

Housing Policy In Indonesia, A Structured Review

Saiful Islam¹, Achmad Syaiful Mujab²,
Tito Eldhika Bayu Pradhana³, and Naufal Duadi Andalas⁴

{taufikdamhuri@gmail.com¹, achmad.saiful.Mujab@kemenkeu.go.id²,
titoeldhikabp@kemenkeu.go.id³, naufal.duadi@kemenkeu.go.id⁴}

Investment Management System Directorate, DG of Treasury, Indonesia

Abstract. Indonesia's constitution mandates the Government to fulfil citizens' rights, including providing decent housing, work and living, obtaining health services, and also the right to social security, which enables their full development as human beings with dignity. The presence of the government is crucial to intervening in the housing market from both the supply and demand sides to provide adequate housing for all Indonesian people. This research aims to provide an overview of housing policy in Indonesia. It will synthesize several housing sector policies from global practices and their implementation in various countries. Additionally, it will draw lessons from housing policy in Singapore, with the aim of identifying policy gaps in the current Indonesian Government's housing policy. In conclusion, this article aims to establish ideal framework developing housing sector policies in Indonesia. This framework comprises well-defined objectives, strategies, mandates, and authority and governance structures based on previous identification results.

Keywords: Housing, Indonesia, Tapera, Housing Provident Fund, Policy

1. Introduction

The Indonesian Constitution provides a mandate for the Government to guarantee the rights of citizens to obtain work and a decent living for humanity (Article 27 of the 1945 Constitution before amendments). The right was then further elaborated in a constitutional amendment by emphasizing a decent living in the form of the right to live in physical and spiritual prosperity, a place to live, a good and healthy living environment, and the right to receive health services. (Article 28H of the 1945 Constitution after amendment)

Those constitutional mandate then becomes the basis for efforts to provide adequate housing for the community through government housing policies. The housing sector policy in Indonesia was first implemented in 1950 through the Healthy Housing Congress initiated by Moh. Hatta, who was the vice president at that time. The decisions made during this congress included formulating minimum standards for the technical requirements for decent housing, making

recommendations (Ministry of Public Works and Housing, 2019).

Over the years, the Indonesian Government has implemented various housing sector policies to fulfil its constitutional mandate. These policies include the establishment of statutory regulations, the formation of special bodies/institutions like Bank Tabungan Negara (BTN), involvement of the private sector through Real Estate Indonesia (REI), direct fiscal intervention through the provision of Housing Financing Liquidity Facilities (FLPP), and the recent formation of the Public Housing Savings Management Agency (BP Tapera). These policies are interesting subjects for further research, particularly to do an objective comparisons on their performance with housing policies implemented by governments in other countries.

Providing housing to ensure a decent living for citizens is the same motivation that drives the Singapore Government to create a comprehensive housing policy. In his memoirs, Prime Minister Lee Kuan Yew emphasized the significance of owning a decent home in establishing economic stability and enhancing the welfare of Singaporean society (Lee, K. Y., 2000). for the formation of housing companies in each province, establishing financing institutions, and developing public housing

Based on those political and economic motives, The Singapore Government laid an important foundation for housing policy in Singapore in the period of 1959 to 1990. They achieved this by establishing the Housing and Development Board (HDB), the Land Acquisition Law, and expanding the mandate of the Central Provident Fund (CPF) to housing finance institutions (Phang, SY 2015). The establishment of these important foundations resulted in a significant increase in the home ownership rate of Singapore residents. According to research by Phang, S.Y. (2015), the rate increased from 29% in 1970 to 92% in 2000.

This research aims to provide an overview of housing policy in Indonesia. It will synthesize several housing sector policies from global practices and their implementation in various countries. Additionally, it will draw lessons from housing policy implementation in Singapore, with the aim of identifying policy gaps in the current Indonesian Government's housing policy. In conclusion, this article aims to establish an ideal framework for developing housing sector policies in Indonesia. This framework comprises well-defined objectives, strategies, mandates, and authority and governance structures based on previous identification results.

2. Literature Review

2.1. Housing Policy in Indonesia, an Overview

Since gaining independence, the Republic of Indonesia has made ongoing efforts to address the need for adequate housing. The concept of public housing has been a primary concern for the government, despite the relatively unstable conditions in the country. Following the Housing Congress in 1950, the Building Problem Research Institute (LPMB) was established in 1953 to conduct research and propose solutions for developing low-cost housing. This led to the emergence of various housing concepts, including the Balanced Housing Concept and the Urban Residential Concept with the Walking Distance Scheme (Steps for Adequate Housing in Indonesia).

