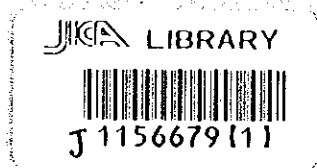


JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
*THE STATE MINISTRY OF HOUSING AND HUMAN SETTLEMENTS *)*
*THE STATE MINISTRY FOR AGRARIAN AFFAIRS *)*
/NATIONAL LAND AGENCY
THE REPUBLIC OF INDONESIA

**THE STUDY
ON
LAND PROVISION FOR HOUSING AND SETTLEMENTS
DEVELOPMENT THROUGH KASIBA AND LAND CONSOLIDATION
IN
JAKARTA METROPOLITAN AREA
IN
THE REPUBLIC OF INDONESIA**

**FINAL REPORT
[SUMMARY REPORT]**

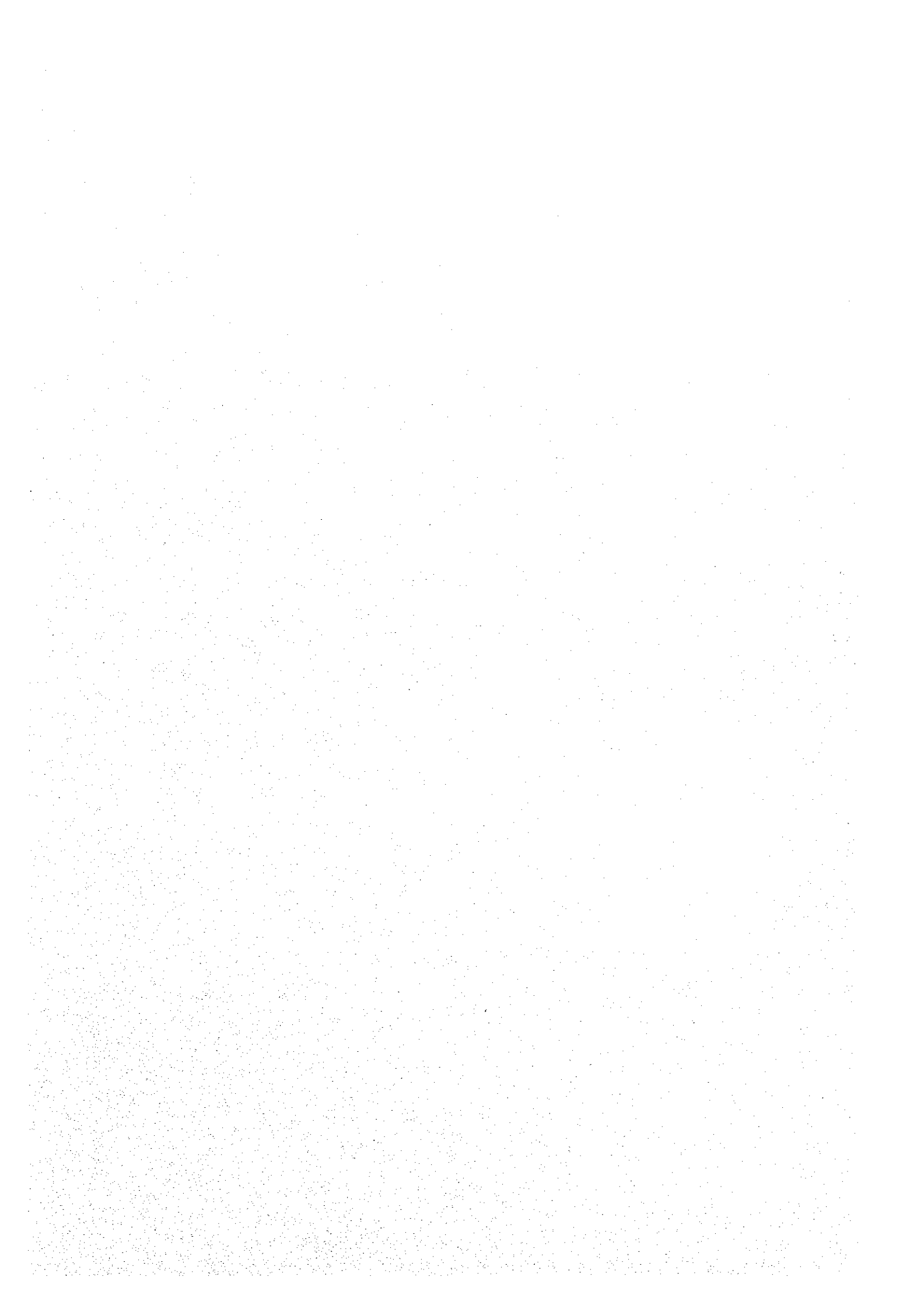


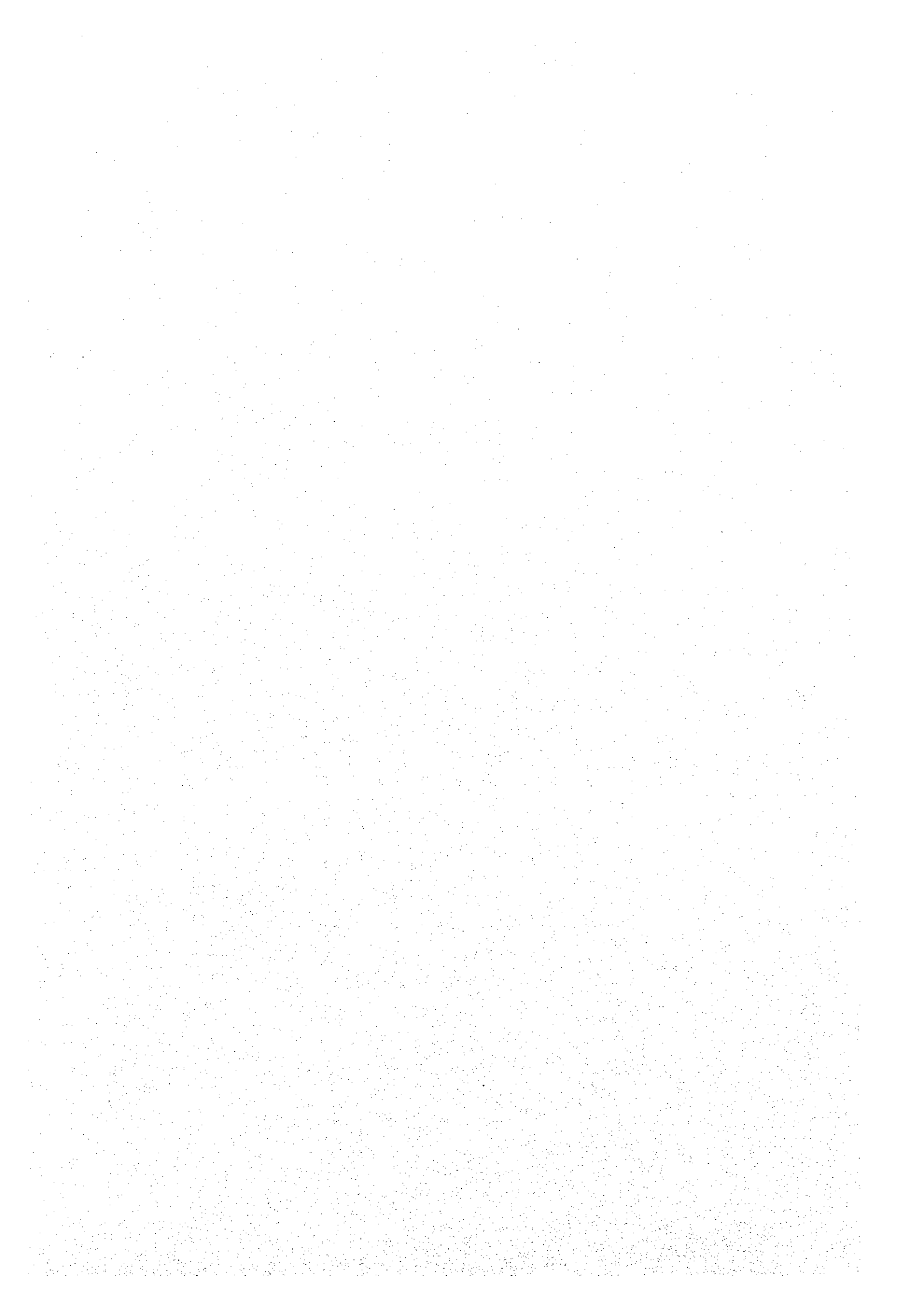
January 2000

**YACHIYO ENGINEERING CO., LTD.
PACIFIC CONSULTANTS INTERNATIONAL**

*) Under the current Wahid cabinet, the State Ministry for Agrarian Affairs / National Land Agency was reorganized into a new National Land Agency, and the State Ministry of Housing and Human Settlements and the Ministry of Public Works were reorganized into a new Ministry of Human Settlements and Regional Development.

| |
|--------|
| S S F |
| J R |
| 00-030 |





JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

THE STATE MINISTRY OF HOUSING AND HUMAN SETTLEMENTS *

THE STATE MINISTRY FOR AGRARIAN AFFAIRS *

/NATIONAL LAND AGENCY

THE REPUBLIC OF INDONESIA

**THE STUDY
ON
LAND PROVISION FOR HOUSING AND SETTLEMENTS
DEVELOPMENT THROUGH KASIBA AND LAND CONSOLIDATION
IN
JAKARTA METROPOLITAN AREA
IN
THE REPUBLIC OF INDONESIA**

**FINAL REPORT
[SUMMARY REPORT]**

January 2000

**YACHIYO ENGINEERING CO., LTD
PACIFIC CONSULTANTS INTERNATIONAL**

- *) Under the current Wahid cabinet, the State Ministry for Agrarian Affairs / National Land Agency was reorganized into a new National Land Agency, and the State Ministry of Housing and Human Settlements and the Ministry of Public Works were reorganized into a new Ministry of Human Settlements and Regional Development.

FINAL REPORT COMPOSITION

The Final Report is composed of the following reports:

1. SUMMARY REPORT
2. MAIN REPORT
3. KASIBA Project Guidelines & Manual for Practical Procedure
4. Basic L/C Guidelines & L/C Project Implementation Manual

This Report is the SUMMARY REPORT.

EXCHANGE RATE

US\$ 1.00 = 11,600 Rupiah (August 14, 1998)
US\$ 1.00 = 144.75 Yen (August 14, 1998)



1156679(1)

PREFACE

In response to a request from the Government of the Republic of Indonesia, the Government of Japan decided to conduct a development study on Land Provision for Housing and Settlements Development through KASIBA and Land Consolidation in Jakarta Metropolitan Area in the Republic of Indonesia and entrusted the study to the Japan International Cooperation Agency (JICA).

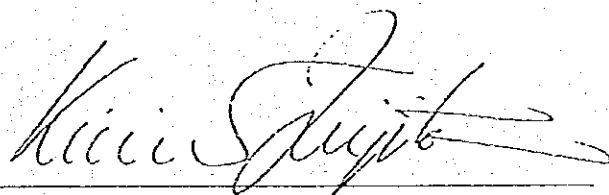
JICA selected and dispatched a study team headed by Mr. Kenji TANAKA of Yachiyo Engineering Co., Ltd. and consisting of members from Yachiyo Engineering Co., Ltd. and Pacific Consultants International Co., Ltd. to Indonesia, five times between January 1998 to December 1999. In addition, JICA set up an advisory committee headed by Dr. Takashi Onishi, Professor of Tokyo University between January 1998 to December 1999, which examined the study from specialist and technical points of view.

The team held discussions with the officials concerned of the Government of the Republic of Indonesia and conducted field surveys in the study area. Upon returning to Japan, the team conducted further studies and prepared this final report.

I hope that this report will contribute to the promotion of this project and to the enhancement of friendly relationship between our two countries.

Finally, I wish to express my sincere appreciation to the officials concerned of the Government of the Republic of Indonesia for their close cooperation extended to the team.

January 2000



Mr. Kimio Fujita
President

Japan International Cooperation Agency

January, 2000

LETTER OF TRANSMITTAL

Mr. Kimio Fujita,
President
Japan International Cooperation Agency
Tokyo, Japan

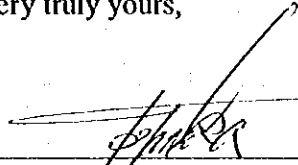
We are pleased to submit to you the study report on the Study on Land Provision for Housing and Settlements Development through KASIBA and Land Consolidation in Jakarta Metropolitan Area.

This Study was conducted by Yachiyo Engineering Co., Ltd., in association with Pacific Consultants International, under a contract to JICA, during the period from January 1998 to January 2000. During the course of the Study, we conducted studies on system development of KASIBA and Land Consolidation as well as case studies in Parung Panjan and Jatiasih in the Jakarta Metropolitan Area.

We would like to take this opportunity to express our sincere gratitude to your Agency, the Ministry of Foreign Affairs, the Ministry of Construction. We are also most grateful for the cooperation and assistance from the officials concerned in Indonesia, the JICA Jakarta office, and the Embassy of Japan in Indonesia.

We hope that this report will contribute to the development of the Republic of Indonesia.

Very truly yours,



Kenji Tanaka
Team Leader,
The Study on Land Provision for
Housing and Settlements through
KASIBA and Land Consolidation in
Jakarta Metropolitan Area

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

1. Background and Purpose of the Study

The Indonesian government enacted the Law No. 4/1992 on housing and human settlement in 1992. This law set forth a new urban and housing development approach of "KASIBA" for controlling urban sprawl rampant in Jakarta Metropolitan area in the early 1990s. The State Ministry of Housing and Human Settlement (then The State Ministry of Housing) started drafting the government regulation for implementation, (which was finally issued by the government on September 30, 1999). On the other hand, the State Minister for Agrarian Affairs and the National Land Agency (BPN) have been executing Land Consolidation (L/C) projects through out the country, based on the basic agrarian Law/1960 and the related government regulations. Through past experiences, the BPN has found problems of the existing L/C system to be addressed. In these cases the study was executed for the development/improvement of KASIBA and L/C. KASIBA and land consolidation are understood in the scope of work of the study as follows:

KASIBA: KASIBA, or Kawasan Siap Bangun (RBA or Ready Build Area), is a piece of land, which is prepared for large scale housing and settlement developments, and consists of one or more LISIBA, or Lingkungan Siap Bangun (RBE or Ready Build Environment). Its implementation is done sequentially starting with support of primary and secondary network of environment infrastructure suitable for the local spatial plan determined by the second level of local government, and satisfying the requirements of housing and settlements standards for infrastructure and public utilities.

