

# Functional and Territorial Decentralizations on the Housing Issues in Indonesia

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## Abstract

Indonesia's National Constitution and human rights convention require each and every Indonesia citizen to have decent housings. Throughout history, however, the realization of this mandate has never been satisfying yet. More over, such a mandate is even more difficult to achieve as it relates closely with decentralization, in terms of either functional or territorial decentralization.

In this research these decentralization types are examined with respect to its institutional aspects through a qualitative research involving such data collection techniques as in-depth interview, documentation and life history.

This research attempts to answer some questions: (1) How do housing policies is regulated concerning those of functional and territorial decentralizations? (2) How is the implementation of housing policy at middle-low income households? (3) What are the most potential factors affecting the fullfilment of decent housing for middle-low income community?

The research recommends that the Government of the Republic of Indonesia should: (i) strengthen its political will towards decents housing for all; (ii) enhance regulation concerning decentralization; (iii) reform housing institutions at autonomous regions; and (iv) amplify strategic partnership between the National Housing Company and Autonomous Local Governments. More over, the research has also recommends 20 potential factors which should be considered in meeting decents housing. These potential factors comprise of ten political factors, eight economical factors, and two social factors.

**Keywords:** Regulation, Implementation, Decentralization and Housing Issue.

## 1. Introduction

Every organization always has a goal or even some goals. As an organization, the Republic of Indonesia has goals which are reflected in its National Constitution, the fourth paragraph of the preamble:

“.....advancing for general welfare, enlightening national life, and participating into the implementation of world order based on independence, eternal peace and social equity .....”

All of these goals signify Indonesia as a welfare state. Article 34, Verse (1) of National Constitution stipulates that the poor and the abandoned children will be taken care by the State, while Verse (3) necessitates that the State is also taking the responsibility of providing reliable facilities of health and public services.

In relation to human rights, it is stated in Article 28 point H, Verse (1), that everyone has the right to live in well-being, both physically and mentally, to have adequate shelter and a healthy life environment, and deserve for a favorable health service as well. Article 40 of Law No.39/1999 concerning Human Rights affirms that housing is a basic right for people. Living prosperously and settle into adequate housing also represent basic rights for people. The demand for housing, therefore, must be fulfilled. One of public service facilities that shall be provided by State is, indeed, decent housing for all.

Although the government has been working hard coordinating all related actors to satisfy demand for housing, its achievement is still far below the expected target. The housing market only meets 15 % of the total demand (Kimpraswil, 2001; 15), while the remaining is met through self-help housing. It is not surprising then if housing backlog is piling-up with unclear defined schedule to meet. Another problem to consider is that The Republic of Indonesia geographically constitutes a very large number of, and stretching islands in which regions are located even in remote islands. Empirically, with geographical size roughly as big as Europe, it will be very difficult to manage Indonesia in centralistic way. Meantime, the National Costitution stipulates mandatory order to

implement decentralization and therefore, it is a must for government to do it accordingly.

The government has enacted Law No.32/2004 concerning Local Government to replace Law No.22/1999 which was empowered by Government Regulation No.38/2007 and Government Regulation No.41/2007. These regulations basically explain territorial decentralization. Meanwhile, functional decentralization is regulated through Government Regulation No.29/1974 which is renewed with Government Regulation No.12/1988. The question is then why the fulfillment of housing demand for all people has not been realized yet, even resulting in greater housing backlog?

## 2. Literature Review

While there is no common definition or understanding towards decentralization, literature reviews acknowledge that decentralization is under the domain of public administration purview. The scope of public administration itself, however, covers local government and autonomous institution built due to decentralization. Public administration, especially New Public Administration (NPA) is highly regarded the implementation of decentralization. NPA sees decentralization as a must because it provides invaluable benefit, and implicitly suggests for shortening stratification of organization as well as to rely on autonomous units, especially for project implementation (Tjiptoheriyanto&Manurung; 2010; 160-161).

Decentralization – including political devolution, deconcentration, delegation, and transfer to non-governmental organizations – promotes good public administration and also good governance by providing an institutional framework to bring decision making closer to the people, and by building partnerships and synergizes among actors and organizations at multi levels to achieve economic and human development goals (Cheema; 2007; 423).

America's decentralization concept assumes that there is no country without governmental agency operating at sub-national level, whereas no country can be absolutely centralized, either. In the United States of America, the definition of decentralization involves deconcentration. In Indonesia decentralization is perceived differently in that it does not involve deconcentration. Although a country uses a decentralization concept, to some extent it might still use centralization concept leading to the notion that decentralization and centralization is not a dichotomy, but it is a "continuum" (Hoessein; 2009; 27).