To expedite the supply and increase government involvement, the National Housing Development Public Company, known as Perumnas, was established. Its primary objective is to provide affordable housing and manage land resources through land banking. This was

mandated by Government Regulation No. 29 of 1974. On the demand side, Bank Tabungan Negara (BTN) was appointed by the government to play a pivotal role in housing financing for low-income individuals through the distribution of Home Ownership Credit (KPR) as per the Decree of the Minister of Finance No. B49/MK/N/1/1974.

In the period following the 1998 reforms, there was a notable change in central policy, with a focus on granting greater autonomy to regions. This shift extended to the housing sector, with regional governments gaining more influence and authority, as outlined in Law no. 1 of 2011. On the global stage, the Indonesian government also committed to the Sustainable Development Goals, particularly Goal 11, which aims to ensure access to adequate, safe, and affordable housing and basic services for all by 2030, as well as addressing the issue of informal settlements. Consequently, the government is working to expedite the resolution of housing and settlement challenges in a sustainable manner.

2.2. Housing Policy in International Setup

Government intervention in housing policy is usually multifaceted and driven by various factors. One of the main reasons the Government needs to intervene in the housing sector is the importance of housing as a basic human need and its role in improving social welfare. Baek et al. (2021) describe in their paper that housing markets, characterized by uncertainty and competitiveness, necessitate government intervention through policies and regulations to ensure stability and prevent market distortions. In China, direct state intervention in housing provision has been pivotal in ensuring affordable housing for all citizens, representing a notable shift in housing regimes (Shi et al. (2016)). Another example can be seen in Australia as Morris (2019) explain that State Government are responsible for establishing housing policies and building social housing with federal government funding, emphasizing the importance of government involvement in housing initiatives.

Government intervention in the housing sector aims to address market failure and improve access to affordable housing. Providing access and affordability for the community requires policy strategies, especially the provision of low-cost, long-term funds as a source of financing that can be accessed by the parties involved, and has good sustainability. It is important to remember that homeownership is ultimately a private goods, so Government initiatives should also involve active participation from the community. Several commonly used joint financing schemes between the Government and the community as reported by the World Bank (2009) include the Contractual Savings for Housing (CSH) scheme, the establishment of a State Housing Bank (SHB), and the Housing Provident Fund (HPV) scheme.

2.3. Contractual Saving for Housing (CSH) and State Housing Bank (SHB)

CSH is a financing scheme in the housing sector that is relatively simple compared to other schemes involving more parties and higher complexity in implementation. According to Dubel (2009), in simple terms, the CSH concept relies on accumulating equity from savings, in the form of potential borrowers' savings within a certain period, to then obtain the right to receive a loan from that equity at a promised time in the future. In a CSH agreement, the borrower commits to receiving a loan from the lender after going through a period of saving. Once this saving phase is completed, the total savings and loan funds are provided for housing finance needs.

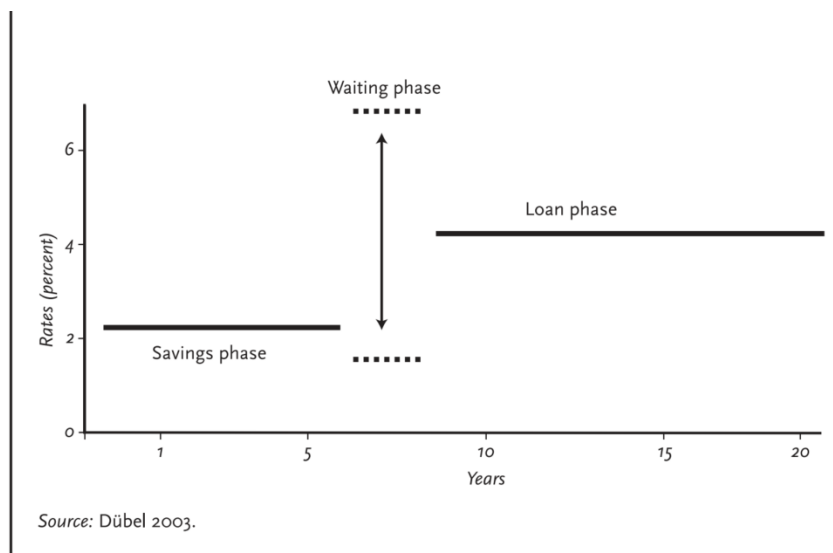


Figure 1. Basic Structure of CSH Contract

Source: Dubel H, J. (2009). Contractual Saving for Housing. World Bank: Housing Finance Policy in Emerging Market.

In general, the CSH contract structure consists of three phases: the savings phase, the waiting phase, and the financing phase, which are depicted in more detail in Figure 1. Furthermore, (Plaut and Plaut, 2004) explained that in order to qualify for a preferential mortgage in the financing phase, individuals or households are usually required to have previously made deposits into a savings plan. This savings plan may offer interest rates below market rates and be held for a minimum period of time. As (Franic and Badun, 2015) suggested in their paper, the main reason for this kind of government intervention is to ensure that all households have the opportunity to acquire suitable housing, improve the quality of housing, and promote saving with a specific goal in mind.