Land consolidation: Land consolidation, or land Consolidation in some countries, is one of the measures for land policy associated with the arrangement and rearrangement of land tenure and land use to provide land for infrastructure development in accordance with development plan through active participation of the community.

The Study has been carried out, from the start to the end, within a chaotic social situation of Indonesia for around two years between January 1998 and January 2000. The monetary crisis in early 1998, which coincided with the start of this Study, triggered the financial and economic crisis, followed by the political change with the fall of the long-lasting previous political regime of President Suharto in May 1998. The social unrest continued through the period of the provisional regime of B.J. Habibie until the final political settlement represented by the selection of a new president, Abdurrahman Wahid, and the formation of his new cabinet/government was reached in October 1999. Subsequently, the new government started restructuring and reforming the organizational and administrative system of the government in response to the tasks mandated to the new government, especially decentralization. It was just in the midst of the organizational restructuring of the government that this final report was compiled in January 2000.

2. Urban Development System Improvement Study

2.1 Urban and Land Management System in Indonesia

Historical context

The rapid urbanization featured with urban sprawl, which started in the Jabotabek area in the

late 1980s was the social background which urged the Indonesian government to take measures for effective urban and land management. The milestones were the legislation of the Housing and Settlement Law No. 4 1992 and the Spatial Planning Law No. 24, 1992. The former is the institutionalized KASIBA while the latter is mostly similar to city planning law in other countries, which controls land use, and urban/land development.

Land administration

The land administration system of Indonesia is quite unique as shown in the special definition of the land and special role of land management in the Indonesian. The Indonesian Constitution of 1945 provides that land shall be under the control of the state, and used for the maximum well-being of the people. The Basic Agrarian Law 1960 (BAL) states that the state has the inherent right to control all aspects of private land ownership and use to ensure that it is used for the benefits of the people. Land consolidation has been practiced on this legal basis.

Administrative stream of city planning

Indonesian urban management can be found in two streams of activities in the government organization structure from the central to the local. One is the ordinary stream, which is more or less common to many other countries in the world, of administrative activities for the regional and urban development between the central and local governments. The other is the stream of land management activities made by the National Land Agency, reflecting the special definition of land and special role of land management as stated above. On this legal basis the BPN participates in the city planning process of the local government. City planning and urban infrastructure development is more decentralized than land management. The latter is more centralized. The recent reformation movement of the government has been changing this situation in such a manner as to transferring the right of issuing location permit from the BPN to the local government.

Development permit system

Indonesia has a unique development permit system reflecting its land management system. The private real estate developers have to gradually clear four different permit regulations: principle permit, location permit, planning permit, and building permit. The principle permit is issued to projects, which are confirmed to be in compliance with the development plan and spatial plan in force by the local government (Level II). After the principle permit, the location permit is granted by the National Land Agency. This duly confirms the project acceptability from the viewpoint of land management and administration. The peculiarities of the Indonesian development permit system can be found in the system that the location permit includes the land purchase permit. It implies that the development areas are officially designated without land purchase or consents of landowners to release their land in advance. This is disputable because the land purchase permit may threaten to violate the property right and land use right and disregard the landowners. It is interpreted that taking into serious consideration this possible problem, the BPN revoked the land purchase right and transferred the location permit to the local government.

Financial system

Housing development in Indonesia is mostly dependent on private financing sources. Equity and commercial bank lending are the major financing sources for housing developers including the public housing corporation, Perum Perumnas. Although housing development is a medium-term investment, developers have to depend on commercial banks' short-term lending for the financing of their projects, or even issue short-term commercial papers to

construct middle- to high-priced homes. The increase in the interest rates and a drop of the housing demand due to the economic crisis caused a serious setback in housing development, highlighting the constraints of the conventional housing development financing.

Current Government Reformation

The reformation movements have been progressing in Indonesia since the political change in the middle of 1998. In fact many new laws and government regulations enhancing the government reformation have been enacted, covering almost all sectors of government, including democratization/human rights, decentralization, organizational, policy, financial, land, and Judiciary reformation. Among others, decentralization is most relevant to KASIBA and L/C because they are categorized into city planning, which is the responsibility of local governments by nature. Law No. 22/1999 on Regional Administration and Law No. 25/1999 on Financial Proportion between Central and Local Government aim at the decentralization policy of the Indonesian government.

How substantially and how soon the decentralization policy will be realized is difficult to answer. However, implication of functional and financial decentralization or autonomy of the local government on urban and housing development are supposed to lead to 1) ***functional change***: The local government is a leading actor with the central government as a supportive actor in urban and housing development. It means that local government shall be a first responsible organization of KASIBA and L/C. 2) ***Political/administrative decision-making process***: more participatory, democratic and transparent than ever. 3) ***Capacity building*** of the local government and local people: KASIBA and L/C cannot be implemented without the capacity building of the local government and empowering communities and people. 4) ***Higher priority*** on urban and housing development is more related to peoples' concerns and interests in their daily lives.

2.2 KASIBA System Improvement Plan

Diversified Application of urban development systems under KASIBA

KASIBA was broadly defined as "an urban control and management system with designation of development area where urban and housing development projects are promoted and implemented in a planned manner." Based on the broad definition, 7 variations of urban development systems in Indonesia were examined and classified into three (3) types of systems (1. Control by designation of KASIBA area, 2. Promotion by infrastructure construction, and 3. Promotion by provision of land), which should be diversely applied to KASIBA. The three proposed systems are not alternatives, but it was recommended that all be selectively used in response to different situations and purposes of urban and housing development projects in different localities in Indonesia. It was confirmed that any of the proposed KASIBA systems are not contradictory with Law No. 4/1992 on Housing and Human settlement.

Innovation of Urban and land development measures of Indonesia through KASIBA System

The study was executed for establishing the KASIBA system. The KASIBA system improvement plan was presented including the administrative system, land management, development permit, and financial and organizational systems. However, it must be stressed that it was aimed at innovation and improvement of Indonesian city planning and development system itself through the examination of the particular system of KASIBA. Finally it was recommended to keep on researching and examining the innovative measures as proposed in the KASIBA improvement plan for the progressive improvement of Indonesian

city planning and implementing system.

Transfer Technology to Local Government through KASIBA

Implementation system and procedure of the KASIBA system were prepared in the form of Guidelines for KASIBA project and Manuals for Practical procedures. In the process of the drastic change of the government administration systems toward the autonomy by the local governments, which has not yet shown a clear complete picture though, it is becoming subject to the local governments' responsibilities and rights to decide what urban development systems are applied and implemented. Guideline and manuals were designed to increase knowledge of the local government on city planning and development through the KASIBA project. In turn, it is considered the best way for the local government to effectively and efficiently utilize and implement the KASIBA project for meeting the local needs and demand.

Systematization of city planning & development in government reformation utilizing KASIBA

Several measures and programs for improving urban and land management systems of the local government have been proposed and set up in association with government reformations centering on the decentralization policy of the Indonesian government. It may be regrettable to say that they have not yet been well adjusted and coordinated. Major topics are on the "development permit system," location permit/spatial utilization permit/land use permit, and "urban area development system," KASIBA supported by the State Ministry of Housing and Urban Settlement and urban area development management system supported by the Ministry of Home Affairs.

Two alternatives were presented to integrate them into the city planning and development system of Indonesia: City planning-oriented KASIBA and Project-oriented KASIBA. Urban control power as well as project implementation power (e.g. land purchase permit) entitled to KASIBA shall be separately applied to "KASIBA urban promotion area" and "KASIBA urban project implementation area" respectively. This makes KASIBA more flexible so as to accommodate other types of development projects (e.g. real estate development by private sector, L/C) and avoiding the possible problems (e.g. land price hike and violation of property right by land purchase permit).

The other alternative is the integration of KASIBA into the global city planning and development system and framework focusing on "new urban development management area" sponsored by the Ministry of Home Affairs. KASIBA works as a project-oriented system in that global framework. The KASIBA implementation is applied in the KASIBA urban project implementation area. This may make it possible to avoid the possible problems as mentioned above.

Promotional action plan

The central government must launch the promotional activities for the KASIBA implementation to be done by the local government at the initial stage of KASIBA program, especially for the first pilot project on which the laws and government regulations are applied for the first time. The action plan was proposed, recommending the simultaneous undertakings both of "activities for pilot project implementation and for KASIBA project development/expansion". The latter included dissemination/training activities on KASIBA and urban development to local government and "Study on urban development through KASIBA in Jakarta Metropolitan Area" to find sites suitable for KASIBA development

throughout the Jakarta Metropolitan area.

2.3 L/C System Improvement Plan

System Improvement for Innovative L/C

It is quite significant to establish a L/C development mechanism: "cost recovery by development benefit". For this purpose it was recommended to establish the L/C association as an implementing agency, which could lawfully construct infrastructure, and replotting system based on the land value evaluation as cost recovery system by beneficiaries. The L/C system improvement plan, with Guidelines for L/C projects & Manuals for practical procedures, was presented for implementing L/C based on the development mechanism of L/C. This was done with the recommendation of players such as government approval and agreement of landowners, land management, financial system, organizational system and legal arrangement.

Legal arrangement for system improvement in association with government reformation

Legal arrangement is imperative for realizing the proposed L/C improvement plan. The legal arrangement should be pursued, with the emphasis on the importance of L/C in the government reformation, highlighting "land management" in respect of property rights in L/C and "Urban Area Administration and Management" based on Law No. 22/1999 on Regional Administration under the decentralization policy of the government, which necessitates the application of the L/C in terms of infrastructure construction, empowering community (Landowners' participation) and urban area-wise development approach in place of the past sectoral approach by the central government.

L/C System in Systematization of City Planning and development in Indonesia

L/C is instrumental and responsive to the goals and purposes targeted by the decentralization policies. L/C can be utilized to increase the implementation capability of city planning of the local government. To this end, it should be inter-linked with Spatial planning system, more strategically with the urban area administration and management system institutionalized by the Ministry of home affairs, and KASIBA development sponsored by the State Ministry of housing and urban settlement, which eventually leads to the systematization of city planning and development of the local government. The integration of L/C with systematization of city planning and development represented by the urban area administration and management in Indonesia was recommended.

Promotional Action Plan

A promotional action plan was recommended with the emphasis on activities for legal arrangement for innovative L/C and pilot project implementation. Regarding the legal arrangement some transitional system may be necessary to bridge between the traditional and innovative L/C. The pilot project implementation is also important in terms of system testing and showcase of innovative L/C. To develop and expand L/C across the country, dissemination/education on the innovative aspect of L/C must be continuously carried out.

3. Case Studies of KASIBA and L/C

3.1 KASIBA Case Study in Parung Panjang

Development plan

It was just at the beginning of the social unrest and economic crisis of 1998 when the master

plan covering 1,000 ha was formulated. To respond to this situation, some measures were taken in planning works (e.g. the development area was reduced to 300 ha, leaving the other 700 ha for future expansion area, and within the 300 ha area only middle-low class housing under the 1:3:6 housing policy of the government was allocated, excluding high class housing for future development in response to the declining housing demand especially in the upper class).

Financial analysis

As the result of these measures, the financial analysis indicated the IRR would be at 17% for the total housing project, and when it is divided into KASIBA (land and infrastructure) and LISIBA (housing), the former around 6% and the latter 8% (Low class) - 13% (Middle class). It is apparent that if the former (KASIBA) is set at a lower level, the latter (LISIBA) increases, and if the upper class housing is included when the economy is normalized, the IRR tends to further go up. The financial analysis showed that: 1.) KASIBA is feasible when the real interest rate is 10% (the government has been taking measures for lowering interest rates for Indonesian economic recovery); 2.) With low-cost fund provided by the government (KMB), the infrastructure cost can be recovered through KASIBA; 3.) Cross-subsidy from middle class (13%) to low class (8%) becomes slightly possible; and 4.) Selling price of LISIBA should be determined, taking into consideration the reasonable profit to LISIBA developers in addition to the KASIBA cost recovery.

Pilot project

It may be concluded that KASIBA can be applicable in the outskirts of Jakarta. However, taking into consideration the unpredictable economic situation and the housing demand, it is recommended to start preparation of the pilot project in one small-scale community where Perum Perumnas has already acquired land in the planned KASIBA development area (300 ha). Expansion shall be examined in response to the socio-economic condition and housing demand in the future, because phased-development is one of the basic advantages of KASIBA. In the pilot project, KASIBA Law and government regulation will be applied for the first time in Indonesia for testing.

Metropolitan urban area and agency

Metropolitan urban area and agency covering several regencies and municipalities is due to be established based on Law No. 22/1999 and government regulations. It is recommended that the pilot project be handled by this agency, and not only by the Bogor regency, where the project is located, because housing demand to be met in the pilot project comes from DKI Jakarta and other surrounding areas. Therefore share of fund for the pilot project must be also coordinated through this agency. The real housing demand and the funding capacity of KMB should be scrutinized in the framework of the Metropolitan urban area. It must be considered in the pilot project that the housing demand relies on government financial measures, especially housing loans to the public, which will be established in the new government.

KASIBA in reviewing Jabotabek Master plan (1997)

The KASIBA case study showed that it is effective in leading urban and housing development along the railway so as to create a rail-oriented town aiming at the environment and transport improvement in the Jakarta area. It is desirable that the government will enhance this urban policy through the application of KASIBA. Especially KASIBA and the urban policy should be examined in reviewing Jabotabek Master plan (1997) in the changing economic trends, which will be done by the new government. This is related to the proposal on the study for

urban development through KASIBA in the Jakarta Metropolitan area.

3.2 L/C Case Study in Jatiasih

Effective self-financing urban and infrastructure development system in Jakarta Metropolitan area

The case study of the L/C in Jatiasih showed around 30% of land contribution, while that in Parung Panjang was as high as 63-73%. As 20-30 % are recognized to be practical level of L/C in past projects in Japan and other countries, it may be generalized that within a certain distance from Jakarta, L/C can be applied and utilized as an effective self-financing urban and infrastructure development system.

| Case study | Distance from center of Jakarta | Land contribution ratio |
|-------------------|---------------------------------|---|
| Parung Panjang | 35 km | 63-73 % |
| Jatiasih (288 ha) | 20 km | 37.5 % |
| (25.7 ha) | | 27.7 % (25.3%) (Arterial road by government) |

Pilot project formation and implementation

An L/C project covering 25.7 ha was scrutinized, lowering land contribution ratio to 25.3% (Public land: 17.9%, reserve land: 9.8%). Based on the results of this case study, it is recommended that a pilot project be implemented in the study area. Project formation and promotional activities for the pilot project must be started in consultation and coordination with the community and the landowners.

