figure 10: Continued
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Development of law and regulations, establishment of institutions in housing and settlement, and facilitating the implementation of transparent and participative neighbourhood planning and design</th>
<th>Fulfilment of the needs of liveable and affordable housing with concentration on the poor and low-income citizens</th>
<th>Establishment of a healthy, secure, harmonious and sustainable living environment</th>
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<tbody>
<tr>
<td>Programmes</td>
<td>Operational strategies:</td>
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<tr>
<td></td>
<td>(1)</td>
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<td>(3)</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing drainage channel in Medan city</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Developing drainage channel on the city border (concreted street ditch, enlarged and concreted street ditch, and primer drainage channel dev't)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizing Medan Fair Exhibition</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Providing 36 units of low-priced instant houses and a model of low-priced house</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Draining social-housing development site in Martubung</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Rehabilitating drainage channels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing a drainage channel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing primary drainage channel on Deli Serdang-Medan border</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizing Medan Fair Exhibition</td>
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</table>

Figure 10: Continued
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Development of law and regulations, by establishment of institutions in housing and settlement; and facilitating the implementation of transparent and participative neighbourhood planning and design</th>
<th>Fulfilment of the needs of liveable and affordable housing with concentration on the poor and low-income citizens</th>
<th>Establishment of a healthy, secure, harmonious and sustainable living environment</th>
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</thead>
<tbody>
<tr>
<td>Operational strategies:</td>
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<td>Operational strategies:</td>
<td>Operational strategies:</td>
</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
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</tr>
</tbody>
</table>

- Establishing and coordinating on housing development among related institutions with private sectors and communities in North Sumatra Province
- Managing and socializing housing and settlement development finance
- Monitoring the implementation of Co-Bild programme to Non-Government Organization (Lembaga Swadaya Masyarakat-LSM) and communities
- Implementing the training for the tutors of society (Tenaga Penyuluh Masyarakat-TPM) in spatial and settlement arrangement

Source: categorized from the data of Dinas Tarukimsu in 1998-2003

Figure 10: Continued
In 1999-2000 (figure 10 on page 94-95), the agency improved the environment quality by developing drainage channel at the river-band and other places. This action allowed them to carry out the provision of settlement infrastructures and services. Another program was the study of healthy-house model utilizing local construction materials. This particular study aimed on one hand to encourage the development of community-based housing and on the other hand to carry out the enforcement of building standards. Managing the arrangement of technical control in housing and settlement development was to enforce the development to be accomplished in accordance with the building law, regulations and standards. The identification study to support a slum areas development program was a preliminary effort to improve the living environment. The Program to monitor and manage urban infrastructure development was intended to bring about the establishment of credible and responsive housing and settlement institutions.

When decentralization was first implemented in 2001, the provincial agency reduced its programs in Medan City. Their program was only developing footpath in a district in Medan City (figure 10 on page 95).

In 2002, the agency kept establishing of healthy, secure, harmonious and sustainable living environment by handling the provision and the improvement of settlement infrastructures and services. Meanwhile, to empower housing market and to develop community-based housing, the institution provided 36 units of low-priced instant houses and a model of low-priced houses. Also in this year, government began
the effort to subsidize housing development by draining the social-housing development site in Martubung (figure 10 on page 96).

In 2003, the provincial agency was more focus on the provision and improvement of settlement quality, as well as on affirmation of institutions by establishment of institutions in housing and settlement, and facilitating the implementation of transparent and participative neighborhood planning and design. The programs were: (1) the establishing and coordinating on housing development among related institutions with private sectors and communities in North Sumatra Province, (2) monitoring the implementation of Co-Build program to Non-Government Organization and communities, and (3) implementing the training for the tutors of society in spatial and settlement arrangement. Also in this year, the agency handling the development of financing system, by managing and socializing housing and settlement development financial support (figure 10 on page 96-97).