Additionally, according to Dubel (2009), CSH includes two types of schemes: open schemes and closed schemes. The Open CSH scheme utilizes capital market funds to allocate loans in the event of a liquidity shortage due to a lack of new savers. This eliminates or minimizes the waiting time to get a loan. Closed CSH Schemes, on the other hand, depend a lot on resources provided by savings collectives. Besides loan amortization, new liquidity comes only from savings made by new-generation savers. The fundamental differences between the two CSH schemes result in different risk exposures. The liquidity risk is minimal because the open CSH scheme utilizes additional liquidity from the capital market. However, because access to the market model requires variable interest rate spreads, open-ended CSH schemes will be vulnerable to interest rate risk. This risk exposure differs from closed CSH schemes, which are susceptible to liquidity risk exposure due to their dependence on new deposits but tend to be safer when facing interest rate risk.

In contrast, several studies have considered the State Housing Bank (SHB) less effective as a government intervention tool. Hassler and Renaud (2009) in their paper explained that the

formation of SHB depends solely on the Government's perspective on financial housing policy. If the government aims to develop the housing market instead of providing its own services, it would be better for the government not to use the SHB scheme. This is because it could have a crowding-out effect in the market, as there would be no competitors who can match the government's backed bank ability to offer housing products due to government subsidies. Even though they have received generous subsidies from the government, SHBs may turn to more commercial targets instead of focusing on the housing market due to low profitability and a poor track record in managing credit risks. This shift could be fatal as it would deviate from their mandate to intervene and overcome market failures in the housing sector.

2.4. Housing Provident Fund

Housing Provident Fund (HPF) are specific financial organizations that gather compulsory savings from workers (both in the public and private sectors) in the form of a set percentage of their salary. In some cases, employers are also obligated to make corresponding additional contributions (Chiquier, 2009). The HPF manages the long-term savings that have accumulated, often offering below-market interest rates. This allows HPF members to use their saved funds for a housing down payment, but they cannot access the savings before retirement. Members may also obtain long-term housing mortgage loans at a favorable rate, either directly from the HPF or through another financial institution. Additionally, the accrued savings can provide additional income during retirement and may be used to receive unemployment severance payment in certain situations.

HPFs were frequently established in areas where private lenders did not offer long-term housing loans. They operated as a self-funded housing finance system and were able to generate a considerable number of new housing loans. HPFs often held a significant portion of the housing finance market and could even have a dominant presence in residential markets, largely due to the recurring nature of their compulsory savings collection. Even though it has great potential for collecting long-term funds, several risks of mismanagement that can be encountered from using the HPF scheme include cross-subsidized risk, where a significant proportion of savers are required to save below-market interest rates but are unable to access long-term housing loans, complicated and limited access for informal workers to join the program because they are not formally employed. At a particular stage of their development, HPFs are confronted with a difficult strategic choice between their functions as pension fund, housing lender, or distributor subsidies.

2.5. Singapore's Housing Policy

Lee (2018) emphasizes in his paper that Singapore's housing strategy is deeply rooted on the concept of social equity, striving to ensure equal access to all citizens. The paper argues that providing every citizen with a basic set of assets at a young age will enhance social welfare and alleviate poverty. Equitable distribution of housing is seen as advantageous because it allows people to invest in profit-generating assets, rather than relying on welfare assistance during times of hardship. Moreover, the primary goal of social housing programs that facilitate assisted home ownership is to provide individuals with limited resources an initial asset that has the potential to appreciate over time, similar to the concept of capital investment for large asset owners and companies.

This social welfare perspective demonstrates the broad and comprehensive role of the Singapore Government to intervene the housing sector policy. As Phang (2015) described, the housing strategy of Singapore is primarily guided by policies and centrally managed, with the government largely making crucial decisions about savings rates, savings distribution, land utilization, housing construction, and housing costs. Therefore, it gives the Government the central role and responsibility to ensuring equal distribution through public housing initiatives.