4. Overall Conclusions of KASIBA and L/C Studies

This study has produced proposals for system improvement of KASIBA and L/C respectively. KASIBA is based on Law No. 4/1992 on Housing and Human Settlement, followed by the government regulation, which was finally issued on September 30, 1999. Subsequently the ministerial decree, stipulated in government regulations, shall be issued to start the actual implementation of KASIBA projects. On the other hand, in Indonesia, land consolidation projects have been executed based on the existing BPN government regulations. In response to the proposal for the improvement of the traditional L/C in these study activities, BPN has started drafting a new law of L/C. In parallel with these legal arrangements for KASIBA and L/C, this study was carried out with the overall conclusion on the following 3 points, combining the results of the KASIBA study and L/C study.

(1) Applicability of the urban development systems examined through the case studies

In the case studies of KASIBA and L/C, those two systems were technically and financially examined, resulting in the conclusion with the general applicability of KASIBA and L/C in the outskirts of Jakarta and the peripheral area of Jakarta built-up area respectively. Based on the study conclusion, it is recommended that KASIBA and L/C as urban control and development measures should be incorporated into the development master plan of the Jabotabek area, or the Jakarta Metropolitan area, which must be reviewed in the recent context of the changing socio-economic situation of Indonesia.

(2) Strengthening and improvement of city planning system

It is widely admitted that the Indonesian city planning or spatial planning, including the development permit system, and practices thereof are in need of improvement to great extent (its importance is increasing in accordance with the advancement of decentralization policy).

KASIBA and L/C shall be institutionalized and managed so as to improve the Indonesian city planning and development system. KASIBA and L/C are the concepts and systems of development benefit capturing for cost recovery, which will bring about innovation and progress in the existing urban and infrastructure development system. Furthermore they are featured with different urban and land management systems (land acquisition method vs. land replotting method), which should be selectively applied responsively to the different situations of the site and projects. This may thus lead to higher flexibility and implementability of the city planning of Indonesia.

(3) Coordination with the government reformation activities

After the political change in 1998, many new laws and government regulations under the government reformation policy have been enacted and the reformation schemes are also set forth in the urban and land management sector by the government agencies concerned (transfer of the authority to the local government in urban and housing development, review of the development permit system, establishment of "urban area management and administration system", review of the basic agrarian law, and so on). It may not be said that those schemes are well coordinated with each other, and even with KASIBA and L/C. They must be well coordinated with the other reformation schemes and play important roles in the reformation activities, especially decentralization programs. KASIBA and L/C are deeply related to the local society, economy and culture and are regarded as the essential tools for improving the lives and environment of local people, which is the ultimate goal of the social and government administration reformation movement.

*The Study on Land Provision for Housing and Settlement Development Through
KASIBA and Land Consolidation in the Jakarta Metropolitan Area
in the Republic of Indonesia*

FINAL REPORT

[SUMMARY REPORT]

Table of Contents

EXECUTIVE SUMMARY

| | |
|---|----------|
| 1. Introduction | 1 |
| 2. Urban Development System Improvement Study | 2 |
| 2.1 Urban and Land Management System in Indonesia | 2 |
| 2.1.1 Historical Context of Urban Development..... | 2 |
| 2.1.2 Main Stream of City Planning in the Government Organization..... | 3 |
| 2.1.3 City Planning and Development Administration | 4 |
| 2.1.4 Land Administration and Management in City Planning and Development | 5 |
| 2.1.5 Financial System for Urban and Housing Development..... | 5 |
| 2.1.6 Current Government Reformation | 6 |
| 2.2 System Improvement and Building of KASIBA | 7 |
| 2.2.1 Law No.4/1992 on Housing and Settlements..... | 7 |
| 2.2.2 Classification/Application and Principles of KASIBA | 7 |
| 2.2.3 Variations of the Implementation Systems for KASIBA Management..... | 11 |
| 2.2.4 KASIBA System Improvement Plan..... | 14 |
| 2.2.5 KASIBA System-3 and Further Improvement..... | 21 |
| 2.2.6 Guidelines for KASIBA Projects and Manuals for Practical Procedures | 24 |
| 2.2.7 Action Plan for KASIBA Promotion..... | 25 |
| 2.2.8 Conclusion and Recommendation on KASIBA System Development..... | 25 |
| 2.3 System Development of Land Consolidation | 27 |
| 2.3.1 Definition and Basic Features of Indonesian Land Consolidation..... | 27 |
| 2.3.2 Essence of Land Readjustment in Japan | 29 |
| 2.3.3 Basic Policy and Principles of System Improvement for L/C in Indonesia..... | 30 |
| 2.3.4 Variation of the Implementation System and Implementing Agency of L/C... | 31 |
| 2.3.5 L/C System Improvement Plan | 33 |
| 2.3.6 L/C System in Government Reformation..... | 39 |
| 2.3.7 Guidelines for L/C Projects and Manuals for Practical Procedures..... | 40 |
| 2.3.8 Action Plan for L/C Promotion..... | 41 |
| 2.3.9 Conclusion and Recommendation on the L/C System Improvement | 42 |

| | |
|--|-----------|
| 3. Urban Development Project Planning Study | 44 |
| 3.1 Sites proposed for Case Studies of KASIBA and Land Consolidation | 44 |
| 3.2 Case Study of KASIBA in Parung Panjang | 45 |
| 3.3 Case Study of Land Consolidation in Jatiasih | 51 |
| 3.3.1 Outline of the Study Flow | 51 |
| 3.3.2 Concept Development Plan | 51 |
| 3.3.3 L/C Master Plan | 53 |
| 3.3.4 L/C Design and Implementation Plan | 55 |
| 3.3.5 Conclusion and Recommendation..... | 57 |
| 3.4 Environmental Study | 58 |
| 3.4.1 Environmental Management/Legislation | 58 |
| 3.4.2 Environmental Impact Assessment | 58 |
| | |
| 4. Overall Conclusions of KASIBA and L/C Studies | 61 |
| | |
| Outline of Case Study (1) | 62 |
| Outline of Case Study (2) | 63 |
| List of Participants | 64 |
| Ministry of Settlements and Regional Development | 67 |

| | |
|--|----|
| Table 2.1.1 Summary of Historical Context of Urban Development | 2 |
| Figure 2.2.1 Classification and Application of KASIBA System | 9 |
| Table 2.2.1 Variation of Implementation Systems for KASIBA Management | 11 |
| Table 2.2.2 Candidate Areas for KASIBA Variation | 13 |
| Figure 2.2.2 Basic System of KASIBA Implementation System | 14 |
| Table 2.2.3 Government Approval of KASIBA | 15 |
| Table 2.2.4 Comprehensive Land Management Measures | 15 |
| Table 2.2.5 KASIBA Principles and LISIBA Control | 16 |
| Figure 2.2.3 Proposed Financial Measures | 17 |
| Figure 2.2.4 Financing System of KASIBA | 18 |
| Figure 2.2.5 Overall Organization for KASIBA Implementation | 19 |
| Table 2.2.6 Variations of KASIBA Management Body | 20 |
| Figure 2.2.6 Structure of KMB (Subsidiary of Perum) | 20 |
| Table 2.2.7 Items of Necessary Legal Arrangements | 21 |
| Figure 2.2.7 Integrated Urban and Housing Development by KASIBA | 23 |
| Figure 2.2.8 Systematization of City Planning and Development including KASIBA System | 24 |
| Figure 2.3.1 Overall Organization of L/C Implemented by the BPN | 28 |
| Table 2.3.1 Essence of L/R in Japan (Legal Structure) | 30 |
| Figure 2.3.2 Types and Implementing Agencies of L/C | 32 |
| Table 2.3.2 Variation of L/C in Indonesia | 32 |
| Figure 2.3.3 Basic Structure and Sub-systems of L/C Implementation System | 33 |
| Table 2.3.3 Government Approval of L/C | 33 |
| Table 2.3.4 Tools and Systems of Land Management in L/C | 34 |
| Table 2.3.5 Financial Sources for L/C | 35 |
| Figure 2.3.4 Cash Flow of L/C Implementation | 36 |
| Figure 2.3.5 Overall Organization of Association L/C Implementation | 37 |
| Figure 2.3.6 Organization of L/C Association | 38 |
| Figure 2.3.7 L/C in Integrated City Planning and Development of Indonesia | 40 |
| Table 3.2.1 Financial Analysis Comparison Table | 49 |
| Table 3.3.1 Land Use and Major Public Facilities | 56 |
| Table 3.3.2 Summary of Project Cost, Base Case | 56 |
| Table 3.3.3 Annual Cash Flow, Base Case | 56 |
| Table 3.3.4 Land Contribution and Ratio | 57 |
| Table 3.3.5 Building Lot Price | 57 |
| Table 3.3.6 Planned Area for Reserve Land | 57 |
| Figure 3.3.1 Implementation Schedule | 57 |

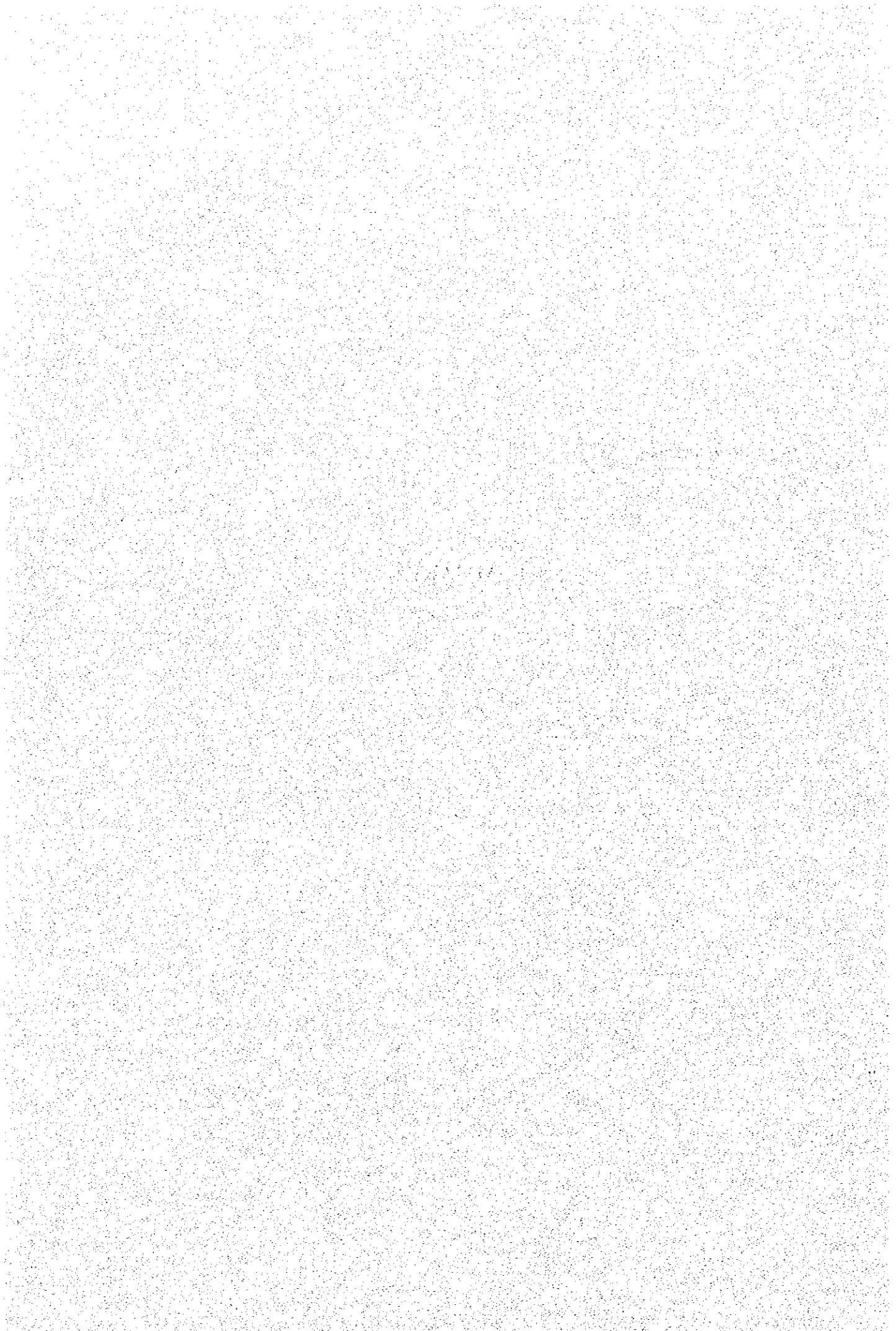
Abbreviation/ Acronym

| Abbreviation/ Acronym | Indonesian | English |
|--------------------------|--|---|
| ADB | Bank Pembangunan Asia | Asian Development Bank |
| AMDAL | Analisa Meganai Dampak Lingkungan | Environmental Impact Assessment |
| ANDAL | Analisis Dampak Lingkungan | Environmental Impact Statement |
| APBD | Anggaran Penerimaan dan Belanja Daerah | Annual Provincial/ Local Government Budget |
| APBN | Anggaran Penerimaan dan Belanja Negara | Annual Central Government Development Budget |
| BAPPEDA | Badan Perencana Pembanguna Daerah | Regional Development Planning Board |
| BAPPEDAL | Badan Pengendalian Dampak Lingkungan | Board for the Study of Environmental Impacts |
| BAPPENAS | Badan Perencana Pembangunan National | National Development Planning Board |
| BHN | Kebutuhan Dasar Manusia | Basic Human Needs |
| - | BINA MARGA | Directorate General of Highways |
| BKTRN | Badan Koordinasi Tata Ruang National | National Spatial Coordination Board |
| BOD | Kebutuhan Biologis Terhadap Oksigen | Biological Oxygen Demand |
| BOT | Bangun-Operasi-Transfer | Build-Operate-Transfer |
| BPN | Badan Pertanahan National | National Land Agency |
| BPPN | Badan Penyehatan Perbankan Nasional | Indonesian Bank Restructuring Agency |
| BPS | Biro Pusat Statistik | Central Statistic Bureau |
| BTN | Bank Tabungan Negara | National Saving Bank |
| BUMN | Badan Usaha Milik Negara | State Owned Public Enterprise |
| - | Bupati | Head of Municipal |
| CBD | - | Central Business District |
| - | CIPTA KARYA | Directorate General of Human Settlements, Ministry of Public Works |
| DEPKU | Departement Keuangan | Department of Finance |
| - | Desa | Village |
| DKI Jakarta | Daerah Khusus Ibukota Jakarta | Jakarta Capital Metropolitan Area |
| EIA | Analisa Meganai Dampak Lingkungan | Environmental Impact Assessment |
| F/S | Study Kelayakan | Feasibility Study |
| GDP | Pendapatan Kotor Nasional | Gross Regional Product |
| GLD | Pembangunan Tanah Yang Terarah | Guided Land Development |
| GOI | Pemerintah Indonesia | Government of Indonesia |