Medan Fair Exhibition occurred every year during the two periods. Housing and settlement institutions took part in the exhibition and it was organized by the provincial agency. In this event, the government provided opportunity to all housing developers, such as private developers associated in REI and Perum Perumnas to exhibit all kinds of for-sale developed houses or housing-sites. In this event, communities expected to be succeed in obtaining appropriate houses that match their capacity to pay for accommodation.
Medan Fair Exhibition was a kind of trade fair. Organizing this event was clearly the agency's effort to empower the housing market by facilitating producers and consumers gathering. This effort was a strategy intended to implement the fulfillment of the needs of livable and affordable housing with concentration on the poor and low-income citizens.

The programs above, as it mentioned before, were considered would be empowered the community to fulfill their housing need. Therefore, as it can be seen in figure 11, there were many kinds of programs carried out by provincial agency, and those programs dealt with almost all the National Housing and Settlement operational strategies.
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Operational strategies:</th>
<th>Operational strategies:</th>
<th>Operational strategies:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Development of laws and regulations, establishment of institutions, and facilitating the implementation of transparent and participative neighborhood planning &amp; design</td>
<td>Fulfillment of the needs of livable and affordable housing with concentration on the poor and low-income citizens</td>
<td>Establishment of a healthy, secure, harmonious and sustainable living environment</td>
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<tr>
<td></td>
<td>Operational strategies:</td>
<td>Operational strategies:</td>
<td>Operational strategies:</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Years</td>
<td>1997-1998</td>
<td>√</td>
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<td></td>
<td>1998-1999</td>
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<td></td>
<td>1999-2000</td>
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<td>2001</td>
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<tr>
<td></td>
<td>2002</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>√</td>
<td></td>
</tr>
</tbody>
</table>

Source: categorized from figure 10 on page 94-97

Operational strategies:

(1) Development of various law and regulations in housing and settlement development and management
(2) Affirmation of institutions through promoting the establishment of credible and responsive housing and settlement institutions, and capacity building at all level
(3) Enforcement of building law, regulations and standards
(4) Development of financing system and empowering housing markets (primary and secondary market)
(5) Development of community-based housing
(6) Development of various forms and mechanism of housing subsidies
(7) Provision of economic support for poor people (poverty eradication)
(8) Housing provision support for natural disaster victim and internally displaced persons
(9) Asset management of state building and housing
(10) Improvement of living environment; quality (slum upgrading)
(11) Provision of settlement infrastructures and services
(12) Implementation of responsive settlements and direction for improving quality of settlements

Figure 11. The Scope of Implemented Provincial Agency Programs in 1998-2003 to National Housing and Settlement Strategies
In 2002, the providing of 36 units low-priced instant houses and a model of low-priced house expected to encourage low-income community to acquire affordable houses. However, draining social-housing development site in Martubung was on one hand to supply raw land for housing development, and on the other hand to encourage the community to acquire low-cost housing because the land price was already subsidized.

Socializing housing and settlement development finance in 2003 was an effort to inform the community, especially the poor and low-income citizens, about the financial access they can apply for acquiring houses.

Furthermore, organizing Medan Fair Exhibition was the most important program. This producers-consumers gathering event provided opportunity to all communities to fulfill their need and demand for housing, which match to their affordability.

The wide-range of provincial agency's programs to empower the community was, not only showed the extent of the institution capacity to perform the entrusted programs, but also logically, gave a wide-range of opportunities for the community to choose the appropriate way to fulfill their need.
4.2.2. Local government programs

During 2003, the local government of Medan City performed three operational strategies of housing and settlement, i.e. asset management of state building and housing, provision of settlement infrastructures and services, and implementation of responsive settlements and direction for improving quality of settlements.