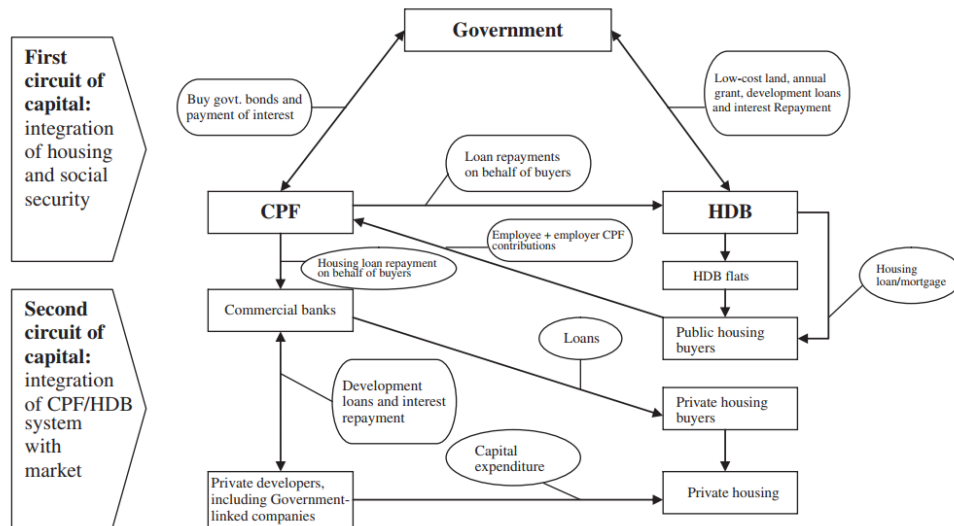


Figure 2. Levels of Integration in Housing and Social Security

Source: Lee, J. (2009). Developmentalism, Social Welfare and State Capacity in East Asia: Integrating Housing and Social Security in Singapore. *Journal of Asian Public Policy*, 2:2, 157-170. DOI: 10.1080/17516230903027880.

The infrastructure for real estate and housing policies in Singapore was established through the creation of the Housing and Development Board (HDB), the implementation of the Land Acquisition Act, and the extension of the Central Provident Fund's (CPF) role to encompass a housing finance institution. HDB was formed with the principal mandate to provide adequate housing for all people who need it. Subsequently, HDB coordinates policies from the supply side to ensure housing affordability for all Singaporeans. On the other hand, Expanding the role of CPF to finance the housing sector is government intervention on the demand side by ensuring the availability of long-term loan funds with affordable interest for people in need.

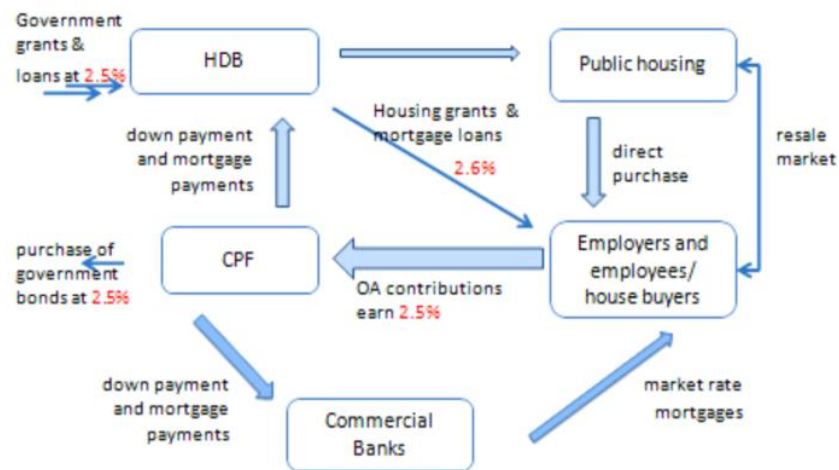
As further explained by Lee (2009) in figure 2, incorporating the CPF into housing policy has established a basis for lifelong wealth accumulation and social steadiness. Additionally, the government's land and housing supply management has been essential in preserving affordability and preventing speculative bubbles. The dynamic role of the HDB and CPF in managing the supply and demand sides of housing stock, combined with the laws and regulations established by the Land Acquisition Act, makes Singapore's housing policy robust and effective enough to mitigate the adverse effects of the free housing market.

2.6. Three foundations on the success of housing policy in Singapore

There are various factors that influence the successful implementation of Singapore's policies in the housing sector. However, among these factors, the establishment of the main pillars, as mentioned in the previous sub-chapter, stands out as the key factor for successful implementation. The first highlight of implementing the housing policy in Singapore is the establishment of Land Acquisition Act, which is the government's land management policy.

The land system in Singapore is characterized by the widespread ownership of land by the government and the practice of holding land through leasehold (Phang S. Y, 1992). Under the Land Acquisition Act (LAA), the Singapore Government has the authority to buy any piece of land in Singapore for public use. As a result of the LAA, about 90% of land in Singapore is owned by the government, leading to the majority of buildings and housing being constructed on government-owned land through specific permits. Due to its high level of control over land ownership, the Singapore Government can manage the supply side of its housing policy well, through Housing and Development Board (HDB) as its coordinator.

HDB utilizes the government-controlled land to construct affordable public housing accessible to all. As Phang (2015) described, HDB prices make housing units affordable for households with incomes that do not exceed the threshold of certain S\$ per month. Additionally, HDB offers loans in a manner that enables owners to pay lower monthly mortgage payments compared to renting. HDB offers mortgage loans and mortgage insurance to those purchasing rental flats, whether they are new or resale. The loan amount can be up to 90% of the flat's price, with a maximum repayment period of 25 years. The interest rate on the mortgage from HDB is set at 0.1 percentage points above the CPF ordinary savings account interest rate, which is based on the savings rate offered by commercial banks, with a minimum of 2.5%.