| | | |
|-----------|---|--|
| GRDP | Pendapatan Kotor Daerah | Gross Regional Domestic Product |
| - | Hak Milik Adat | Right Ownership but not certified by BPN |
| HGB | Hak Guna Bangunan | Right of Building |
| HGU | Hak Guna Usaha | Right of Exploitation |
| HM | Hak Milik | Right of Ownership |
| HP | Hak Pakai | Right of Use |
| HPL | Hak Pengelolaan Lahan | Right of Management |
| IBRD | Bank Dunia | International Bank for Reconstruction and Development (World Bank) |
| IEE | Pengujian Awal Lingkungan | Initial Environmental Examination |
| IUIDP | Program Pembangunan Prasarana Kota Terpadu | Integrated Urban Infrastructure Development Program Scheme |
| JICA | Perusahaan Pemerintah Jepang | Japan International Cooperation Agency |
| JMDPR | Rencana Pembangunan JABOTABEK Metropolitan | JABOTABEK Metropolitan Development Plan Review |
| JUMTPP | Program Persiapan Angkutan Umum di Daerah Jakarta | Jakarta Urban Mass Transit Preparation Program |
| - | Kabupaten | Regency |
| KASIBA | Kawasan Siap Bangun | Ready Build Area |
| - | Kecamatan | District |
| - | Kelurahan | Sub-district |
| KIP | Program Perbaikan Kampung | Kampung Improvement Program |
| KLH | Menteri Negara Lingkungan Hidup | Minister of State for the Environment |
| KMB | Badan Pengelola KASIBA | KASIBA Management Body |
| KOMDA | Komisi Amdal Daerah | Regional AMDAL Commission |
| - | Kota | City |
| - | Kotamadya | Municipality |
| LIB | Badan Penyelenggara LISIBA | LISIBA Implementing Body |
| LISIBA | Lingkungan Siap Bangun | Ready Build Environment |
| L/C | Konsolidasi Tanah | Land Consolidation |
| L/P | Penggabungan Tanah | Land Pooling |
| L/R | - | Land Readjustment |
| LRT | Lampu Transit Kereta Api | Light Rail Transit |
| MCK | Mandi Cuci Kakus | Shower-Washing-Toilet |
| MENPERKIM | Menteri Permukiman dan Pengembangan Wilayah | The State Ministry of Housing and Human Settlements |
| M/P | Rencana Induk | Master Plan |

| | | |
|-------------------|--|---|
| MTA | Wewenang Pengangkutan Umum | Mass Transit Authority |
| OECF | Dana Kerjasama Ekonomi Luar Negeri, Jepang | The Overseas Economic Cooperation Fund, Japan |
| P3KT/IUDP | Program Pembangunan Prasarana Kota Terpadu | Integrated Urban Development Program |
| - | Pancasila | Indonesian Five Principles |
| PBB | Pajak Bumi dan Bangunan | Land and Building Tax |
| PDAM | Perusahaan Dinas Air Minum | Local Government Water Supply Enterprise |
| - | PERSERO | Share Holder Company |
| PERUM PERUMNAS | Perusahaan Umum Pembangunan Perumahan National | National Urban Development Corporation |
| PLN | Perusahaan Umum Listrik Negara | State-owned Electricity Company |
| - | Propinsi | Province |
| PT. TELKOM | Perseroan Terbatas Telekomunikasi | National Telecommunication Company |
| PU | Departemen Pekerjaan Umum | The State Ministry of Public Works |
| REPELITA | Rencana Pembangunan Lima Tahun | Five Years Development Plan |
| RKL | Rencana Kerja Lingkungan | Environmental Management Plan |
| ROW | - | Right of Way |
| RPL | Rencana Pengelolaan Lingkungan | Environmental Monitoring Plan |
| RS | Rumah Sederhana | Simple House |
| RSS | Rumah Sangat Sederhana | Very Simple House |
| RT | Rukun Tenangga | Neighborhood Unit or Association |
| RW | Rukun Warga | Group of Neighborhood Units |
| SOE | Badan Usaha Milik Negara | State-owned Enterprise |
| SPPT | Surat Penetapan Pajak Terhutang | Notify of Tax Payment |
| STUP | Surat Tagihan Utang Pajak | Land Contribution |
| - | Swadaya | Self Finance |
| TAPERUM | Tabungan Perumahan Pegawai Negri Sipil | Savings for Housing of Government Employees |
| UUPA | Undang-undang Pokok Agraria | Basic Agrarian Law |
| WID | - | Women in Development |

SUMMARY



1. Introduction

The Indonesian government enacted the Law No. 4/1992 on housing and human settlement in 1992. This law set forth a new urban and housing development approach of "KASIBA" for controlling urban sprawl rampant in Jakarta Metropolitan area in the early 1990s. The State Ministry of Housing and Human Settlement (then The State Ministry of Housing) started drafting the government regulation for implementation, (which was finally issued by the government on September 30, 1999). On the other hand, the State Minister for Agrarian Affairs and the National Land Agency (BPN) have been executing Land Consolidation (L/C) projects through out the country, based on the basic agrarian Law/1960 and the related government regulations. Through past experiences, the BPN has found problems of the existing L/C system to be addressed. In these cases the study was executed for the development/improvement of KASIBA and L/C. KASIBA and land consolidation are understood in the scope of work of the study as follows:

KASIBA: KASIBA, or Kawasan Siap Bangun (RBA or Ready Build Area), is a piece of land, which is prepared for large scale housing and settlement developments, and consists of one or more LISIBA, or Lingkungan Siap Bangun (RBE or Ready Build Environment). Its implementation is done sequentially starting with support of primary and secondary network of environment infrastructure suitable for the local spatial plan determined by the second level of local government, and satisfying the requirements of housing and settlements standards for infrastructure and public utilities.

Land consolidation: Land consolidation, or land Consolidation in some countries, is one of the measures for land policy associated with the arrangement and rearrangement of land tenure and land use to provide land for infrastructure development in accordance with development plan through active participation of the community.

The purpose of the study is to promote housing and settlement development in the Jakarta Metropolitan area by proposing measures to enforce and improve KASIBA and the land consolidation schemes through conducting two case studies.

2. Urban Development System Improvement Study

2.1 Urban and Land Management System in Indonesia

2.1.1 Historical Context of Urban Development

The main laws and regulations issued by the government, and the plans and programs related to city planning and development are examined and summarized as follows:

Table 2.1.1 Summary of Historical Context of Urban Development

| Period | Central issues in city planning | Highlight |
|------------------------------|--|---|
| 1960-1970 (Before REPELITA) | Establishment of Indonesian land tenure system for urban and land development / management | Basic agrarian law |
| 1970-1980 (REPELITA I, II) | Basic Infrastructure and BPN provision [Increasing revenue from oil exports] | KIP program Perumnas (Low cost housing) |
| 1980-1990 (REPELITA III, IV) | Expansion of Basic Infrastructure [1983 Oil price fall, Sluggish world economy] | IUID program Measures for increasing local government capability |
| 1990-1998 (REPELITA V, VI) | Control and Management of Urbanization [Rapid industrial/economic growth] | Act on Spatial use management Housing/settlement law |

- 1) The period of 1960-1970 is characterized by the establishment of the Indonesian land Tenure system as directed by the Basic Agrarian Law 1960, which was followed by the related governmental regulations covering law execution.
- 2) Since REPELITA started with the poor urban infrastructure and services in the early 70s, projects for improving the basic infrastructure, targeting at basic human needs provision were the major concern of urban development. This was supported by the increasing government revenues generated from the high price oil exports. KIP upgrading of the blighted conditions at the Kampung level, and the establishment of Perum Perumnas for low cost housing were the highlights of this period.
- 3) The basic infrastructure improvement projects initiated in the previous period were expanded into the Integrated Urban Infrastructure Development Project Scheme (IUIDP), which covered water supply, sanitation facilities, KIP, MIIP, urban drainage and urban roads. Resource generation and mobilization, particularly at the local government level were the basic principles of the IUIDP, which were Launched to coincide with the declining revenues of the central government due to the falling oil prices in 1983. In line with this policy, programs aiming at improving and strengthening the local government capability - financial, technical and managerial, were initiated and executed under IUIDP.
- 4) The macro-economic policies and measures of the Indonesian government boosted industrial development, especially non oil & gas industries. This rapid industrialization was followed by rapid urbanization especially in Jakarta and JABOTABEK area.

The increase in urban population has been accelerated through the continuing in-migration from the rural areas. This rapid urbanization coupled with intensive industrialization brought about serious urban problems such as water and air pollution, traffic congestion, flood and so on.

The Indonesian city planning reached a new horizon where effective systems and measures for controlling and managing large scale urbanization became major priorities in order to tackle such urban and environmental problems and achieve economically and socially sustainable development.

The act on spatial use management enacted in 1992 was an epoch making thrust for improving city planning and development, which laid the foundation for developing measures for combating urban problems in the advent of massive urbanization. While the Government was in the midst of preparing guidelines and government regulations for executing the law. Another related law, the Housing and Settlement Law, was enacted in 1992. This law reflected the government's intention to more effectively control and manage urban and land development in the face of the rampant urban sprawl around Jakarta and other cities.

[Recent Period (Reformation era) – Strengthening Local Government for decentralization]

As described, the government was in the process of reinforcing the city planning and development system by applying innovative measures based on new laws. It may be said that Indonesia had reached a new era of innovative city planning and was at the first stage of its improvement. However, the recent economic crisis and social instability triggered great changes in the social and political environment, which lead the Indonesian society into the reformation era. The reformation movements already started in the present transitional government, and will continue in the coming new regime, with the scope and magnitude of the reformation being dependent on the decision of the new government. It is anticipated that the Indonesian city planning and development system will also be improved in accordance with the government reformation, the directions of which may remain basically unaltered in the incoming government. It is expected that KASIBA and L/C will make a great contribution to the improvement of the Indonesian city planning. The on-going government reformation is discussed in following sections.

2.1.2 Main Stream of City Planning in the Government Organization

The organizational structure for city planning in the Indonesia government is examined. With local governments being the main executing agencies of city planning, the central government mandated by the President guides, assists and supervises local governments in line with the government policy of decentralization / deconcentration.

While the governors of provinces and mayors/regents elected by local assemblies and approved by the central government enjoy autonomy to some extent, they are also mandated by the President to govern their regions.

Indonesian urban management can be found in two streams of activities in the government organization structure from the central to the local. One is the ordinary stream, which is more or less common to many other countries in the world, of administrative activities for the regional and urban development between central and local governments.

The other is the stream of land management activities made by the National Land Agency. This accrues from the special definition of land and special role of land management in the Indonesian society. Land management by the government entrusted by the BPN consists mainly of land tenure arrangement/land reform, land right management, land right certification (Land tenure) and land use as well. On this legal basis the BPN participates in the city planning process of the local government.

City planning and urban infrastructure development is more decentralized than land management. The latter is more centralized. This may be understandable since land management is vital for governing the nation, more so in an archipelago consisting of thousands of islands with thousands of tribes such as Indonesia. The Indonesian government structure is characterized with a combination of decentralization and centralization.

The recent reformation movement of the government has been changing this situation in such a manner as transferring the right of issuing location permits from the BPN to the local government.

2.1.3 City Planning and Development Administration

The essential key factor in Indonesian city planning is the formulation and legal authorization of the spatial plan. National, provincial and municipality/regency spatial plans are sequentially formulated and authorized in conformity with the 5-year development plan.

[4-step permit granting]

Private real estate developers have to clear 4 different permit regulations - *Principle permit, Location permit, Planning permit and Building permit* by stage. The principle permit is issued to projects, which are confirmed to be in compliance with the development plan and spatial plan in force by the local government (Level II). After the principle permit, the location permit is granted by the National Land Agency, which duly confirms the project acceptability from the viewpoint of land management and administration.

Differences in development permit and land purchase between Indonesia and Japan are presented in order to understand the unique characteristics of the Indonesian system. While land purchase, or consent of landowners to sell their land to developers is one of the important conditions for issuance of a development permit (planning permit) in Japan, the development permit (principle and location permits) is one of the basic conditions for land purchase in Indonesia. The location permit grants privileges to developers and imposes restrictions on land ownership as follows:

Privilege to developers: a single developer is granted the exclusive right to negotiate with, and buy land from landowners. However landowners' rights are safeguarded by the time limitation set in the granted right. The right expires after a certain period if the developer fails to purchase the land. (Project implementation is uncertain depending on landowners' will to sell).

Restriction on landowners: landowners cannot sell their land to developers other than the developer holding the granted right or even receive with land certification and develop houses on their own land.

The apparent intention beyond this is to prevent excessive competition among plural developers and speculators that would result in land price escalation, and disorderly/disintegrated urban development by plural developers. However, this is criticized by Indonesian experts as providing too much privilege to developers and too much restriction on landowners. In order to safeguard both the property rights of landowners and the certainty of the project implementation, obtaining land ownership through free transactions with the landowners' consent to sell land is a basic condition for issuing development permits in Japan.

[Transfer of right of issuing location permit with its re-definition]

The Minister of Agrarian has redefined the meaning of location permit through the Ministerial

Decree no. 2/1999 with the clarification in the ministerial letter (February 1999) addressed to governors, Bupati and Walikota as follows: 1.) Location permit is applied for investment activities (industries, tourism and plantation); 2.) Location permit will no longer grant any right to the location permit holders. Location permit is only a permit referring to spatial plan; 3.) Location permit will no longer be issued by the BPN but by the local government. This simply means that the privilege to developers and restrictions on landowners have been repealed.

2.1.4 Land Administration and Management in City Planning and Development

The Indonesian Constitution of 1945 (Article 33) provides that land, water, air and the natural richness contained therein shall be under the control of the state, and used for the maximum well being of the people. Under the principles of the Constitution, the Basic Agrarian Law 1960 (BAL) states that the state has the inherent right to control all aspects of private land ownership and use to ensure that is used for the benefits of the people. The 1960 Law also established the Land tenure system based on the Customary Law representing the land philosophy of Indonesian people, abolishing the European Land Law. Through administering this system, the BPN, as the state agency for all land in Indonesia exerts the power to control, allocate and limit the ownership rights of private individuals, groups or organizations to possess, use and transfer land.