Most of the local government’s efforts, based on the amount of projects (figure 2 on page 68), were focused on the development of basic infrastructure of housing environment (80.49%), on educational facilities (14.41%), on governmental apparatus facilities (3.33%), and finally on health facilities (1.77%). The percentage can be seen in figure 10, as follows:

![Percentage of Implemented Local Government Programs in 2003](image)

Source: percentage is rated from figure 2 on page 68

Figure 12. Percentage of Implemented Local Government Programs in 2003
<table>
<thead>
<tr>
<th>Programmes</th>
<th>Operational strategies:</th>
<th>Operational strategies:</th>
<th>Operational strategies:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operation and maintenance of Educational facilities</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Community health services</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Development of government offices</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Rehabilitation of government offices</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Maintenance of housing environment path and drainage</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Renovation of housing and settlement</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Governmental apparatus facilities</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Educational facilities</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Health facilities</td>
<td></td>
<td>√</td>
<td></td>
</tr>
</tbody>
</table>

Source: Categorized from the data of Dinas Perkim-Medan in 2003

Figure 13: Housing Development Programs of Local Government
The scope of implemented local government programs to National Housing and Settlement Strategies showed in figure 14.

<table>
<thead>
<tr>
<th>Years</th>
<th>Operational strategies:</th>
<th>Operational strategies:</th>
<th>Operational strategies:</th>
</tr>
</thead>
<tbody>
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<td>2001*</td>
<td>(1)</td>
<td>(10)</td>
<td>(12)</td>
</tr>
<tr>
<td>2002*</td>
<td>(2)</td>
<td>(11)</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>(3)</td>
<td>(4)</td>
<td>√</td>
</tr>
</tbody>
</table>

* the data was not obtained

Source: categorized from figure 13 on page 104

Operational strategies:

(7) Development of various law and regulations in housing and settlement development and management

(8) Affirmation of institutions through promoting the establishment of credible and responsive housing and settlement institutions and capacity building at all level

(9) Enforcement of building law, regulations and standards

(10) Development of financing system and empowering housing markets (primary and secondary market)

(11) Development of community-based housing

(12) Development of various forms and mechanism of housing subsidies

(13) Provision of economic support for poor people (poverty eradication)

(14) Housing provision support for natural disaster victim and internally displaced persons

(15) Asset management of state building and housing

(16) Improvement of living environment; quality (slum upgrading)

(17) Provision of settlement infrastructures and services

(18) Implementation of responsive settlements and direction for improving quality of settlements

Figure 14. The Scope of Implemented Local Government Programs in 2003 to National Housing and Settlement Strategies
In 2003, as shown in this figure, the scope of local government of Medan City programs only on asset management of state building and housing and also on improvement of living environment- housing and settlement operational strategies. In other words, there has not been any program to the fulfillment of the needs of livable and affordable housing.

However, unavailability program to the fulfillment of the needs does not mean the available programs had no effect to the development of housing. According to the field observation, betterment of road condition encouraged the development of housing.

Actually, the condition of road influences kinds of housing to be built. The discussion about condition of road would be based on Directorate General of Bina Marga Regulation - Public Work Department and Electrical Power No. 13/1970 about Standard Specifications for Geometric Design of Rural Highways. The regulation classified roads into four classes of roads:

a). First Class Road (1st Class)

The first-class road supports high-density traffic among important cities or between center of production and center of exported goods. Roads in this group should be planned to support rapid and heavy-loaded traffic.

The first-class roads in Medan, such as: Thamrin street, Asia street, Gluger By Pass street, Sudirman street, Diponegoro street, and Jamin Ginting street.
b). Second Class Road (2nd Class)

The second-class road supports middle high-density traffic among important and smaller cities, and to support surrounding areas as well.

The second-class roads in Medan, such as: Mongonsidi street, Juanda street, Amaliun street, Abdullah Lubis street, D.I. Panjaitan street, Darussalam street, and Setia Budi street.

c). Third Class Road (3rd Class)

The third-class road is connecting road, which its function is for regional activity purposes and also used as connecting road among roads in the same or different groups.

The third-class roads in Medan, such as: Pasar Merah street, Medan Area Selatan street, Mistar street, SMA 2 street, Tomat street, and Kompleks Pemda.

This regulation not explain forth-class road, meanwhile, according to Mayor of Medan City Decision No. 593/3334/SK/1994 about basic land price in Medan, it stated that alley is defined as forth class road (4th Class). The fourth-class roads in Medan, such as: Pandu alley (Medan Area sub-district), Johar alley (Medan Petisah sub-district), Angkasa alley (Medan Polonia sub-district), Rukun alley (Medan Baru sub-district).