Territorial decentralization can be understood through the work of Conyers (2003; 123-124). Based on his study in Zimbabwe, Conyers suggests that: First, decentralization must be carefully designed and suitable to the political goal. Second, decentralization is just a device to achieve the necessity objective, not the dubious one. Designing decentralization based upon improper reason is worse than that of without decentralization at all. Third, macro environments, including politics as well as economics, have significant impact towards the extent to which decentralization objective to be achieved. Fourth, the effectiveness of decentralization depends on how much is the capacity, particularly, the attitude, ambition and integrity of individuals involved. Fifth, decentralization must be equipped with efforts to develop local institution capacity (capacity building). Sixth, decentralization is not a panacea that suits for all conditions. Seventh, the unavoidable political environment can be part of problem or even part of solution to decentralization. Eighth, it should be noted that many problems surrounding the planning and implementation of decentralization do not mean as a failure, but rather an inseparable part of learning process behind every initiative.

In functional decentralization, the authority is given by government to the parastatal or unit which is beyond governmental control (Cohen & Peterson; 1999; 21). Parastatal is meant as owned or controlled wholly or partly by the government. The authority given by the Government of Indonesia to the State Owned National Housing Company (Perumnas) is a form of functional decentralization.

The potential factors dominantly influencing decentralization include, first, environmental factor which comprises political, economical and social factors; and second, spatial factor (Supriyono; 2007; 33-34).

In dealing with housing issues, Indonesia advocates the principle that the fulfillment of demand for housing is the responsibility of the community itself. The government roles are solely to support the fulfillment by creating conducive climates which allow community to be self-reliant in meeting decent housing demand. This principle is consistent to Istanbul Habitat Convention in 1996 which is empowered by the concept of Global Shelter Strategy toward the Year 2000 designed during Vancouver Habitat Convention in 1972. Indonesia has ratified the Universal Declaration of Human Right and produced regulation of human right by enacting Law No.39/1999. International human right law recognizes everyone's right to have adequate standard of living, including adequate housing (United Nations, Fact Sheet no. 21, Rev.1; 2009; 1).

### 3. Research Objectives

The research objectives are: (a) to describe and interpret the regulation in decentralization (either functional, or territorial) pertaining housing issues, (b) to depict the implementation of housing policy; and (c) to grasp potential factors which are critically important in meeting housing demand for middle-low income community. All factors will be reviewed from its institutional aspects.

### 4. Materials and Methods

The data for research were collected using qualitative approach through an in-depth interview, documentation and life history of the person who conducted the research. Using a purposive sampling method a number of informants who have been extensively involved or working in housing sector were selected, including: former Vice President of Indonesia, Minister of the State Owned Companies, Minister of Public Works, former Ministers of Public housing, the officials and the former officials of The Ministry of Public Housing, the officials of local governments, and the academia in public housing field, housing developer, and members of Real Estate Indonesia (REI) and Asosiasi Perumahan dan Permukiman Indonesia (Apersi) – Indonesian Settlement & Housing Association.

### 5. Results

#### 5.1. Housing Policy Issues

5.1.1. With regard to housing policy, empirical fact has shown there has been lack of political-will of the government in dealing with housing issues which is evident, among others, from the President's agenda that lack of clarity in addressing housing as one of the priority issues, the vagueness of decentralization system, and limited budget allocation for public housing in both national and local government budgets.

Housing budget allocation to the Ministry of Public Housing and the Ministry of Public Works combined in 2013 was accounted for only 0.75 % of the total national's budget. This figure was far below the expected budget of the Minister of Public Housing in 2007 which was 1 % of the total national budget. It was, even, very distant from public housing budget proposed by REI which requested for 5 % of the total national budget, and which was equivalent to the budget allocation for health sector.

Enggartiaso Lukita, the former of chairman of REI, and also the member of Commission V under the National House of Representatives, answered the question of "What is your opinion to housing policy recently?" by replying, "Political will of the government matters. President must provide the guideline while The Minister of Public Housing implements it" (Interviewed in December 4<sup>th</sup>, 2012). This opinion was supported by Cosmas Batubara, the former Minister of Public Housing, and also the President Commissioner of PT. Agung Podomoro – a prominent private developer, by saying that:

"Yes, it greatly relies on political will of government. We were happy when you were appointed as Housing Minister many years ago. If the cabinet policy does not support the housing, the agenda is just kept on the shelf. The cabinet policy that really supports Public Housing is truly needed" (Interviewed in December 4<sup>th</sup>, 2012).