The BAL 1960 Law defined the land tenure among others, Right of ownership (Hak Milik), Right of building (HGB), Right of use (HP) and Right of management (HPL) as well as the conversion and registration of land tenure. The eligible holder of right of ownership is only an Indonesian citizen excluding foreigners and corporations with a few exceptions. The eligible holders of right of building (HGB) are corporations, as well as Indonesian citizens.

2.1.5 Financial System for Urban and Housing Development

Housing development in Indonesia is mostly dependent on private financing sources. Equity and commercial bank lending are the major financing sources for housing developers including a public housing corporation, Perum Perumnas. Although housing development is a medium-term investment, developers have to depend on commercial banks' short-term lending for the financing of their projects, or even issue short-term commercial papers to construct middle- to high-priced homes. The increase in the interest rates and a drop of the housing demand due to the economic crisis caused a serious set-back in housing development, highlighting the constraints of the conventional housing development financing.

Although the BTN (National Saving Bank) plays a substantial role in the provision of low-cost housing loans, it already reached the Government's target amount of loan set up to Feb. 1999. The unavailability of subsidized loans causes Perumnas to hold 26,000 houses in stock at present. The BTN offers low interest rates for low-cost houses by mixing three sources of funding: Bank of Indonesia, Ministry of Finance, and the BTN itself. The interest rate on the BTN's saving account reached 41% in July 1998, and the new interest rates for low-cost housing agreed upon with the Government do not cover the costs.

Perumnas's increasing dependency on costly short-term financing has increased its cost of financing and, at the same time, has significantly decreased its liquidity. Perumnas depends on short-term loans even for investment in land purchases that sometimes take a much longer time period. The Government supports Perumnas's housing development by constructing major infrastructure such as arterial roads, water supply facilities, drainage canals, although there are

no explicit rules regarding the Government's contribution to Perumnas' housing development.

2.1.6 Current Government Reformation

The reformation movements have been progressing in Indonesia since the political change in the middle of 1998. In fact many new laws and government regulations enhancing the government reformation have been enacted, covering almost all sectors of government: *Democratization/human rights, decentralization, organizational, policy, financial, land, and Judiciary reformation*. Among others, decentralization is most relevant to KASIBA and L/C because they are categorized into city planning which is the responsibilities of local governments by nature. *Law No. 22/1999 on Regional Administration and Law No. 25/1999 on Financial Proportion between Central and Local Government* aim at the decentralization policy of the Indonesian government.

Law No. 22/1999 on Regional Administration

This law is designed to facilitate the decentralization/deconcentration policy of the government with the great emphasis on autonomy of local government. This law is characterized with *no hierarchical structure and clear demarcation of function and authorities between central and local administration, political mechanism (establishment of Regional House of representatives), clear regional administrative structure*.

Law No. 25/1999 on Financial Proportion between Central and Local Government

The Law Number 25, 1999 practically brought about two major changes. One is an increase in autonomy at the regional level. The State is no longer concerned with local level projects; subsidies (now they are called the "general allocation" and the "special allocation") are given to regions without specifying their usage. Another major difference brought about by the new law is the broadening of original revenue sources related to natural resources at the Regional level.

The change in the disposition of revenue does not, however, effectively support the decentralization, since the change concerns only those regions that have revenues from natural resources. Moreover, even if some regions increase revenues from natural resources due to the above change, their total revenues would not increase since the State would decrease the transfer to these regions accordingly. Since major local revenues are transferred to the State and then reallocated to regions, the regions are obliged to depend on the State. (On average, 70% of the regional governments' revenues are the transfer from the State.) It would be necessary to let regions have more original revenues at their own disposal in order to achieve further decentralization.

How substantially, and how soon will the decentralization policy be realized is difficult to answer. However, the implication of functional and financial decentralization or autonomy of the local government on urban and housing development is supposed to generate: 1.) *Functional change*: the local government as a leading actor with the central government as a supportive actor in urban and housing development. It means that the local government shall be the first responsible organization of KASIBA and L/C; 2.) *Political/administrative decision-making process*: more participatory, democratic and transparent than ever; 3.) *Capacity building* of the local government and local people: KASIBA and L/C cannot be implemented without the capacity building of local government and empowering communities and people; and, 4.) *Higher priority* on urban and housing development, which is more related to peoples' concern and interest in their daily lives.

2.2 System Improvement and Building of KASIBA

2.2.1 Law No. 4/1992 on Housing and Settlements

The KASIBA (Kawasan Siap Bangun = Ready Built Area) system is based on the Law of the Republic Indonesia Number 4 of 1992 (Regarding Housing and Settlements). It is stipulated that the proper, healthy, comfortable, harmonious and orderly development of housing and settlements which is one of the basic human needs and comprises an important factor in enhancing the respect and self-esteem, quality of life and well-being of a society, should be fair and prosperous in accordance with the 1945 Constitution, within the framework of the integrated national development of all of Indonesia and the Indonesian society.

Definition

"KASIBA is a piece of land which is prepared for large scale housing and settlements development and consists of one or more LISIBA, or Lingkungan Siap Bangun (RBE or Ready Built Environment). Its implementation is done sequentially, starting with the support of primary and secondary network of environment infrastructure suitable for the local spatial plan determined by the second level of Local Government, and satisfying the requirements of housing and settlements standards for infrastructure and public utilities."

Purposes

The purposes of KASIBA are to set up a policy formulation in housing and human settlement sectors, solve various problems in those sectors such as, large scale real estate sprawl in sub-urban area by the private developers to carry out supervision and control for sufficient infrastructure development in urban sprawl areas, solve non-regulated or non-coordinated change of land use in urbanizing areas, and solve the shortage of housing supply in urban areas especially for low income group.

Requirements for enforcement

In order to realize a settlement zone, the local government determines one or more parts of the settlement zone in accordance with the spatial master plan of urban areas and non-urban areas that already meet the requirements as KASIBA. The requirements must at least cover the provision of detailed spatial master plan, data regarding extent, borders and ownership of land and Primary and secondary network of environment infrastructure.

Development

The development of LISIBA is to be done *in stages*, involving the activities of: 1.) land preparation; 2.) putting in order, utilization, and control of the land ownership; 3.) making available area/environmental infrastructure; and, 4.) replanting of the area. The business enterprises in the field of housing construction, that have developed LISIBA, are prohibited from selling ready-subdivided land *without houses*. Each citizen has the same rights and opportunities for participation in the development of housing and settlements and the widest participation is encouraged. This participation can be done either individually or through undertakings.

2.2.2 Classification/Application and Principles of KASIBA

(1) Urban Control and Management Measure

KASIBA as outlined in the preceding section, can be defined as an urban control and

management measure, but not a project implementation measure directly providing housing/buildings. Without KASIBA the scatter and sprawl of the real estate/subdivision projects is very likely as evidenced in the past urban development pattern around DKI Jakarta. Once KASIBA areas are designated, the real estate/subdivision developments are to be guided into the KASIBA area so as to create an integrated and unified urban area and community just like one city or town. This may be realized through two measures, one is to discourage or prohibit the real estate/subdivision development outside the KASIBA area and the other is to offer attractive opportunities of development and investment in the KASIBA areas. The other function of KASIBA is to manage urban development in a planned area. The urban development implementation generally consists of the following 4 tasks: 1.) Designation of development area; 2.) Infrastructure construction (Primary); 3.) Land acquisition; and, 4.) Housing/building development (Final products of development). Urban development system (not limited to KASIBA) is theoretically classified into 5 types in accordance with the degree of the public participation in the above-mentioned tasks as follows.

Classification of Urban Development

- Type-1: Entirely Public Initiative (e.g. Perumnas housing development project)*
- Type-2: Provision of Infrastructure and Land by Public Initiative*
- Type-3: Provision of Infrastructure by Public Initiative*
- Type-4: Designation of Development Area by Public Initiative*
- Type-5: Entirely Private Initiative (Real estate development)*

In this respect, KASIBA is theoretically defined as a scheme of cooperation and sharing between private and public participation in city planning and development. KASIBA management is to implement the tasks of public participation and control/promote the task of private participation. While the private sector is expected to be involved in as many tasks as possible in the government thrust of privatization, the public involvement is also required so as to promote and maximize the private involvement, and to secure the public interests and social welfare within the urban development.

(2) Classification and Application of KASIBA System

Corresponding to the types of urban management system as classified above, 3 types of KASIBA systems are proposed to be applied in Indonesia as listed and shown hereafter:

Classification and Application of KASIBA System

- KASIBA System-1: Type-4 (Designation of development area)*
- KASIBA System-2: Type-3 (Provision of infrastructure)*
- KASIBA System-3: Type-2 (Provision of infrastructure and land)*

Through the examination of the implementation systems under the proposed KASIBA urban management systems, as discussed in the following section, the Steering Committee confirmed that the proposed KASIBA systems are applicable and not contradictory to the 1992 law on KASIBA, and on these premises it is concluded that the KASIBA system should consist of the 3 systems, either individually or in various combination as classified above. It must be also stated that these 3 systems are selected through the examination of their possible application to the city planning and development in Indonesia as discussed below.

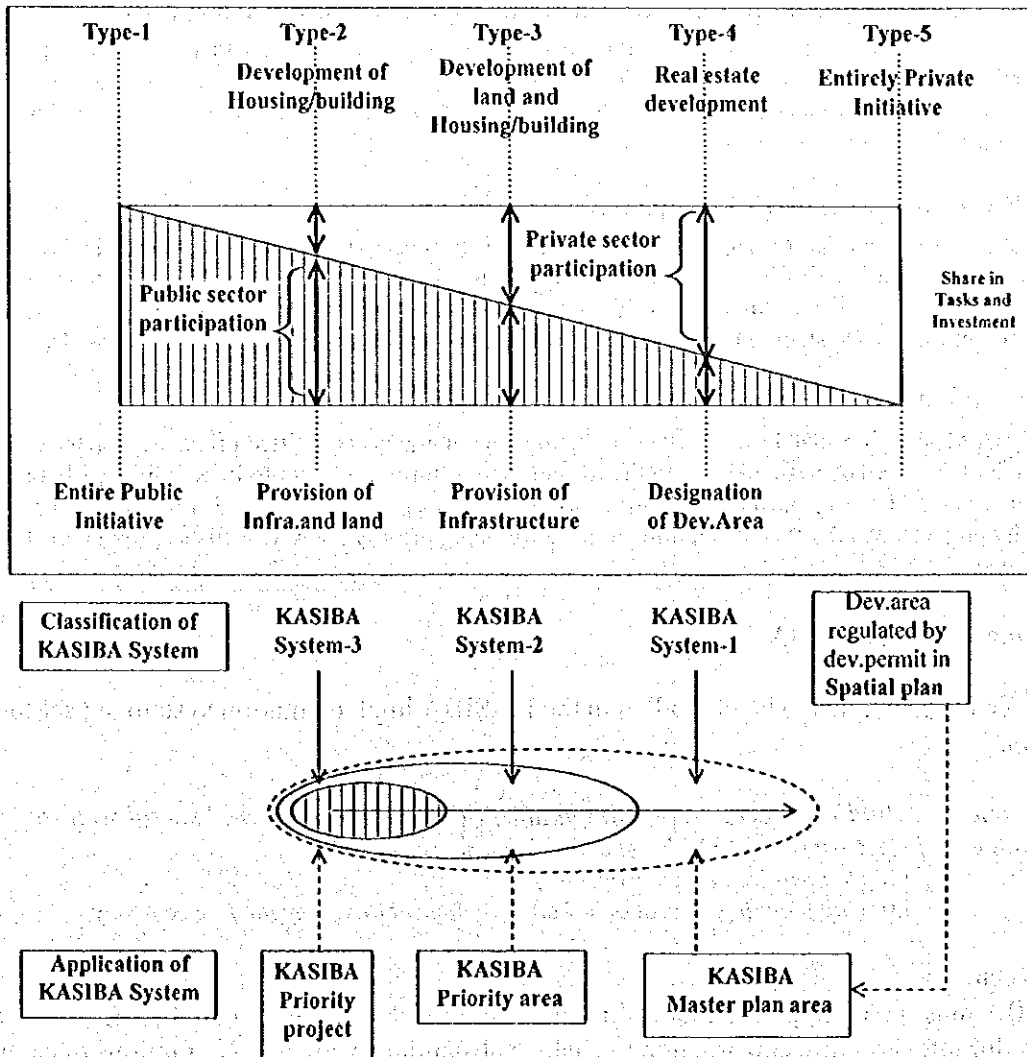


Figure 2.2.1 Classification and Application of KASIBA System

Application in city planning

The KASIBA system is originally envisioned in order to respond to urban problems/needs and government urban/land/housing development policies. For these ends different implementation systems under KASIBA management should be prepared so as to be responsive both generally and specifically to a variety of urban problems and needs at present and in the future. The applications in city planning are shown as follows:

Application of KASIBA System by Classification in City Planning

KASIBA System-1: KASIBA Master plan area (Long-term integrated urban area development)
 In the current system, the government does nothing but waits to approve the development projects submitted by the private sector in any place in the urban area of the Spatial plan. In the KASIBA System-1, urban development project areas can be positively designated by the government from a strategic view point of city planning. This is a great advantage for the Indonesian city planning since the government can more definitively and positively lead the implementation of urban area development by public initiative. The designation of KASIBA areas is to have another legal effect of regulation that all the urban development must be coordinated and conform with the KASIBA Master Plan.

KASIBA System-2: KASIBA priority area (Directed and phased urban development)

The KASIBA areas of system-2 are to be designated in some priority areas, which are very important for constructing future urban structure of cities and leading urbanization. With provision of primary infrastructure services, urban development projects are promoted in the areas. This system should be applied to phased development of urban areas.

KASIBA System-3: KASIBA project area

This system is to be applied for land provision for specific purposes such as housing, industries, commercial activities and etc, on behalf of the agencies responsible for these purposes. It is advisable to establish this system in areas with special importance in the city planning, where land acquisition by private developers faces difficulties. This system must be equipped with special legal measures for facilitating land acquisition.

Integrated KASIBA System

1. KASIBA Master plan shall be established, covering the integrated and unified urban areas in the coming 10 years under the KASIBA system-1. 2. In the Master plan, priority areas are to be identified, where primary infrastructure shall be developed so as to attract private developers and investors. 3. Land should be provided to priority projects, which are quite significant for developing priority areas as well as realizing the KASIBA master plan.