In fact, there was a significant betterment condition in the fourth-class of road in Medan, and it caused the price of land became higher. Usually, this class of road consists mainly of simple houses, but since the land became profitable, accordingly,
the owners of these lands intended to sell the land because they still need fund to fulfill other basic needs. In the same time, demand for middle-class and luxurious houses increased, therefore, there is a tendency toward more middle-class and luxurious houses built in this neighborhood.

The argument for this is based on the assessment of Department Office of Tax for housing value per square meter in each class of road (see table 8).

Table 8. Housing Value per Square meter in Each Class of Road during 1990-2003

<table>
<thead>
<tr>
<th>Class of Roads</th>
<th>Housing value per square meter</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Class</td>
<td>994,405.17</td>
</tr>
<tr>
<td>Second Class</td>
<td>646,722.58</td>
</tr>
<tr>
<td>Third Class</td>
<td>567,055.17</td>
</tr>
<tr>
<td>Fourth Class</td>
<td>675,003.70</td>
</tr>
</tbody>
</table>

Source: processed from the data of Kantor Pajak in 1990-2003

The reason for the greater housing value per-square meter in the fourth-class than in the second- and third-class because there was a tendency toward the development of middle-class and luxurious houses in this class of road recently; therefore, the value of the new houses assessed higher.

Anyway, this better condition of road indeed influenced the growth of housing development, but unfortunately, it only for communities who can afford these middle-class and luxurious houses. This kind of growth obviously did not implement the fulfillment of the needs of livable and affordable housing with concentrating to the poor and low-income citizens-strategy.
From all the regional government’s programs, it can be stated that provincial agency, in its effort to implement the fulfillment of the needs-strategy, carried out many kind of housing development programs in order to encourage community to fulfill their need in all classification of housing. On the other hand, local government did not have specific programs for the fulfillment of the needs, but the effect of its environment improvement programs was the growth of middle-class and luxurious houses.

Discussing the ‘existing’ disproportionate housing condition in Medan City therefore, the efforts of governments to manage the situation are being questioned. According to interview with provincial agency officers, it was argued that all the agency’s programs must be appropriate to the community since the development objective was for the community purposes. Yet, the extent of these programs affecting the growth of housing development had never been assessed.

The officers realized that the monitoring and evaluation could not be separated from the management cycle of conducting the development programs. However, shortage of fund was the reason for the unavailable monitoring and evaluation act. The officers explained that since the agency has a wide range of size and territorial jurisdiction, it argued that it was difficult to get the information about the evaluation of performance and impact in a specific area, since there were no other programs in that area for a number of years. Even there were programs carried out in nearby area in the following years, but it was no available fund to spend for the officer’s expense
for being away any longer from his/her desk in the office to collect the information about the performance and impact of the previous programs.

For that reason, the objective of the programs was only ended to the accomplishment of every implemented project. This act made the management cycle came to a halt. It caused the extent of the performance against the target-the fulfillment of housing need, could not identified; the information to make feedback of results into previous stages would never be obtained in order to improve the management capacity of the institution in managing the situation; and the worst was the failure to monitor and evaluate outcomes may mean that mistakes would be repeated.

However, the officers argued that it was better to expend the available fund to finance more projects than to spend on fewer projects in completed management cycle. The reason for this argument was the development they carried out, taken for granted, principally for the community advantage- thus, the more projects; the more advantages.

The success to carry out research programs on simple- and simple instant houses was satisfactory in the agency’s effort to give opportunity to low-income community to fulfill the need for simple low-cost houses. However, the programs must not end only on the accomplishment of the projects. The research results need to be socialized industriously. Another important thing should be taken is, to prepare for further action in order to anticipate whether the low-income community respond
positively to the research result. But, the agency had an obstacle to do so, because the simple-instant house creator requested for patent for the creation. Since the agency had no financial fund to expend in this request, the project was discontinued and no further action was taken. What to be questioned here was, whether the agency had identified the available resources (finance) and prepared for whole program budgets.