5.1.2. Concerning territorial decentralization, very few supporting regulations have been issued resulting in the distraction towards the implementation of both Government Regulation No. 38/2007 and Government Regulation No. 41/2007 while mismatched between those of government regulations has created confusion concerning the existence of housing organization at autonomous regions. Moreover, incompetence personnels is so evident among the officers at central or local governments.

With respect to functional decentralization, doubt towards benefit to have National Housing Company as the sole provider for public housing has hindered the provision of support for the empowerment of the company, either for institutional or operational matters.

Jehansyah Siregar, the former expert staff for The Minister of Public Housing, commented that:

"The policy or regulation of Public Housing has not been able to provide answers or directions concerning when and how to achieve the goals of providing decent housing for all people. The prevailing housing regulation (Law No.1/2011) has not differentiated clearly the task, its form and respective responsibility that should be carried out by central and local governments in meeting housing demand. It means there is no effective intervention towards key resources pertaining to housing and urban areas has been formulated to address equality in housing provision for all community groups. For instance, there have been no mechanisms which differentiate among commercial housing, public housing, self-help housing and social housing. None institutional system has been arranged and assigned to deal with those of multi systemic housing provision" (Interviewed in November 21st, 2012)

## 5.2. Housing Policy Implementation Issues

5.2.1. Problems in the implementation of housing policy are emerged when The Ministry of Public Housing as an agency has been appointed as a spearhead for that of implementation. This agency must coordinate and synergize all other agencies in dealing with housing issues, either at central or at autonomous region levels. Consequently, The Ministry of Public Housing carries out dual roles, both as enabler and as provider of housing provision. Informants believe, however, that this dualism will not be effective.

5.2.2. Concerning functional decentralization, the National Housing Company is the only state owned enterprise given the task as the provider of housing. Empirical fact indicates that the Company is hardly met its target because: (a) As the provider of housing, the Company is lacked of governmental support whether in infrastructure and utilities as well as working capital provisions; (b) the Company is required by The Ministry of State Owned Enterprise to earn profit, thus overwhelming the task to provide public housing; (c) the pioneering tasks that must be done by the Company is mostly executed by The Ministry of Public Housing; (d) currently, the Company is burdened with heavy overhead cost due to its staffing structure; and (e) the Company operation covers many regions throughout Indonesia but lack of strategic partnership with autonomous local governments.

Meanwhile the Minister of State Owned Enterprise has indeed doubted the role of The National Housing Company as the provider of housing. Mr. Dahlan Iskan as The Minister of State Owned Enterprise in the interview on December 4<sup>th</sup>, 2012 has responded that:

“I will review the role of The National Housing Company because anything has changed. Economic changes, and people income also changes. Not only this Company has changed, but also all state owned enterprises as well. I was wondering what the function of state owned enterprise is”.

5.2.3. With regard to territorial decentralization, the organization for housing policy implementation at autonomous region is considered weak since regulation governing the existence of such an organization has not been properly arranged. Therefore, the self-reliant Housing Department at autonomous region was hardly established. If there are agencies with its nomenclature related to housing, the main task is often far away from housing, but rather relate to the issuance of building permit. Its organizational rank is also too low - only at section level causing it less powerful. Main tasks of housing agencies at autonomous region are different from those at central government, in terms of its function whether as enabler or provider. Depok City experiences provide interesting facts.

## 5.3. Potential Factors Influencing Housing Issues

Based on interviews with key informants, the research has been able to identify a number of potential factors influencing housing issues. There are at least 20 potential factors which can be grouped into: political, economical and social factors. Most of these factors are outside of housing issues. If managed properly, however, these factors can ensure the success of housing program. Empirically, these factors so far have not been managed satisfactorily yet so that they have been hindering the implementation of housing program.

These twenty factors are: 1) Land, 2) Financing, 3) Institution, 4) Political will of President, 5) Permit, 6) Competence of governmental officer, 7) Banking, 8) People's purchasing power, 9) The capacity of The National Housing Company, 10) Spatial regulation of each region, 11) Factor of the supporting agency, 12) The provision of infrastructure, 13) The capacity of housing developer, 14) The consistency of governmental policy, 15) High cost economy, 16) Backlog size, 17) Household growth, 18) Taxation, 19) Industrial technology and 20) Implementation of decentralization.