(3) Principles of KASIBA

The three (3) principles to be embodied in the KASIBA implementation system are set forth as follows:

Basic concept : Public/general system to enhance the public interest and social welfare

Principles : (1) Cost recovery by beneficiaries' payments

(2) Competitive market economy

(3) City planning control on urban development driven by the free economy

Cost recovery

KASIBA must be equipped with a capturing system of development benefit and cost sharing system for infrastructure construction to enable substantial cost recovery. Options of capturing depending on the proposed KASIBA systems 1 to 3, includes land price control or freezing, increased property tax, special assessment tax, capital gain tax, special charges for land selling, internal revenue for cost recovery, development charge, and land contribution (reserved land for sharing the cost of main infra.). A cost sharing system for infrastructure construction between 3 parties (central/local government, KASIBA management body and LISIBA developers) must be created in accordance with classification of the infrastructure developed in the KASIBA area.

Market economy

KASIBA projects are to be managed and implemented on the principle of market economy. 1. Competitive and open system shall be established for participation in LISIBA development by the private sector (developers and investors). More specifically, an open tendering system for LISIBA development should be a precondition for granting the development permit of LISIBA to, and contracting with, developers. 2. Even when KASIBA is implemented on a market economy basis, subsidies must be granted only when public service obligation (PSO), such as a low-cost housing provision, is requested by the government to be carried out by KASIBA management body and SOEs. This is for the purpose of maintaining the sound and viable financial base of KASIBA management.

City planning control

City planning control shall be strictly enforced on the market-economy driven LISIBA development through the introduction of the development ordinance on land use, building, public facilities and others, respect of which shall be a condition for granting the development permit to the LISIBA developers.

2.2.3 Variations of the Implementation Systems for KASIBA Management

(1) Implementation System for Urban Development

Three (3) alternatives for the implementation systems are proposed, the applicability of which should be examined for large-scale urban development. They are Land Consolidation (L/C), Land pooling and Real estate development. KASIBA is also one alternative for large scale urban development, however, it may be defined as a development management system, which is designed to develop large scale urban areas by applying the 3 implementation systems in LISIBAs. The distinctive differences between the above-mentioned implementation systems are found in the land management and self-financing system.

(2) Implementation System for KASIBA

Seven variations of the urban development systems under KASIBA management systems are elaborated as follows:

Table 2.2.1 Variation of Implementation Systems for KASIBA Management

| Urban dev. system | Variation of dev. System | Designation of dev. area | Primary and secondary infra. | Land management | Building / housing |
|-------------------|---------------------------------|--------------------------|--|-----------------------------|---------------------------|
| System 3 | 1. Main infra. + land Provision | Designation of dev. area | Primary/secondary infra. by KMB | Land purchase by KMB | Developers |
| System 2 | 2. Main infra + L/C | Designation of dev. area | Primary/secondary infra. by KMB | L/C | Land owners |
| | 3. Main infra. + land pooling | Designation of dev. area | Primary/secondary infra. by KMB | Land pooling | Land owners |
| | 4. Main infra. + developers | Designation of dev. area | Primary/secondary infra. by KMB | Land purchase by developers | Developers |
| System 1 | 5. Variation of 4 (developer) | Designation of dev. area | Primary/secondary infra. by developers | Land purchase by developers | Developers |
| | 6. Variation of 2 (L/C) | Designation of dev. area | Primary/secondary infra. by L/C | L/C | Land owners |
| Combined system | 7. Combination of 1 and 6 | Designation of dev. area | Primary/secondary infra. by L/C | L/C | Developers and landowners |

| | |
|-------------------------------|----------------|
| Government and KASIBA's Tasks | LISIBA's Tasks |
|-------------------------------|----------------|

Primary and Secondary infra. : Primary and Secondary network of environment infrastructure

The urban development systems vary depending on the range and scope of KASIBA management, and the basic systems of implementation: 1.) Land acquisition (public or private), and 2.) Landowners' participation (Land Consolidation/Land Pooling, or partnership). The variations of implementing systems are discussed hereafter.

KASIBA system-3

1) KASIBA infrastructure construction and land acquisition for LISIBA

This is a basic system of KASIBA envisioned in Law No. 4/1992 on KASIBA. According to

KASIBA System-2: KASIBA priority area (Directed and phased urban development)

The KASIBA areas of system-2 are to be designated in some priority areas, which are very important for constructing future urban structure of cities and leading urbanization. With provision of primary infrastructure services, urban development projects are promoted in the areas. This system should be applied to phased development of urban areas.

KASIBA System-3: KASIBA project area

This system is to be applied for land provision for specific purposes such as housing, industries, commercial activities and etc, on behalf of the agencies responsible for these purposes. It is advisable to establish this system in areas with special importance in the city planning, where land acquisition by private developers faces difficulties. This system must be equipped with special legal measures for facilitating land acquisition.

Integrated KASIBA System

1. KASIBA Master plan shall be established, covering the integrated and unified urban areas in the coming 10 years under the KASIBA system-1. 2. In the Master plan, priority areas are to be identified, where primary infrastructure shall be developed so as to attract private developers and investors. 3. Land should be provided to priority projects, which are quite significant for developing priority areas as well as realizing the KASIBA master plan.

(3) Principles of KASIBA

The three (3) principles to be embodied in the KASIBA implementation system are set forth as follows:

Basic concept : Public/general system to enhance the public interest and social welfare

Principles : (1) Cost recovery by beneficiaries' payments

(2) Competitive market economy

(3) City planning control on urban development driven by the free economy

Cost recovery

KASIBA must be equipped with a capturing system of development benefit and cost sharing system for infrastructure construction to enable substantial cost recovery. Options of capturing depending on the proposed KASIBA systems 1 to 3, includes land price control or freezing, increased property tax, special assessment tax, capital gain tax, special charges for land selling, internal revenue for cost recovery, development charge, and land contribution (reserved land for sharing the cost of main infra.). A cost sharing system for infrastructure construction between 3 parties (central/local government, KASIBA management body and LISIBA developers) must be created in accordance with classification of the infrastructure developed in the KASIBA area.

Market economy

KASIBA projects are to be managed and implemented on the principle of market economy. 1. Competitive and open system shall be established for participation in LISIBA development by the private sector (developers and investors). More specifically, an open tendering system for LISIBA development should be a precondition for granting the development permit of LISIBA to, and contracting with, developers. 2. Even when KASIBA is implemented on a market economy basis, subsidies must be granted only when public service obligation (PSO), such as a low-cost housing provision, is requested by the government to be carried out by KASIBA management body and SOEs. This is for the purpose of maintaining the sound and viable financial base of KASIBA management.

City planning control

City planning control shall be strictly enforced on the market-economy driven LISIBA development through the introduction of the development ordinance on land use, building, public facilities and others, respect of which shall be a condition for granting the development permit to the LISIBA developers.

2.2.3 Variations of the Implementation Systems for KASIBA Management

(1) Implementation System for Urban Development

Three (3) alternatives for the implementation systems are proposed, the applicability of which should be examined for large-scale urban development. They are Land Consolidation (L/C), Land pooling and Real estate development. KASIBA is also one alternative for large scale urban development, however, it may be defined as a development management system, which is designed to develop large scale urban areas by applying the 3 implementation systems in LISIBAs. The distinctive differences between the above-mentioned implementation systems are found in the land management and self-financing system.

(2) Implementation System for KASIBA

Seven variations of the urban development systems under KASIBA management systems are elaborated as follows:

Table 2.2.1 Variation of Implementation Systems for KASIBA Management

| Urban dev. system | Variation of dev. System | Designation of dev. area | Primary and secondary infra. | Land management | Building / housing |
|-------------------|---------------------------------|--------------------------|--|-----------------------------|---------------------------|
| System 3 | 1. Main infra. + land Provision | Designation of dev. area | Primary/secondary infra. by KMB | Land purchase by KMB | Developers |
| System 2 | 2. Main infra. + L/C | Designation of dev. area | Primary/secondary infra. by KMB | L/C | Land owners |
| | 3. Main infra. + land pooling | Designation of dev. area | Primary/secondary infra. by KMB | Land pooling | Land owners |
| | 4. Main infra. + developers | Designation of dev. area | Primary/secondary infra. by KMB | Land purchase by developers | Developers |
| System 1 | 5. Variation of 4 (developer) | Designation of dev. area | Primary/secondary infra. by developers | Land purchase by developers | Developers |
| | 6. Variation of 2 (L/C) | Designation of dev. area | Primary/secondary infra. by L/C | L/C | Land owners |
| Combined system | 7. Combination of 1 and 6 | Designation of dev. area | Primary/secondary infra. by L/C | L/C | Developers and landowners |

| | |
|-------------------------------|----------------|
| Government and KASIBA's Tasks | LISIBA's Tasks |
|-------------------------------|----------------|

Primary and Secondary infra. : Primary and Secondary network of environment infrastructure

The urban development systems vary depending on the range and scope of KASIBA management, and the basic systems of implementation: 1.) Land acquisition (public or private), and 2.) Landowners' participation (Land Consolidation/Land Pooling, or partnership). The variations of implementing systems are discussed hereafter.

KASIBA system-3

1) KASIBA infrastructure construction and land acquisition for LISIBA

This is a basic system of KASIBA envisioned in Law No. 4/1992 on KASIBA. According to

the law, private developers/investors are invited to develop LISIBA where land with primary infrastructure services is provided. KASIBA management includes the following direct tasks: infrastructure construction and land acquisition and indirect tasks (control and coordination of LISIBA implementation).

KASIBA system-2

Primary infrastructure is to be constructed by the KASIBA management, leaving land management under the responsibility of the LISIBA implementation body. The following 3 implementation systems are proposed for consideration.

2) Land Consolidation

This system is included in the law as a substitute for land acquisition by the KMB. This may be attributed to the anticipation that the projects will face the difficulties and problems of land acquisition, which have been experienced in the past development projects such as the real estate developments as well as Perumnas housing projects. These difficulties and problems sometimes threaten the financial viability of projects as discussed in the financial analysis section. In the case of real estate development with location permit, real estate developers are to be given the privilege of exclusively purchasing lands and develop the site once approved by the government (such privilege was revoked and the location permit was transferred to the local government by the BPN in 1999). It is probable that the KMB shall be granted a similar right to those under the location permit. However, it is reported that even with privilege under the location permit real estate developers and Perumnas have been facing difficulties in land acquisition. In this regard, in order for KASIBA to become effective and viable, it will be necessary to equip the KMB with a more powerful privilege for land acquisition (land expropriation at maximum), or effective restriction on the freehand of landowners.

3) Partnership of landowners

Instead of land consolidation by landowners as stated above, partnership of landowners with the KMB or participation of real estate developers in LISIBA are the other possible options for land management: variation 3) and 4) respectively. In the partnership scheme, the landowners collectively entrust the KMB to use and develop their land with economic return after the project implementation of KASIBA.

4) Real estate development

In the private sector's participation, real estate developers are invited in the development in LISIBA including land acquisition activities, after the main infrastructure construction by the KMB, just like the private sector real estate development under the location permit. *Variation 4) is applied to the KASIBA area, which is designated, including the real estate development with the location permit issued in the past.*

KASIBA system-1

Modifications of the above-mentioned systems were sought from the stand-point of lessening the financial and working burdens of KMB, which is the way to make KASIBA more viable. Real estate development of variation 4) and land readjustment of variation 2) should be allowed to expand to cover the areas consisting of several LISIBAs, of which the KASIBA area is formed. Thus, the real estate development and L/R can include the main KASIBA infrastructure located in their development areas. In these variations, *the KMB major tasks are to promote, monitor, control and supervise either real estate development or L/R project implementation.*

5) Modification of 4)

Private developers are to be invited to develop KASIBA including primary as well as secondary infrastructure construction in LISIBAs, in conformity with the KASIBA master plan.

6) Modification of 2)

The KASIBA area is divided into districts, which are developed by L/C by phase in conformity with the KASIBA master plan, including primary and secondary infrastructure. Thus, the infrastructure is to be constructed through L/C.

7) Combination of 1) and 2)

Finally proposed is a *combination of variations 1) + 6) – Land acquisition + L/R*. In advance lands, which landowners agree to sell, are purchased by the KMB or Perumnas without having to resort to any compulsory measures like expropriation. After, or in parallel with, the land purchasing and/or land readjustment is to be executed, including the purchased and non-purchased lands in KASIBA so that the main infrastructures of KASIBA are to be constructed through L/R. The land purchased by the KMB or Perumnas is to be replotted and consolidated into LISIBA, thus making LISIBA ready for building. This is designed to cover the weakness of the existing land acquisition legal measures as well as strengthening cost recovery of infrastructure through application of L/R. It may be stated that all the variation systems of KASIBA as discussed above, and even further modified systems will be necessary so that KASIBA can flexibly respond to a variety of project sites with different needs and conditions throughout the country.

(3) Application Cases of KASIBA Variations

Some practical application cases of the KASIBA variation systems responding to the current situation of urban development in Indonesia are considered below. More specifically KASIBA variations shall be designed to be applicable to the urban development potential and constraints represented by excessive issuance of location permits, bank assets including land and properties taken over by the BPPN (Badan Penyehatan Perbankan Nasional : Indonesian Bank Restructuring Agency/IBRA), and increasing difficulties of land purchase due to the growing awareness of land right in the reformation era. From this table, Jatiasih is a candidate site for either variation X-2 or 6, while Parung Panjang is a candidate for variation X-7.

Table 2.2.2 Candidate Areas for KASIBA Variation

| KASIBA Variation | Areas to be applied | Remarks |
|--|---|---------------------------------------|
| Variation X-1 Infra. and land | - Large tract of land already owned by government with good location for dev. - Majority of landowners agree to sell their land | Perumnas, BPPN |
| Variation X-2 L/C | - LISIBA where majority of landowners are opposed to land acquisition | BPN |
| Variation X-3 Land pooling | - Partner-ship project among landowners with relatively larger land tract. | Association of landowners |
| Variation X-4 Real estate dev. | - Areas where urban development with location permits issued are stagnant due to lack of infrastructure (Need of urbanization promotion) | Private sector |
| Variation X-5 Modified X-4 | - Areas where urban development with location permits need to be rearranged/integrated into a new city. | Private sector |
| Variation X-6 Modified X-2 | - Urban areas where urbanization has started with low density. (Land acquisition is difficult) | Jatiasih (BPN) |
| Variation X-7 Combination of X-1 and 6 | -Urban area development where surrounding areas and piecemeal development should be integrated with Perumnas housing area into a new city | Parung Panjang (Perumnas, BPN) |

2.2.4 KASIBA System Improvement Plan

(1) Basic Structure and Components of the KASIBA System

KASIBA systems 1 to 3 shall be established in the KASIBA institutional system so that any one of them can be applied wherever/whenever necessary, and the appropriate implementation system shall be selected among the proposed 7 variations as stated before. Among the proposed 3 KASIBA systems, system-3 is the most comprehensive one. The KASIBA system is designed mainly based on system-3. KASIBA implementation activities of system-3 basically consist of: firstly, the designation of KASIBA area, secondly, infrastructure construction and land acquisition, and finally, LISIBA development. In order to execute these activities, the following sub-systems must be established.