Source: Phang (2013a, p. 91).

Figure 3. Singapore's CPF Mobilization of Savings for Housing

Source: Phang, S.Y. (2015). Singapore's Housing Policies: Responding to the Challenges of Economic Transitions. The Singapore Economic Review, Vol. 60, No. 3, 1550036. DOI: 10.1142/S0217590815500368.

CPF and HDB dynamics are the key for Singapore Government to manage supply, demand and

prices in the housing sector. The housing supply side was improved through HDB and construction finance, as well as land policies, while the demand for home ownership was stimulated by channeling CPF savings into the housing sector. The Central Provident Fund (CPF) was in existence prior to the establishment of the Housing and Development Board (HDB). It was formed by the colonial government in 1955 to serve as a retirement savings scheme, aiming to offer social security for the labor force in Singapore. The CPF became a crucial establishment for funding home ownership when laws were passed to permit withdrawals from the fund for buying housing sold by the HDB and later by other public sector agencies. The CPF contribution rates for workers and employers have fluctuated based on economic conditions over time. Adjustments to these rates have been utilized in the past as a tool for macroeconomic stabilization, either to control inflation or lower labor expenses.

In the subsequent years, the dynamic combination of CPF and HDB underwent significant changes in terms of tariffs and regulatory deregulation, making it easier for Singaporeans to access CPF funds. However, due to clear differentiation in authority and assignments between the two, these institutions can still effectively carry out their functions to intervene actively in the supply and demand sides of Singapore's housing market.

3. Methodology

3.1. Systematic Domain-based Review Papers

This study intended to provide in-depth overview on Indonesia's housing policy with a systematic review paper using domain-based approach which are international based housing policy. Palmatier et al. (2018) described a review paper as a methodology for synthesizing results from different perspectives of a certain topic or domain to get a comprehensive view of the topic and form a new conceptual framework using both quantitative and qualitative approaches.

Some of the aims and benefits of using this methodology that are relevant to the purpose of this paper, as further explained by Palmatier et al. (2018), include presenting a comprehensive and cohesive summary of the existing understanding, Assessing the current methodological approach and distinctive perspectives, understanding the research findings, identifying the current gaps, and contemplating potential avenues for future research.

3.2. What Comprises a Well-Founded Public Policy

To compare housing sector policies in Indonesia with those of the Singapore Government and international practices, a conceptual framework is required to identify the policy gaps. Howlett and Ramesh (2003) emphasize that the public policy process is a multistage effort involving various vital components that form a cycle. This cycle typically involves agenda-setting, policy formulation, decision-making, implementation, and evaluation. Further explained by Howard (2005), the stages in public policy cycle are interconnected and iterative, with the potential for stages to be compressed, skipped, or revisited in a non-linear fashion. Studying public policy subsystems enables us to understand how policy issues get on the agenda, policy choices selected, decisions taken, efforts to implement policies managed, and assessment of the outputs and outcomes done and fed back into the cycle (Mukherjee & Howlett, 2015).

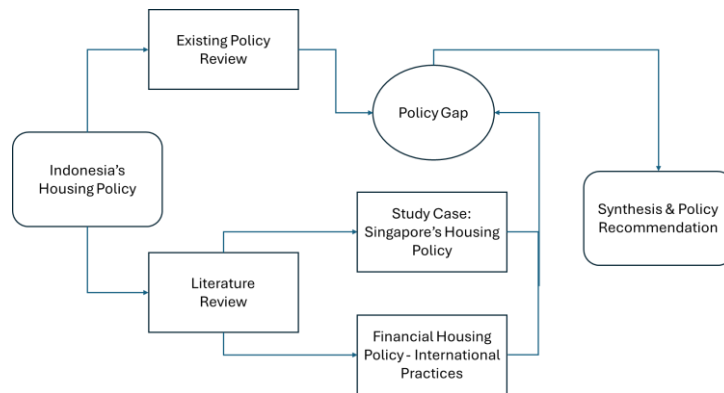


Figure 4. Research Framework

This paper will use the public policy cycle to systematically review current housing policy in Indonesia and then make critical comparisons with policies and decisions implemented by the Singapore Government and international practice. Additionally, the review's findings should be part of the policy gap, which will be used in this paper to prepare recommendations for policy improvements.