## 6. Discussion

### 6.1. Issues Concerning Housing Policy

#### 6.1.1. Central Government Institutions

The so called central governmental institutions include Presidential, National House of Representatives, House of Regional Representatives, and The Ministry of Public Housing and other related central institutions as well. Indonesia government system employs separation of powers into a legislature, executive and judiciary. This horizontal separation of powers is consistent with Trias Politica Theory and checks-and-balances principle (Budiardjo; 2010; 281-287). It is also in line with Maass Theory of Capital Division of Power (CDP) (Maass; 10-11; Muluk; 2009; 32-37). Given the huge scope encompasses by the central governmental institutions, this research concerns only with the executive branch.

#### (a) Presidential Institution

Empirical facts show that the Presidential institution does not have firmed political will in addressing housing issues. It is obviously seen through such cases as the limited budget appropriation, the President working priority, even the once annihilation of the Ministry of Public Housing, inferiority of House of Regional Representatives to National House of Representatives, and the President's failure to chair Bapertarum Assembly meeting whereas he is the chairman. A program may not be well implemented without firmed political will. Cheema & Rondinelli (2007; 8-9) asserted that some failures in implementing decentralization were deemed due to its lack of conception rather than its inefficiency. Decentralization was also not easy to be implemented without strong commitment from political leadership. Indonesia has been experiencing such a case.

#### (b) The Ministry of Public Housing

The Ministry of Public Housing is a spearhead of the implementation of housing policy. Currently, this agency has two tasks covering both as the enabler and provider of housing. Some informants criticized that handling both tasks are deemed not effective. If further deeply thought, however, the effectiveness of either one or two tasks mandated to the Ministry of Public Housing is depending upon how effective and efficient in performing its managerial aspect. Even though, it is reasonable – if all other relevant factors is held the same, *ceteris paribus* – to consider that handling one task should be better than two tasks.

Prayitno, The Head of Housing and Settlement Center, of the University of Gadjah Mada, commented that:

“organizational structure of current government is very fat leading to high exposure for the failure of functional effectiveness. Housing issues (in Indonesia) have been handled by 19 (nineteen) ministries/agencies...”

This fact is of a great concern and needs further review.

#### 6.1.2. Non-Governmental Organizations (NGOs)

NGOs refer to one important pillar for good governance. Their presences are needed to promote coordination, cooperation and synergy between governmental pillar, private pillar, and community organization pillar, where NGO belongs to. In the formulation of regulation, NGO is a critical partner to maintain public interest. Such a proposition was uphold during Judicial Review of Apersi against Law No.1/2011 when Cosmas Batubara and Mohammad Yusuf Asy'ari, both were the former Minister of Public Housing, challenge the requirements for dwelling unit to have minimal floor areas of 36 m<sup>2</sup>. Constitutional Court “refuted” the requirement.

#### 6.1.3. Regulating Public Housing

The formulation of regulation concerning public housing was grouped into three tiers: First, regulations of territorial decentralization, involving Law No.4/1992 renewed by Law No.1/2011; Law No.20/2011; and Law No.32/2004; as well as Government Regulation No.38/2007 and Government Regulation No.41/2007; Second, regulations of functional decentralization, involving Government Regulation No.29/1974 renewed by Government Regulation No.12/1988 and Government Regulation No.15/2004. Third, the housing policy principles including Welfare State Paradigm, social housing and home ownership principle, housing subsidy and decentralization system.

Concerning problems arising from decentralization, it is widely admitted that besides improving the regulation itself, decentralization implementation should also be equipped with down-to-earth completion and empowerment to avoid mismatched of one against another. Related to welfare state paradigm, informants agreed with the presence of welfare state and therefore the provision of subsidy is a must. With regard to social housing and home ownership, they have been considered necessary to be implemented. The implementation of decentralization has been validated through President's Statement:

“it is unfortunate for what happened as many deviations were still found throughout regions”. (Tempo, April 16<sup>th</sup>, 2013; 111)

Based on the above discussion, first minor proposition can be generated:

**“If institution pertaining to the formulation of housing policy are in existence /presence and optimaly performed, it will produce formulated decentralized housing policy in greater quality which in turn establish more effective housing policy”.**

#### 6.2. Issues Concerning Housing Policy Implementation

##### 6.2.1. Housing Policy Implementation at the National Level

Results of interviews concerning housing policy at national level concluded that: a) President has re-established the Ministry of Public Housing in 2004; b) Decentralization has been programmed, but hampered by lack of



regulation for guiding, and synchronization in its implementation; c) The Ministry of Public Housing which was a spearhead of the implementation has failed to secure adequate budget. These findings supported Agus, Doling & Lee (2002; 164) which stated that:

“In comparison with its immediate neighbors, Indonesia had been rather late in developing housing policies and programs.....the focus of housing provision remained in the private and informal sectors, with direct public involvement remaining limited”.