Anyway, the unavailable fund-reason to conduct monitoring and evaluation was acceptable; since lack of fund and furthermore corruption, are main problems in most of developing countries. However, to conduct a survey of the existing housing market was manageable at Medan Fair Exhibition. Logically, the agency could obtain information about the amount of sold-houses, since the agency organized the event in Medan. But, on the contrary, until the event ended, the agency had no idea about the amount of simple, middle-class and luxurious houses were sold. In other words, the agency’s approach to get the information about the effectiveness of housing development in its territorial jurisdiction was being questioned.

However, the unsuccessful housing development to fulfill the needs requires intervention from the government. Unfortunately, since the agency was not well informed about- not only the extent of its programs affected housing development, but also the extent of housing development fulfilled the population housing need-then, how the government could realized the extent it should intervene, and the form of intervention it should take; although it has instruments at its disposal to achieve the effective management.
Based on aforementioned argument, it is concluded that the provincial agency unsuccessful in managing housing development in Medan City.

Assessing the efforts of local government of Medan City in managing housing development is obviously only can be examined by the success of its environmental improvement programs to encourage the community to fulfill their housing need.

The environmental improvement program is in the establishment of healthy, secure, harmonious and sustainable living environment-strategy. However, it seems that both government institutions’ principle is only on the accomplishment of the projects. Therefore, local government only intended to identify whether the projects accomplished, but not even further to examine the fulfillment of housing need.

Concerning the scope of implemented local government programs, it is questionable why the programs were mainly in environmental establishment, though the decentralization has already came into effect at the time of this institution established, and the management of housing development in the city has been transferred to its responsibility.

There are two possibilities answers for this. It might be because, housing development had already fulfilled the communities housing need, accordingly, local government responsibilities were only for maintaining and establishing living environment; or the institution had no capacity to be responsible to carry out any larger programs.
According to the interview with the local government officers, it was admitted that as long as the institution established, it only carried out functions in planning, maintaining, and basic infrastructure management of living environment facilities and also in managing and maintaining Regional Government-owned buildings and offices; but not in managing or even controlling housing development of the community yet.

The officers also admitted that functions in housing development have not been carried out yet, as the institution still focused on its aforementioned responsibilities. However, it is argued that the entire functions of the institution expected to be carried out in 2005.

As it known that the institution established only two and a half years ago, and the suitable approaches to conduct its functions is still developed; furthermore, it was argued that local government regulations and Major’s decrees as technical guidelines to manage and controlling community’s housing development not available yet. From the interview, it is stated that the constraints to perform the function in housing development are classical, such as lack of fund, unskilled and shortage of employees.

This argument is the answer to the aforementioned question about the limited scope of implemented local government’s programs. In other words, the limited scope entrusted to this institution was because it had insufficient administrative capacity to conduct complicated responsibilities. However, managing housing development under strong population pressure such as in Medan City is difficult and requires
technical skills, financial resources, management competence and legal power; which local government institution had insufficiently.

Anyway, regardless to insufficient institution administrative capacity, decentralization has transferred the responsibility for managing housing development to local government. It is necessary to acknowledge the institution response to this important function. According to the institution officers, a plan to get information about housing condition in Medan had already been proposed to the institution chief-executive, but the proposal for planning the program was postponed since it was considered might burden the community. The officers called it as a social consideration. The argument was, to conduct the monitoring and evaluating of housing development means to instruct the community to report their housing development to the institution; meanwhile, the community had already been regulated to apply for IIMB before developing their houses. It was argued that it could be a complicated-administration and might burden the society; especially low-income families, since they only make effort to fulfill their basic needs.

This argument unacceptable since this is not the one-and-only way to be informed about housing condition in Medan City. However, this argument also reflected two assumptions; first, the officers had not exploited their managerial skill to obtain information without burdening the community, since local government had power to coordinate with other government institutions; and second was a
questionable-political will of the chief-executive to implement such important plan in order to carry out one of National housing and settlement strategies.