4. Result and Discussion

4.1. Indonesia's Housing Policy Within Public Policy Cycle Systematical Review

The public policy cycle as detailed in Kai et al. (2020) consist of five steps which include Agenda setting that involves identifying a public issue that requires government intervention. This is followed by policy formulation, in which policy goals and potential policy tools are defined, discussed, and either accepted or rejected. Next comes policy adoption or decision-making, which confirms the most suitable policies. Then there is policy implementation, which entails putting new laws and programs into action. Finally, there is monitoring and evaluation, during which industry and policy experts oversee routine tasks, assess whether the outcomes have achieved the intended objectives, and evaluate the long-term effects, ultimately leading to amendments or redesigns.

4.2. Agenda setting

When it comes to agenda-setting, Indonesia and Singapore share similar perspectives on addressing public issues in the housing sector. Indonesia's constitution mandates the Government to fulfil citizens' rights, including providing decent housing, work and living, obtaining health services, and also the right to social security, which enables their full development as human beings with dignity (Chapter XA of the 1945 Constitution after amendment). The presence of the government in this case is crucial to intervening in the housing market from both the supply and demand sides to provide adequate housing for all Indonesian people.

Singapore also aspires to provide decent homes for its citizens. This initiative began in the early 1960s when the housing situation was dire, with many slums and poor socio-economic

conditions. To address this, the Singapore Government implemented a homeowner community policy, believing that home ownership could provide security, serve as initial capital to build wealth and improve citizens' welfare. This reflects similarities between Indonesia and Singapore in their views on the government's role in the housing sector. Both countries share similar goals and clear objectives in this regard.

4.3. Policy formulation, adoption, and decision making process

Singapore formulates public policy in the housing sector in a simple, considerate, timely, and integrative manner. In approximately less than five years, Singapore established the HDB, expanded the area of funds managed by the CPF, and implemented the Land Acquisition Act (LAA) on a massive scale. The integrated implementation of these three central policies is the key to the success of housing sector policies in Singapore.

The original housing policy developed by the Singapore Government was fairly simple, with two main entities driving government intervention in the housing market. The Housing and Development Board (HDB) provides housing using loan and grant funds from the government, which are then distributed to the community at affordable interest rates. The government initially provided loans to HDB at an interest rate of 2.5% to fund housing stock, while charging the public an interest rate of 2.6%. This ensured that public housing remained affordable while also providing sustainability for HDB to maintain business continuity.

CPF intervened by utilizing pension funds to finance people's housing needs. Singaporeans can make mortgage loan payments at a 2.6% interest rate charged by HDB, borrowing the balance of pension funds held in CPF. This approach allows for easy access to long-term funding sources while also promoting rapid housing stock growth through the development of HDB public housing, all while minimizing government expenditure.

A clear understanding on the concept, strict division of authority between supply and demand side coordinators, and measurable implementation using the regulatory framework, have contributed to the successful implementation of housing policy in Singapore. This is evident from the high level of public trust, as seen from proxy data showing an increase in the saving rate from 20% of GNP in 1968 to 44% in less than 25 years. In subsequent periods, significant changes have occurred in the dynamics of HDB and CPF, particularly in relation to deregulation and relaxation of rules in these two institutions. However, due to the effective initial division of authority, these changes did not adversely affect the performance and governance between the two.

In Indonesia's housing policy, there are various stakeholders involved in a comprehensive public housing ecosystem, as depicted in Figure 5. The ecosystem involves at least five ministries, each with specific duties and responsibilities in policy formulation for the housing sector. Bappenas coordinates and aligns government planning policies with the Long Term and Strategic Plans of the Government. The Ministry of Home Affairs collaborates with Regional Governments and develops policies concerning the division of central and regional authority. The Ministry of Finance handles state administration, financing, and formulating policies related to financial management to support the housing sector. The Ministry of PUPR is responsible for public works, public housing, and formulating policies related to public housing. Meanwhile, ATR/BPN focuses on spatial planning and policies related to land.

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Figure 5. Indonesia's Housing Policy Ecosystem

Source: Exposure to the Housing Ecosystem by the Directorate General of Infrastructure Financing, Ministry of PUPR at the Energy Efficient Mortgage (EEM) Development Seminar throughout ASEAN countries: 22 August 2023 (Reprocessed)

It is undeniably a challenge to develop a clear strategy for managing demand and supply, especially when there are multiple parties involved. The more parties involved, the greater the risk of mismanagement. In this case, there seems to be a potential for overlapping authority and responsibilities among the institutions responsible for implementing housing policy in Indonesia. Additionally, the absence of a dedicated institution assigned to coordinate demand and supply-side policies makes it difficult to create a cohesive strategy that effectively addresses the needs of both parties. Consequently, it is challenging to discern Indonesia's overarching strategy for fulfilling its mandate to provide affordable housing for its citizens.