The Government failure to provide housing to the people can be seen from skyrocketing housing backlog throughout years.

#### 6.2.2. Housing Policy Implementation at the Provincial and District/Town Level

At province and district/town level, theoretically, the most efficient public service provision can be delivered by the region with the most minimal geographic control (Kartiwa; 2012; 23). Alisyahbana added that:

“basically, most local governments do not understand their important role in dealing with housing issue. The task of local government, in this case, is perceived as only giving permit” (Interviewed in November 18<sup>th</sup>, 2012).

This opinion is actually true; therefore a reliable capacity building has been an urgent issue.

Depok City provided empirical fact at which local government chose only the role of enabler rather than that of provider so that Depok City did not give contribution to the solution of national backlog problem. Such problem was resulted from lack of coordination by The Ministry of Public Housing or resulted from mismatched regulations.

#### 6.2.3. Housing Policy Implementation Conducted by the National Housing Company

Being as the only state owned enterprise assigned with the task to be the provider of housing, the National Housing Company is still far from success to meet the work target. This condition should not be perceived with skepticism but it should be seen with caution as the need for reinforcement including the assignment support from the Ministry of Public Housing, the capital grant, and the elimination of profit target. A strategic partnership with autonomous local government can be established through subsidiary companies to ensure the long-term relationship.

Pangihutan Marpaung, Deputy of The Minister of Public Housing, and also the Chair of Supervisory Board of The National Housing Company, insisted that:

“Big problems faced by the National Housing Company are: limited working capital, land scarcity, excessive company overhead due to incompetent human resources...Low land supply makes difficult for government to dictate the National Housing Company to build houses to meet abundant housing demand which are affordable for the low income households. To deal with such a problem, the National Housing Company develops a cooperation with land owners, either companies (state owned enterprise, state owned local enterprise, or private company) or local government”.(Interviewed on February 7<sup>th</sup>, 2013).

Meanwhile, DjokoKirmanto, The Minister of Public Works, the former Chair of Supervisory Board of The National Housing Company, reaffirmed that:

“Problems faced by the National Housing Company are: land; infrastructure; and limited budget” (Interviewed on January 16<sup>th</sup>, 2013).

#### 6.2.4. Housing Policy Implementation Conducted by Housing Developers

Housing developers run their business within corridors to meet people demand for housing through housing market, either in the pure free market for middle-to-upper class, or in the governmental intervened market for middle-to-lower class. The consistent contribution of developers towards the latter market depend on the consistency of Government Regulation in addressing issues concerning housing production, and also the extent to which the regulation can accommodate certain profit for developers. Recently, the contribution of developer was 15 % of national house production.

Lukita, the former of Chairman of REI and also the member of National House of Representatives, explained the role of REI by saying that:

“The regulations are obeyed so far” (Interviewed on December 4<sup>th</sup>, 2012).

It means that in running their business, developers either members of REI or Apersi are to comply with regulations as long as the regulations are consistent and give them opportunity to obtain profit.

#### 6.2.5. Achievements of All Housing Agencies

Achievement of all housing agencies has never reached a meaningful performance since Independence, Old Order, New Order and Reformation Order. The provision of public housing, either by the Ministry of Public Housing, the National Housing Company, The Local Governments of Provinces and Districts/Towns, or the developers and house cooperatives combined together have never been succeeded to meet the demand for housing as it cannot cope with population growth.

This condition may change if: 1) The economic ability of people, especially those of low income households, changes resulting in increased affordability to pay housing at market price; 2) National and Local Budgets are increased to allow intervention of housing provision for low income community; 3) The National Housing Company is empowered to serve the demand for public housing throughout national regions; 4) The competence of government officers at autonomous region is getting improved so that allowing local governments to take the role as provider of housing in their jurisdiction; 5) Population growth rate reduces to zero population growth so that backlog rate is also decreased to zero.