Getting information about housing condition is a long-term and needs industrious efforts. Although it is the most important instrument to intervene in the ‘ineffective’ housing development, but community cannot recognize the success physically and immediately. People in power perceive this condition would be disadvantaged them, since they are obliged to do immediate changes in community, whatever it is. Furthermore, since the act is long-term efforts, there is a possibility that the result will not be achieved in their power-period, and it might not be documented as their success; although the result is prerequisite for the institution to intervene in the urban development process. On the contrary, environmental improvement is powerful physical evidence for the community to admit the success of the institution and people in power of it.

For the reason that local government had done no efforts to the fulfillment of population housing need, it is concluded that local government of Medan City was unsuccessful in managing housing development, with the argument that local government should have managed the ‘disproportionate’ housing development since decentralization began.
CHAPTER V
CONCLUSIONS AND RECOMMENDATIONS

5.1. CONCLUSIONS

The development of housing in Medan City during the period of 1998 to 2003 had no tendency to fulfill the population need of luxurious, middle-class and simple housing in the proportion of 1:3:6, as it was regulated by central government. Obviously, middle-class houses developed the most among the three classifications of housing every year, and on the contrary, simple houses development had always been in the lowest percentage of fulfillment. Therefore, the intended result of housing development to fulfill the population housing need for each classification had not achieved successfully during those years.

Managing housing development means managing the situation to achieve housing development in accordance to population housing need, and it is the responsibility of both provincial and local governments to perform. Provincial agency carried out the responsibility in centralized government (1998-2000). During these years it had wide-range of programs, which considered would empower the communities to fulfill their housing need. Unfortunately, in performing its responsibility the provincial agency carried out the policy and management cycle incompletely by eliminating the monitoring and evaluation processes.
The elimination of these processes caused the extent of implemented provincial agency’s programs in empowering the communities to fulfill their housing need could not be identified convincingly. Although the communities kept developing houses to fulfill their housing need, but since provincial agency could not provide accountable evidence of the empowerment-programs effects on housing development, therefore the existing growth of housing development could not be claimed as the success of provincial government in empowering the communities to fulfill their housing need.

In decentralized government, managing housing development became local government responsibility based on the law No. 22/1999 (para 11). The responsibility includes planning, financing, implementation, monitoring and evaluation, and maintenance; in other words, all the aspects of management.

Housing institution in Medan City was established in the same year as decentralization occurred in Indonesia in 2001. Until very recently, the institution still focuses on the effort to improve environment and not to manage housing development yet. This condition happened because it still confronts with the insufficient administrative capacity i.e., the shortage of employees with adequate skills, financial resources and legal power, and also insufficient political-will in performing its role, with the argument unwillingly to avoid burden community.

The insufficient administrative capacity and political-will of local government caused no effort was taken to manage housing development or even to understand housing condition in Medan City. Therefore, it is unavoidable for local government to
leave the fulfillment of housing need process simply to the self-regulating forces of the market. Consequently, housing development became uncontrolled and the market freely played significant role in housing development. This is the evidence of the existing housing development in Medan City merely to fulfill the ‘paying’ demand of community for housing.

Based on the above explanation, it can be concluded that the fulfillment of population housing need in Medan was not better in decentralized government than in centralized government. Being closer to the people not meant local government automatically could manage the development of housing to achieve the intended result in fulfilling population-housing need, because insufficient administrative capacity and political-will avoided local government to do so.

For the reason that on one hand, decentralization caused provincial agency had no further authority and responsibility for managing housing development in Medan City, meanwhile on the other hand, local government was avoided to manage housing development; hence, housing condition in Medan City was worse in decentralized government than in centralized government, since no capable authority managing the situation.

Decentralization thus intensifies the need for capable staff and increases the importance of capacity-building programs. The process of decentralization creates new responsibilities for inexperienced actors. On the one hand, decentralization creates more opportunities for local autonomy and responsiveness to more specialized
constituencies, but on the other hand, it gives local government more room to fail if specific steps are not taken to build local technical and managerial capacity.