4.4. Policy implementation and evaluation

Apart from the government providing cost-effective subsidized HDB housing and HDB mortgage loans, the principle of enabling high compulsory savings to be utilized for home

acquisition and not for renting made owning a home the primary choice for almost all Singaporean households. We can observe the significance of housing policy in Singapore through the key metrics presented in Table 1. The data illustrates a substantial increase in various important proxy measures related to housing policy after the establishment of the HDB and the expansion of CPF fund usage.

Table 1. HDB and CPF Key Metrics

	1970	1980	1990	2000	2010
Total Population (millions)	2.075	2.414	3.047	4.017	5.076
Resident population	2.014	2.282	2.736	3.263	3.772
Non-resident population	0.061	0.132	0.311	0.755	1.304
Resident homeownership rate	29.4%	58.8%	87.5%	92.0%	87.2%
Resident households in HDB dwellings	30.9%	67.8%	85%	88%	82.4%
Housing Stock	305,833	467,142	690,561	1,039,677	1,156,700
Public Sector built	120,138	337,198	574,443	846,649	898,532
Private Sector built	185,695	129,944	116,118	193,028	258,200
Central Provident Fund					
Employee Contribution Rate	8%	18.0%	23.0%	20.0%	20.0%
Employer Contribution Rate	8%	20.5%	16.5%	12.0%	15%

Source: adapted from Phang, S.Y. (2015). Singapore's Housing Policies: Responding to the Challenges of Economic Transitions. The Singapore Economic Review, Vol. 60, No. 3, 1550036. DOI: 10.1142/S0217590815500368.

A number of key metrics demonstrate a significant increase after the housing policy was implemented in Singapore. For example, the rate of homeownership surged from 29.4% in 1970 to 87.2% in 2010. Additionally, there was a notable increase in household data for residents in HDB residences, rising from 30.9% in 1970 to 82.4% in 2010. These increases are indicative of the Government's successful intervention in providing easily accessible mortgage access to the public on the demand side. On the supply side, the government's success is evident in the substantial increase in the number of housing stock built by the public sector, which rose from around 120,138 houses in 1970 to 898,532 in 2010. This indicates the effectiveness of the housing sector policies implemented by the Singapore Government.



Figure 6. Housing Ownership in Indonesia

The housing sector policies in Indonesia have not been as effective as those in Singapore, based on similar key metrics. According to Figure 6, the level of home ownership in Indonesia, including both self-owned and rented properties, has remained stagnant from 1999 to 2023. Throughout history, the Indonesian government has implemented various strategic policies in the housing sector. Additionally, when we consider other data from Figure 6, it becomes evident that the government has provided considerable financial support in the form of subsidies, State Capital Participation, and liquidity assistance through revolving funds to address issues in the housing sector from a fiscal perspective.

No	Jenis Dukungan Fiskal (Rp triliun)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*	TOTAL
1	Belanja K/L (BP2BT,BSPS, pembangunan Rusun,Rusus, PSU)	5,76	6,91	7,05	8,91	7,28	6,29	7	7,31	6,35	6,81	69,67
2	Subsidi Bantuan Uang Muka (SBUM)	0,22	1,22	2,2	1,38	0,95	1,06	0,71	0,93	0,9	0,9	10,47
3	Subsidi Selisih Bunga (SSB)	0	1,34	3,7	2,53	3,45	4,66	2,33	2,57	3,46	4,61	28,65
4	DAKF Perumahan	0,25	0	1,04	1,03	1,13	1,43	1	0,67	0,16	0,32	7,03
5	Dana Bergulir FLPP	5,1	4,29	3,1	2,18	5,2	9	16,62	19,1	19,48	13,72	97,79
6	PMN	2	1,49	1	0	0,8	1,75	1,29	3,57	1,53	1,89	15,32
	- PMN ke PT SMF	1	1	1	0	0,8	1,75	1,29	2	1,53	1,89	12,26
	- PMN ke Perumnas	1	0,49	0	0	0	-	-	1,57	-	-	3,06
TOTAL		13,33	15,25	18,09	16,03	18,81	24,19	28,95	34,15	31,88	28,25	228,93

*pagu alokasi APBN

Figure 7. Fiscal Support to the Housing Ecosystem

Source: Exposure to the Regional Representatives Council by the Ministry of Finance

The comparison do not reflect the impact expected by the Indonesian Government. There is still an opportunity to enhance the effectiveness and efficiency of the Government in formulating strategies to implement housing sector policies, to be more focus on the goal to provide adequate housing for the community. The inconsistent results between the disbursed fiscal support and the resulting impacts indicate that there is a missing link that needs to be addressed in order to align supply and demand side policies in Indonesia's housing sector.