Based on the above illustrations, second minor proposition can be formulated:

**“The effectiveness of institutional factors constituting 1) The Ministry of Public Housing and the related ministries institutions, 2) The Government of Province and District/Town, 3) The National Housing Company, and 4) The Developer of Private Housing, highly influence the effectiveness of housing policy implementation as well as program achievement to meet housing demand”.**

#### 6.3. Issues Concerning Potential Factors Influencing Housing

The research findings reveal twenty potential factors which play important role in addressing housing affairs. These factors can be group into three groups: (1) political factors; (2) economical factors; and (3) social factors.

Political Factors:

The political factors include: a) political will of President, b) permit, c) the competence of the officer, d) Regional Space Order Plan, e) the provision of infrastructure, f) consistency of policy, g) institution, h) taxation and i) factor of the supporting agency, j) implementation of decentralization.

Economical Factors:

The economical factors comprise: a) land problem, b) financing, c) the competence of the housing developer, d) the ability of the National Housing Company, e) banking, f) high cost economy g) people's purchasing power and h) the factor of technology and industry.

Social Factors:

The social factors constitute: a) population growth precedes household growth and finally, it increases the number of house demand, and b) the greater number of backlog throughout years.

All these factors are influencing the success or the failure of the fulfillment of demand for Public Housing.

Based on this discussion, third minor proposition is resulted:

**“If political, economical and social factors which have important roles in the public housing affairs are properly satisfied, then the meeting of housing demand for low income households will be more effective.**

#### 6.4. Recommended Model for Housing Issue

The Recommended Model for Housing Issue is described in Appendix.

From all minor propositions, a mayor proposition is arranged:

**“If housing decentralization is administered by proper agencies with optimum function and equipped with factors which potentially influencing, it is then the meeting of Public Housing demand will be nationally effective in reducing housing backlog”.**

### 7. Conclusions and Recommendations

#### 7.1. Conclusions

##### 7.1.1. Housing Policy Issues

Pertaining to housing policy formulation, a number of competence national agencies in housing policy have been in existence and which can be considered quite sufficient to produce the necessary policy formulation. The problems are relied on lack of political will of the government, and administrative bias towards decentralization in managing housing issues, either functional or territorial, which require improvement.

### 7.1.2.Housing Policy Implementation Issues

Implementation of housing policy is less satisfying. From the perspective of functional decentralization, nationally predetermined targets of housing provision are not achieved. The National Housing Company is not even achieved its target. In view from territorial decentralization, the presence of housing agencies at autonomous regions currently could be considered powerless.

### 7.1.3.Factors Affecting Housing Policy Implementation Issues

Political factors (among other is political will of the government) combined with economical factors (among other is low purchasing power of community) and social factors (among other is households accelerated growth) have been acting as potential important roles. If managed properly, these factors are able to support housing provision programs to meet housing demand, vice versa.

### 7.1.4.Relevancy with Previous Theory and Studies

Findings of this research which acknowledge the position of the government of Depok City as the housing enabler rather than housing provider is consistent to the work of Leach, Stewart & Walsh (1994; .1-2) whose findings stated that the organization and management of local authorities in UK over the period of 1980s-90s have changed its position from previously provider, where local government under the frame of traditional bureaucratic authority functioning as the provider of all demands, to enabler ones.

The finding is also in line with Saito (2008:2) whose started by quoting the opinion of Robinson & White (1998) that advanced country is characterized by its wide participation based, growth accompanied with redistribution, pro-poor and responsive policy, but ultimately considered decentralization as the most necessary factor. It is so because local government is closer to people and therefore has more suitable position than central government to provide public service demanded by people. Such a finding has been expressed by Oates's (1999) as principle of subsidiarity. Applying this principle in studying the National Housing Company reveals that to be able to serve national housing demand can be achieved through increasing the effectiveness of its regional divisions, or in the future by establishing subsidiaries in every province through which partnership with the government of province and district/town can be firmly formed.

The finding of this research also supports the results of Conyers (2003; 123-124) which found that the performance of local institution, in terms of the effectiveness of decentralization function, depends on the capacity, and mostly important attitude, ambition and integrity of individuals engaged with government. Decentralization must be accompanied with the effort to advance the capacity of local institution. Consistent to Conyers findings, this research found that housing institutions within local government's environment in Indonesia are greatly influenced by the quality and capacity of the officer, through for instance, its organizational settings, people welfare program, and allocated local governments budget.