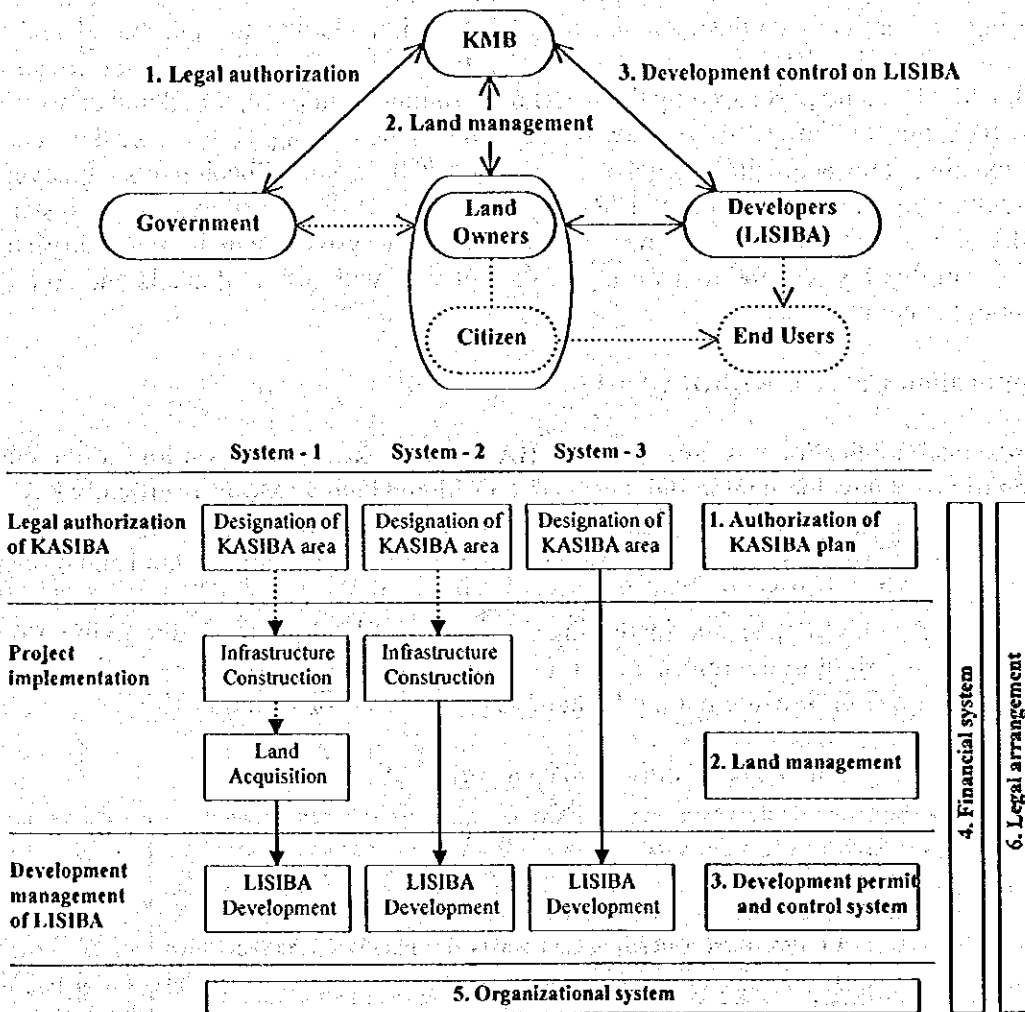


Figure 2.2.2 Basic System of KASIBA Implementation System

(2) Government Approval

A 2-step government approval system for legal authorization comprising approvals of the KASIBA development area and plan, and KASIBA implementation plan is proposed. It is recommended that the KASIBA area and development plan should be included in the Spatial

plan, which is due to be approved by the local government, and KASIBA implementation plan and organization be included in the existing KASIBA law for approval by the local government. The existing KASIBA law includes all the items listed above except the KASIBA implementation plan. Inclusion into the Spatial plan is justified as follows:

Table 2.2.3 Government Approval of KASIBA

| Items for Approval | Check Items for approval | Legal System |
|--|--|----------------------------------|
| KASIBA Area & Dev. Plan | Public interest and social welfare, conformity with spatial plan, urban dev. program of the city | Inclusion in Law on Spatial Plan |
| KASIBA Implementation Plan & Implementing organization (KMB) | Feasibility, implementability, social/natural environment and property rights | Inclusion in Law on KASIBA |

City (Spatial) planning is an administrative system of publicly approving urban development schemes for public interest and social welfare through a democratic and transparent procedure. Upon approval, KASIBA and L/C are to be endowed by the public, with legal enforcement power to attain the public interest and social welfare. This aims at increasing implementation capabilities of KASIBA and L/C projects as well as the Indonesian Spatial plan.

(3) Land Management

Comprehensive land management measures must be mobilized for KASIBA as follows:

Table 2.2.4 Comprehensive Land Management Measures

| | Non-compulsory (existing legal system) | Compulsory (new legal system) |
|---|--|---|
| (1) Acquisition through free transaction | <ol style="list-style-type: none"> 1 Rationalization of land transaction (Land value evaluation committee) 2 Provision of opportunities to take part in KASIBA project (Investment of land, partnership) 3 Supplementary measures for land acquisition <ol style="list-style-type: none"> 1) Substitute land: Land exchange, relocation in/out KASIBA area 2) Supporting restoration of livelihood, Consultation, employment and vocational training | |
| (2) Acquisition through government intervention | <ol style="list-style-type: none"> 1. Coordination, advice | <ol style="list-style-type: none"> 1. Preemption 2. Expropriation |
| (3) L/C & Land Pooling | <ol style="list-style-type: none"> 1. Promote voluntary L/C, Land pooling | <ol style="list-style-type: none"> 1. Compulsory L/C |

1) Land acquisition through free transaction

Land acquisition is an essential method of land management of KASIBA. Firstly, the KMB should maximize land acquisition through free transaction. For this end the following measures in the existing legal framework are quite important: 1.) Rationalization of land transaction; 2.) Provision of opportunities to take part in KASIBA projects; and, 3.) Supplementary measures for land acquisition. The major problem hindering land purchase is disputable *land price*: unscrupulous profits for speculators, brokers and developers through land transaction/development or windfall benefit generated by land price increase on one extremity and losses to landowners at the lowest land selling price on the other extremity. In order to facilitate land transaction through mitigating these problems, land market must be rationalized and established with standardized land evaluation system. In this regard the *KASIBA land*

evaluation committee should be established so as to present reasonable land prices to both parties of the transaction-buyers and sellers on a neutral position and coordinate to settle land transaction. In addition, during the land acquisition negotiation process, alternatives shall be offered to undecided landowners as an attempt to settle land issues. Those shall be provisions of opportunities for them to participate in the KASIBA project in such form as investment of their land, land trust and partnership. The others are supplementary measures such as provision of substitute land (land exchange, relocation in or outside the KASIBA area) and supports to restoration of livelihood of the landowners and affected persons (consultation, placement of employment and vocational training).

2) Land acquisition through government intervention

It is supposed that in spite of the best utilization of measures by the KMB as stated above, there will be project sites where the KMB fails to acquire the total land for the project. Government intervention may then be necessary for finalizing the land transaction. This will be executed by the virtue and power of the local government in supporting KASIBA for the public interest. Government intervention will be more justified and accepted by the public if/when KASIBA is authorized in the spatial plan as discussed before. Coordination and advice of government on legal basis is the first step, being followed by stronger enforcement power such as preemption and expropriation.

3) Land consolidation and land pooling (land banking)

Land consolidation (L/C) and land pooling are land management systems without land acquisition. Since the existing land use and land rights are due to continue without disruption of livelihood, this system seems more acceptable to landowners than land acquisition. As described in detail in chapter 4, there are 2 systems of L/Cs: voluntary base and compulsory base. Voluntary base L/C can be carried out in combination with land acquisition through free transaction.

(4) Development Permit and Control on LISIBA

One of the major works of the KASIBA management is to promote and control the LISIBA development after the provision of infrastructure and land to LISIBA. Development permit and control system should be designed in accordance with the 3 principles of KASIBA as set in the preceding chapter and presented below.

Table 2.2.5 KASIBA Principles and LISIBA Control

| 3 Principles of KASIBA | Control on LISIBA development |
|------------------------|---|
| Cost recovery | 1. Selling price of land including cost of land and infrastructure (System-3) 2. Development charge to cover cost of infrastructure (System-2) |
| Market economy | 1. Development permit (license) to be granted in open competition among qualified developers. 2. Competitive development and financial proposals |
| City planning control | 1. Development ordinance controlling LISIBA development (Standards of public facilities, land use, building control, landscape) |

(5) Financial System

1) Financial system for urban and infrastructure development of the country

KASIBA cannot grow alone without rationalization of the real estate industry of the country as a whole. In this respect some of the financial and other measures for making KASIBA viable

are beyond the capacity of KASIBA itself. Such measures are quite vital not only to KASIBA, but also to the sustainable and sound growth of the real estate industry, which plays a major role in the economic/industrial development as well as the improvement of the living environment of the people of Indonesia. Financial measures are proposed in the context of rationalization of the real estate industry as shown below:

Indonesian experts in the real estate development revealed that in the past, especially during the construction boom, the real estate industry was a speculative, unsteady and weakly-founded business, featuring high profit for the industry based on the relatively lower land prices in spite of short term/high interest, thanks to the rapid economic growth. In the coming period of low and modest economic growth the industry must be rationalized with the synchronized measures of rationalization of land transaction and price on land management and new financial schemes including the following measures: 1.) *Development finance institution*; 2.) *Secondary mortgage market*; and, 3.) *Revenue bonds*.

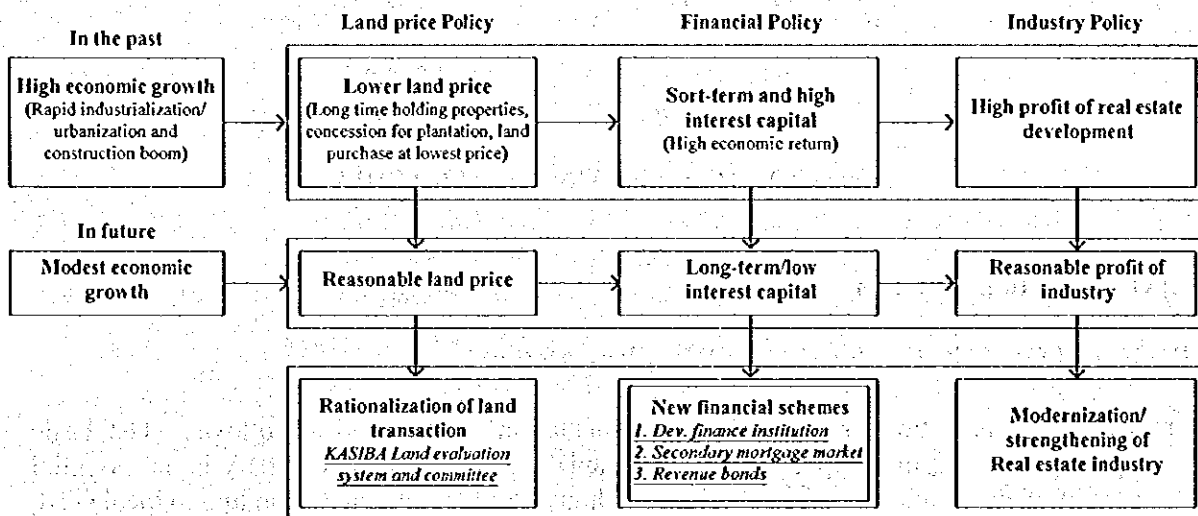


Figure 2.2.3 Proposed Financial Measures

2) Financial system of KASIBA

In order to implement the KASIBA scheme, various types of financing will be needed in each KASIBA - LISIBA development step, as shown in the following chart. It is recommended that the Government provides the KMB with long-term loans such as RDA (Regional Development Aid) or foreign aid loans and/or the Government guarantee be given when the KMB raises long-term loans or bonds on the market in order to reduce interest rates.

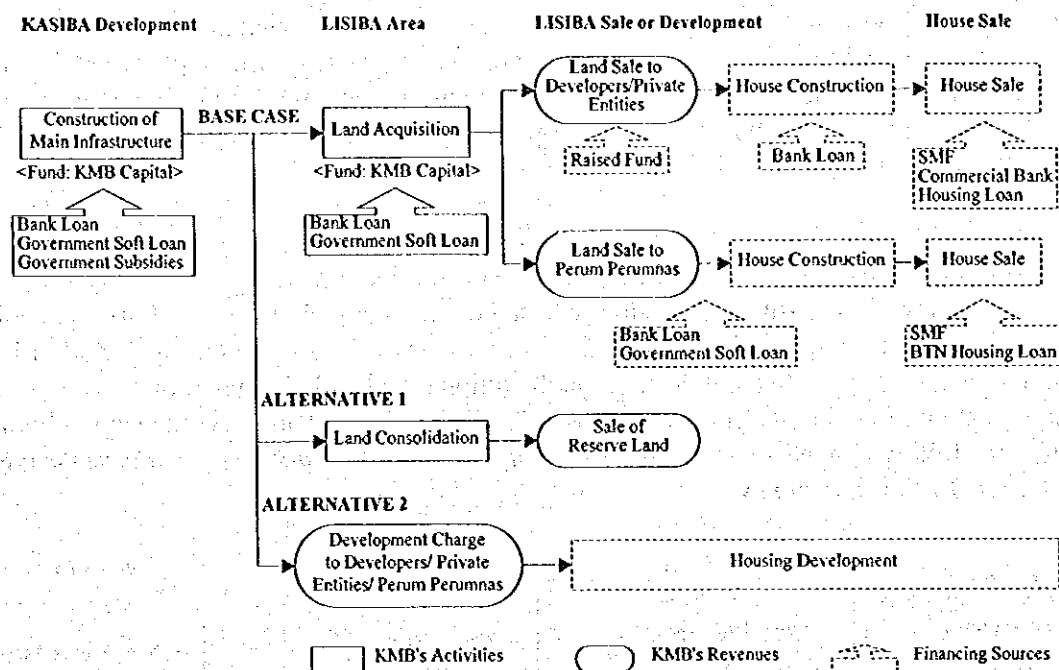


Figure 2.2.4 Financing System of KASIBA

(6) Organizational System

1) Overall Organization for KASIBA Implementation

The overall organization for KASIBA implementation is proposed as follows. The basic concepts underlining the proposed overall organization are: 1.) as KASIBA is an essential component of city planning in terms of urban and housing development responding to local need, local government is firstly responsible for practice of KASIBA; 2.) however, at present the implementation/administrative capability of local governments is quite weak except for a few local governments such as DKI Jakarta. This dictates that central government agencies, including ministries of Housing and human settlements, Public works, Finance and Interior, shall be tasked with technical/legal/financial supports as well as practical activities of actual project coordination and implementation of KASIBA under the authorities of, and in place of, local governments and the KMB until they can be fully and substantially responsible for KASIBA. For this reason the overall organization shows the supporting system of the central government to KASIBA. In addition to the KMB, the followings are proposed; establishment of a division of KASIBA within the local government, which will be an administrative core of KASIBA in future in local areas; forming a land evaluation committee as discussed above; and strengthening Perumnas as the government arm for promoting and initiating KASIBA projects participator in the KMB and LISIBA developer.