5.2. Major Recommendations

The local government institution of housing and settlement is necessary to realize that one of the institution main objectives is to manage the fulfillment of housing need. The first step to be taken for the objective is: identifying the population housing need in Medan City. Information about the population condition can be obtained by coordination with other government institutions. In this case, managerial capacity is important.

Second, assessing the housing development condition and tendency, and deciding the extent Medan City government should intervene as well as the form of intervention it should take. Anyway, intervention to regulate the activities of the private sector to the public interest needs skills and abilities. Local capacity is one of the most factors creating a well-functioning decentralized civil service. Therefore, building the institution capacity is critical prerequisite.

The third, the cycle of activities involved in the planning/policy/management process should always be taken in each institution’s activity; although it may also important to be able to compressor many of these stages in the interest of providing a rapid response to pressing problems.
There is fairly widespread agreement that capacity building at all government levels is an essential component of decentralization. For the reason that the local government institution of housing and settlement is already exist, it is strongly recommended to reinforce the institution institutionally and legally as well as to strengthen its personnel management capacities, in its effort to successfully perform its new responsibilities in decentralization era.

In addition to building local capacity, training can be a tool for creating personal networks among various levels of government, regions and types of government workers. It is also recommended to train career civil servants and local politicians together to insure that they better understand what is expected of them and what they can expect from each other. This effort will be useful to create coordination among government institutions in order to perform the managing housing development function.
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APPENDIX

GLOSSARY OF ABBREVIATIONS AND INDONESIAN TERMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>BPS-Medan</td>
<td>Badan Pusat Statistik Pemerintah Kota Medan (Medan Board of Statistics)</td>
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<tr>
<td>Dinas Perkim-Medan</td>
<td>Dinas Perumahan dan Permukiman Pemerintah Kota Medan (Housing and Settlement Service of Medan City)</td>
</tr>
<tr>
<td>Dinas Tarukimsu</td>
<td>Dinas Tata Ruang dan Permukiman Provinsi Sumatera Utara (Spatial Arrangement and Settlement Service of North Sumatra Province)</td>
</tr>
<tr>
<td>Dinas Tata Kota-Medan</td>
<td>Dinas Tata Kota dan Tata Bangunan Pemerintah Kota Medan (City and Building Arrangement Service of Medan City)</td>
</tr>
<tr>
<td>IMB</td>
<td>Izin Mendirikan Bangunan (Permit to Build)</td>
</tr>
<tr>
<td>Kantor PBB</td>
<td>Kantor Pelayanan Pajak Bumi dan Bangunan Medan II (Land and Property Taxes Service of Medan II)</td>
</tr>
<tr>
<td>Menkeu</td>
<td>Menteri Keuangan (Ministry of Finance)</td>
</tr>
<tr>
<td>Menkimpraswil</td>
<td>Menteri Permukiman dan Prasarana Wilayah (Ministry of Settlements and Regional Infrastructure)</td>
</tr>
<tr>
<td>Menperkim</td>
<td>Menteri Negara Perumahan dan Permukiman (Ministry of Housing and Settlement)</td>
</tr>
<tr>
<td>PBB</td>
<td>Pajak Bumi dan Bangunan (Land and Property Tax)</td>
</tr>
<tr>
<td>Perum Perumnas</td>
<td>Perusahaan Umum Perumahan Nasional (Government Corporation on Housing)</td>
</tr>
<tr>
<td>REI</td>
<td>Realestat Indonesia (Real Estate Indonesia)</td>
</tr>
<tr>
<td>SKB tiga Menteri</td>
<td>Surat Keputusan Bersama Tiga Menteri (Joint three Ministerials Decree)</td>
</tr>
<tr>
<td>SK Menpera</td>
<td>Surat Keputusan Menteri Perumahan Rakyat (Ministry of Housing and Settlement Decree)</td>
</tr>
<tr>
<td>Subdis Perkim</td>
<td>Sub-Dinas Perumahan dan Permukiman (Housing and Settlement Sub-Division)</td>
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