The research also advocated Cheema (2007; 42) who said that decentralization supports the improvement of public administration and good governance because it provides institutional framework to produce decision making that is closer to the people. The acceptance of decentralization system as an axiom in Indonesia (Maryanov, 1958 in Hoessein; 2011;32) and its organizational arrangements, either at central or local, which based on Law No. 32/2004 and its order of conduct are preceded by the belief that decentralization is able to promote housing provision at central as well as local.

In relation with other researches, it can be asserted that:

(1) This research supported one of the conclusions made by Murbaintoro (2009) in his study entitled "The Vertical Shelter Development Model toward Sustainable Housing Development". It is stated that the fulfillment of the demand for shelter to community is greatly influenced by the affordability of the community to lease or to own house. Government intervention through housing subsidy or even grants as well as cross-subsidy in housing development are needed to improve the ability of people to meet their housing demand.

(2) The research complements with Komarudin (1987) whose study entitled "Towards a Housing Policy: A Case Study of Low Income Housing in Jakarta, Indonesia", which found that the main problem of housing might emerge differently at different condition because of different income levels and locations. Consequently, housing policy should be differentiated for each segments of housing market. The role of government can be categorized into three: (a) public sector activities are delegated to private sector with or without government's intervention; (b) support/stimulation for private sector when private sector faced difficulties and requires government's supports or guidance; and (c) government take the full responsibility to solve the problems.



- (3) This research supplemented Huang & Yi (2010) whose study entitled “Consumption and Tenure Choice of Multiple Homes in Transitional Urban China” posted in International Journal of Housing Policy Vol. 10, 105-131, June of 2010. One of their findings was the mistargetted of the China government’s policy on subsidy for housing as it was likely happened in Indonesia.
- (4) The research also complement with the research conducted by Atkinson & Haran who asked whether decentralization could improve health system in Ceara, Brazil. Their research entitled “Back to Basic: Does Decentralization Improve Health System Performance?” was posted in Bulletin of the World Health Organization, November 2004, 82 (11). The research findings suggest that good management will be able to guide decentralized local health system.

## 7.2. Recommendations

### 7.2.1. Housing Policy Issues

First, it is recommended that President’s political will should be strengthen and realized it into better coordination and better budget allocation.

Second, concerning territorial decentralization, it is recommended to speed up as much as possible the issuance of required order of conducts pertaining to the Law No.32/2004 which are free from overlap and mismatched. Government Regulation No. 41/2007 should be harmonized with Government Regulation No. 38/2007 so that providing certainty towards the position of housing agency as self-reliant Housing Department at the autonomous region level.

Third, with respect to functional decentralization, its position and function should be affirmed by placing the notion of functional decentralization into constitution so that future Public Housing can be properly managed by all competence institutions involved.

Fourth, concerning the National Housing Company, it is recommended that the National Housing Company shall have permanent cooperation, through strategic partnership, with local governments, both Provincial and Local Governments, by establishing Local Housing Agency in which 49 % of its ownership are held by the National Housing Company and the rest of 51 % are belonged to respective local governments.

### 7.2.2. Housing Policy Implementation Issues

With regard to housing policy implementation, it is recommended that the spearhead of the policy implementation remains in the hand of The Ministry of Public Housing. Although the Ministry must play double functions as both the enabler and the provider of housing, its performance depends on the effectiveness and efficiency of its management. It is also recommended that in the future, the Ministry shall only be focused as enabler. The provider tasks can be transferred to the National Housing Company, which is of course already reformed, as well as to the autonomous local governments. The implementation of the National Housing Company as housing provider must be empowered through several ways. First is by providing adequate political supports to the mandated tasks. Second, providing supports in capital and human resources to facilitate housing supply throughout Indonesia. Third, providing technical supports in which assignments from the Ministry are supported by the provision of reliable urban and residential infrastructure. Fourth, preventing the National Housing Company from unnecessary profit target, so that the company can compete against private developers in delivering housing units for low income households. As for the effectiveness of the policy implementation, it is recommended that every local governments at the provincial and local levels to establish self-reliant Housing Department. The Local Housing Department must be equipped with authority to streamline housing permit procedures, or even to provide the exemption from permit costs to avoid high cost economic. In the future time, once the local governments have been successfully established their own local housing agency, Local Housing Department can be promoted to function as the enabler in its jurisdiction, while the role of housing provider housing is entirely delegated to Local Housing Agency which are formed through a partnership with the National Housing Company.