4.5. Financial Housing Policy, A Lesson from International Practices

The passing of Law Number 4 of 2016 marked a significant moment for Indonesia, as it introduced the Housing Provision Fund (HPF) scheme as a financial policy for the housing sector. Under this scheme, one institution (BP Tapera in the Indonesian context) is responsible for managing mandatory savings from all workers in the public and private sectors. Workers are required to contribute a certain percentage of their income to this fund, which forms part of their pension savings. Government Regulation Number 25 of 2020 and Government Regulation Number 21 of 2024, which stem from Law Number 4 of 2016, mandate that workers contribute 2.5% of their income, while employers contribute 0.5%. These contributions are set aside as mandatory savings and cannot be accessed until the worker retires.

BP Tapera, as a financing institution in the housing sector, has been given several mandates. These include Overcoming the housing backlog by providing affordable financing for Tapera participants for buying, building, and renovating houses to meet their housing needs, Collecting and providing houses at low cost, securing long-term sustainable funding through collection activities from participants and ultimately providing long-term financing schemes (up to 35 years) to support the provision of flats as a housing solution in urban areas.

Table 2. HPF Lesson Learned from International Practices

HPF Lesson Learned	China	Singapore	Mexico	Philippines
Mandates	create long-term mortgage markets at a time in which banks were absent from the market	The CPF acts as a pension fund rather than as a housing lender. A majority of housing finance is provided by the Housing Development Board (HDB)	There are two large HPFs, one for the employees of the private sector (INFONAVIT) and the other for public-sector employees (FOVISSTE). Both make direct mortgage residential loans to their members.	investing the collected savings into assets for retirement purposes, and directly lending for housing both to developers and to the employees-members
Subsidized housing loan	Yes	Yes	Yes	Yes
Mandatory Savings	One-for-one match from employer to the employee's deposit	Fluctuative with the average of 35% contribution between employee & employer.	5% of the salaries of employee	Between 1 and 2 percent of the wages for the employees, and 2 percent for the employers.
Related Parties	Management centers, People's Bank of China, Ministry of Construction and Ministry of Finance, Local Government, Commercial Banks.	Housing Development Board (HDB) & Central Provident Fund (CPF)	Act as asset manager and lender.	Act as asset manager and lender.
Takeaways	The preferential lending system at HPF unfairly benefits higher-income employees and does not effectively provide affordable loans	The housing welfare approach enabled Singapore to mobilize long term resources on the demand side to finance the rapid supply of housing by the	Conflict exists between maximizing returns for savers and providing low-cost mortgage finance through cross-subsidies.	Weak asset liability management and inequitable cross subsidization between savers and borrowers.

HPF Lesson Learned	China	Singapore	Mexico	Philippines
	for majority of members.	public sector with minimal government expenditure.		

Source: adapted from Chiquier, L., & Lea, M. (2009). Housing Finance Policy in Emerging Markets. The World Bank.

In implementing the Housing Provident Fund (HPF), BP Tapera and policy makers in the Indonesian housing sector should learn from the experiences of other countries. They need to focus on several crucial points. The issue of cross-subsidies is significant as it has caused the failure of HPF implementation in some countries. It's important to consider the proportion of savers who are required to save at below-market interest rates but are unable to access funding from the HPF. This is to avoid community dissatisfaction and rejection. Moreover, achieving mortgages in the housing sector through the HPF scheme relies on funding sources from the savings of low-wage members. In order to prevent unfair financial support in the implementation of HPF, policy schemes from both the supply and demand sides need to remain in sync. BP Tapera, as the institution responsible for coordinating housing finance, requires effective support and coordination from relevant stakeholders to develop a comprehensive housing sector policy.

5. Conclusion

The housing sector policies in Indonesia have drawn a lot of inspiration from international practices, particularly from the housing sector policies implemented by the Singapore Government. This includes the establishment of a land bank, similar to the Land Acquisition Law, and the creation of special bodies such as the Agency for the Acceleration of Housing Provision (BP3), which is expected to function like HDB to intervene on the supply side. Additionally, the formation of BP Tapera is expected to act like CPF to coordinate sources of housing financing funds as a form of government intervention from the demand side.

In terms of policy formulation, Indonesian Government still has room for improvement in formulating and implementing public sector policies in the housing sector. The Singaporean government initiated a housing policy with the goal of increasing community security and improving social welfare by ensuring that Singaporeans are homeowners. This policy was designed to align supply and demand in the housing market in order to minimize distortions. The Indonesian Government should similarly develop a clear strategy by incorporate measurable interventions in supply and demand side to effectively address housing sector challenges and reduce the housing backlog.

Furthermore, there is also a lack of coordination between central and regional governments, making regional governments appear passive. Regional governments have better geographical-administrative information about housing issues in their areas, so it's important to encourage their active participation in accordance with their authority as stated in Law Number 1 of 2011. This will help in creating appropriate strategies aligned with housing policy objectives.

Acknowledgements

We would like to express our gratitude to the Director of Investment Management Systems Directorate General of Treasury for his support and motivation to finalize this paper.

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