### 7.2.3. Factors Affecting Housing Policy Implementation Issues

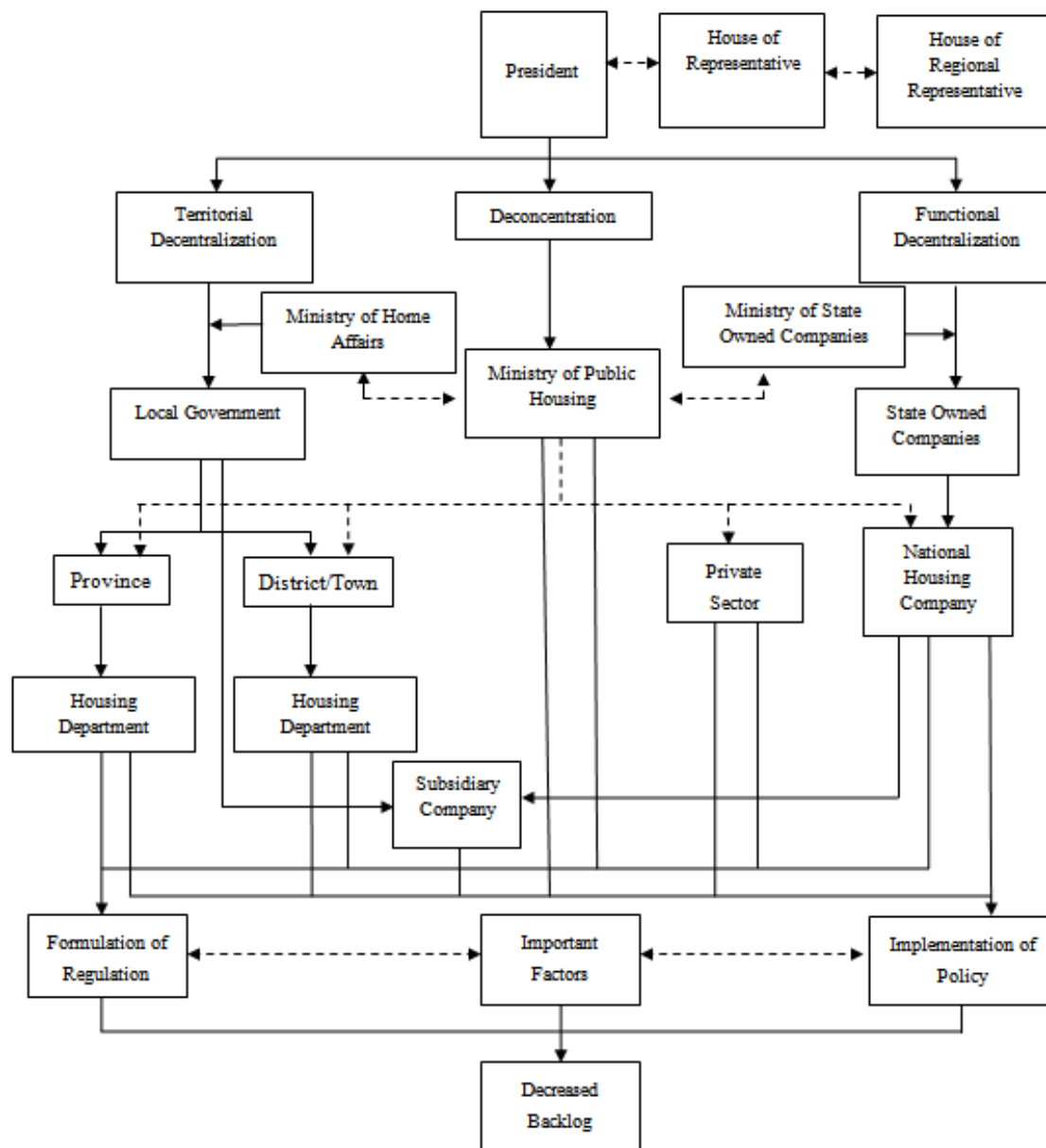
As for the effectiveness and efficiency of work programs implemented by housing agencies, it is recommended that the government at national or autonomous region levels do not consider housing issues as self-dependent issues and can be directed from Center. Housing issues should be regarded as cross-sectoral issues and should be decentralized. The success of housing policy is greatly influenced by factors beyond housing issues. Political, economical and social factors of the community are recommended to be used as consideration and support based for the success of administering housing issues, especially for low income households, so that meeting housing demands will be successful one and the people well-being is truly increasing.

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**Appendix: The Recommended Model of Public Housing Issue**

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