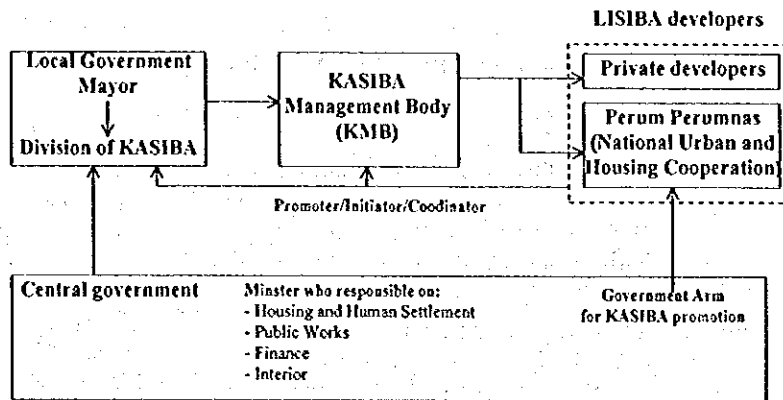


Figure 2.2.5 Overall Organization for KASIBA Implementation

2) The KMB Organization

Law No. 4 of 1992 on KASIBA stipulates that the KASIBA Management Body (KMB) is either a State owned Enterprise-SOE (Badan Usaha Milik Negara) or a Local State owned Enterprise-LSOE (Badan Usaha Milik Daerah). In Indonesia SOEs are categorized into Perum (Public Corporation) and Persero (Public State Company). The attachment of Act No. 4/1999 regarding housing and human settlements, specifically Article No. 20 on SOEs (KMB) is stipulated for enhancing the welfare of the people and public utilities and not only profit oriented. It is reported that the government policy on SOEs is *Perumnas - not to be newly established and Persero - to be privatized*. Three variations of KMB organizations are proposed.

It may be safely said that all the variations should become available so that KASIBA may be responsive to the different situations and need/size of urban and housing development. In this respect KASIBA regulation should be designed to be open to every variations. However, the most serious attention must be paid to the implementation capability of the proposed organizations, especially during the infant period of KASIBA. Among the 3 variations, the second is rated highest in terms of technical/financial and practical capability. On these premises it is recommended that the KASIBA project starts with variation-2 and with the success of variation-2 it will be expanded to variation-3 in accordance with strengthening the capacity of local government, and to variation-1 when large-scale urban development becomes necessary in the course of Indonesia's economic recovery.

Table 2.2.6 Variations of KASIBA Management Body

| Forms | | Key Advantages |
|--|--|--|
| V-1 Newly established Perum under central government | In spite of the government policy on Perum, new Perum may be needed in order to mobilize all the government resources to open up new horizons for KASIBA especially in the case of national project | It can be formed, structured and managed more specifically for the national interest. |
| V-2 Subsidiary of Perum structure | KMB is managed by subsidiaries of Perum, either newly established or existing ones. Shareholder/owner is central government represented by the Ministry of Finance. It seems more practical to make use of the existing Perum, that is Perum Permnas | The existing Perum has high credibility to obtain loans and issue bond, and technical knowledge and experience in urban and housing development. |
| V-3 Local SOE (BUMD) under local government | The owner is local government and it is represented by Bupati or mayor | It can be more responsive and accommodating to local conditions and problems. |

Structure of KMB (Subsidiary of Perum)

The organization structure of the KMB, which is managed by Perum is proposed as follows:

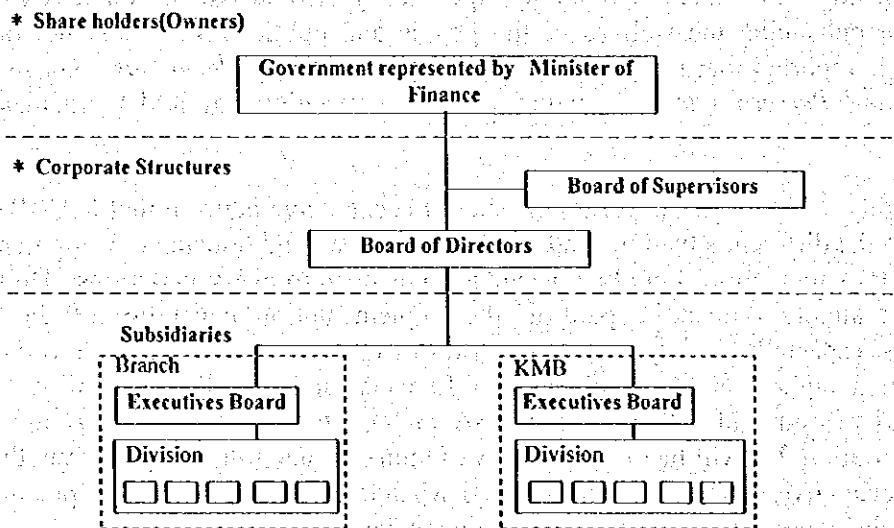


Figure 2.2.6 Structure of KMB (Subsidiary of Perum)

1. Shareholder/owner is the central government represented by Ministry of Finance.
2. The organization consists of decision making unit (Board) and executing unit.
3. Decision making unit consists of Board of Supervisors and Board of Directors.
4. KMB executive members are appointed by Board of Directors of the Perum, from both within Perum and outside (local government and academic institute).

(7) Legal Arrangement

Summarizing the discussion presented in the preceding section, the necessary legal arrangements are listed below:

Table 2.2.7 Items of Necessary Legal Arrangements

| Variation | Legal measures | Purposes |
|---|---|---|
| Government approval | Inclusion of KASIBA into Spatial plan | To authorize the project of importance for public interest in the city (base for the following legal arrangement) |
| | Approval of KASIBA implementation plan | To secure the public interest in implementation |
| Variation X-1 Infra. and land | land price control (Freezing) Pre-empt, Expropriation. | To secure implementation and financial viability (cost recovery) of KASIBA |
| Variation X-2 L/C | Compulsory L/C | To secure certainty of project implementation |
| Variation X-3 Land pooling | Incentives | To enhance landowners' willingness to participate in the project |
| Variation X-4 Real estate dev. | Development charge on LISIBA | To secure financial viability (cost recovery) of project |
| | Dev. ordinance on LISIBA | To maintain standard of living environment |
| Variation X-5 (Modified X-4), Variation X-6 (Modified X-2) Variation X-7 (Combination of X-1 and 6) are same as above | | |

- 1) It seems that all the variation systems are workable even on the existing law and regulations in force. However, differences are in terms of efficiency and feasibility of the project implementation.
- 2) Designation of the area distinguished from other areas would imply the special importance of the area for certain purposes. It is supposed to grant certain privileges to the implementing agency, and impose certain restrictions on the freehand of land ownership for facilitating and securing the implementation of projects to attain the important tasks of the project mandated by the public.

It may be safely said that the viability and feasibility of the project mostly rely on the privilege granted to implementing agency and restriction imposed on land ownership. The degree of privilege and restriction depends on the importance of the project, which the society can recognize and accept. In this regard the implementability of KASIBA derives from the social importance of the project. Therefore the purpose and development plan of KASIBA must be carefully deliberated from the viewpoint of the public interest. On the other hand, the degree of privilege and restriction enforced shall be determined by the decision-making process through which social acceptance is to be obtained. The sites, implementing agencies and development plan must be approved through a democratic process such as public inspection, and consultation with concerned parties to the project so that the public opinion is reflected in the plans. Public acceptance is likely to pave the way for stronger enforcement powers to implement the project.

2.2.5 KASIBA System-3 and Further Improvement

Among the proposed variation of development systems under the KASIBA system, the first priority was placed mainly on KASIBA System-3 for implementation by the State Ministry of Housing and Settlement. Accordingly the Ministry drafted the government regulation for implementation of Law No. 4, 1992 on housing and settlement. The guidelines for KASIBA project and manuals for practical procedures were prepared based on the KASIBA System-3. Further improvement of the KASIBA system have been proposed with the view to alleviating some possible problems of system 3, which may take place, and more importantly to make

KASIBA a more effective urban management and development system.

(1) Justification and Possible Problems of KASIBA System-3 (Land acquisition and provision)

1) Justification of KASIBA System-3

Land acquisition and provision to developers by *the government* (through KMB) are justified by the purposes to integrate more directly urban development projects and realize more directly peoples' aspirations in housing provision, and promote more directly private sector to mobilize its financial, technical, practical and other resources to realize peoples' aspirations in housing provision.

2) Possible Problems of KASIBA System-3

KASIBA System-3 is equipped with stronger legal powers to prohibit large-scale development projects by private developers outside of the KASIBA area and grand land purchase permits to the KASIBA Management Body as well. In return of advantages of these legal powers to secure the implementation of projects with the above-mentioned purposes, they may bring about some possible problems such as *possible land price rise due to the scarcity of land caused by the development prohibition, possible violation on property rights of landowners due to the land purchase permits, and possible blockade on urban development, real estate industries, and in-time housing provision to the public market due to the possible delay of KASIBA project.*

(2) Recommended Full Scale KASIBA System for Integrated Urban and Housing Development

In order to mitigate the above-mentioned possible problems, the *KASIBA urban promotion area system* was proposed. In this area, other development types, such as real estate development by private sector and L/C by landowners, which never resort to land purchase permits, should be carried out to diversify the land provision for urban and housing development. KASIBA shall develop the *KASIBA implementation area* with the land purchase permits being limited only to public purposes as defined above, so as to avoid possible abuses of the government authorities on the property rights.

| KASIBA area | Legal power |
|--|---|
| KASIBA urban promotion (planning) area | 1. Prohibiting urban development outside the area 2. Coordinating/supervising urban development inside the area. |
| KASIBA urban project implementation area | 1. Project implementation power (Granting land purchase permit and right of management) |

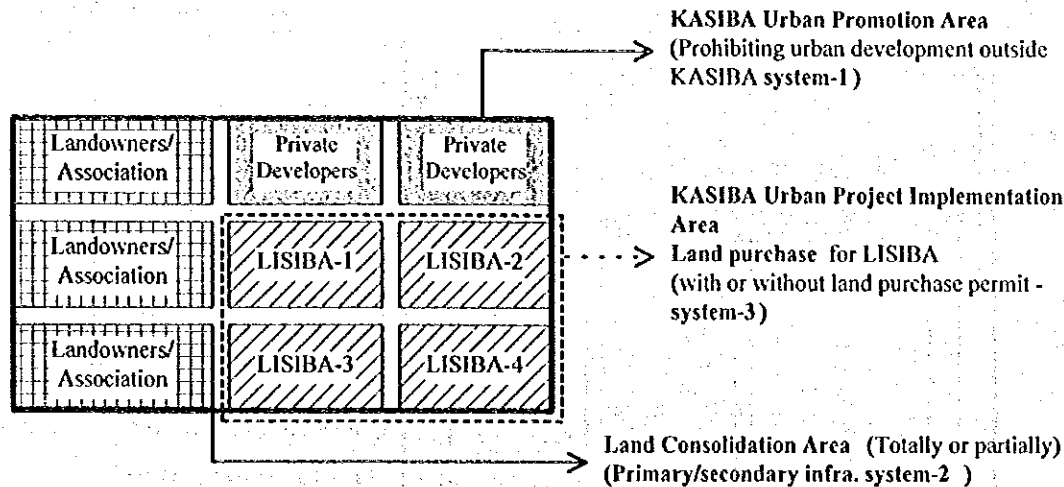


Figure 2.2.7 Integrated Urban and Housing Development by KASIBA

(3) Systematization of City Planning and Development in Government Reformation Movement

Several improvement measures and programs in the Indonesian urban and land management system have been sprouting on the waves of government reformation by each ministry. They seem to proceed separately from each other without coordination and adjustment between them. Two major issues are highlighted: 1.) *Location permit - Land purchase permit*: in the wake of democratization pressures, the BPN revoked the land purchase permit, which has a possible problem of violating property right, and transferred the location permit to the local government. The Ministry of Home Affairs is elaborating a Spatial utilization permit or land use permit in place of the location permit. 2.) *Urban area development system*: the Ministry of Home Affairs sets up an "Urban area administration and management system" in association with the decentralization policy embodied in the new Law No. 22/1999 on Regional administration and draft of government regulations. Still unclear is the relationship between this new urban area development system and KASIBA prohibiting urban development outside KASIBA area.

| Ministry | Law | Major Issues |
|--|---|---|
| Min. Agrarian Affairs/National Land Agency | Basic Agrarian Law | "Location Permit : Revoking Land purchase permit and transferring to local government" "Land Consolidation Law" (preparation) |
| Min. of Housing/Human Settlement | Housing and Settlement | "KASIBA and Stand-alone LISIBA: Land purchase permit" |
| Ministry of Home Affairs | Spatial Use Management Regional Administration (Decentralization) | "Spatial Utilization Permit" "Urban Area Administration & Management" |

Those conflicting issues will be settled down eventually to develop a well coordinated urban and land management system in Indonesia by the coming government. An idea of systematization of city planning and development was recommended, through which the measures and systems proposed and set forth by each ministry and government agency, including KASIBA, shall be adjusted. While the *Urban Area Administration & Management system* prohibits urban development outside the designated area and coordinates urban development projects inside the area, *KASIBA* targets at the specific KASIBA area within the management area, to be developed for housing and public purposes.

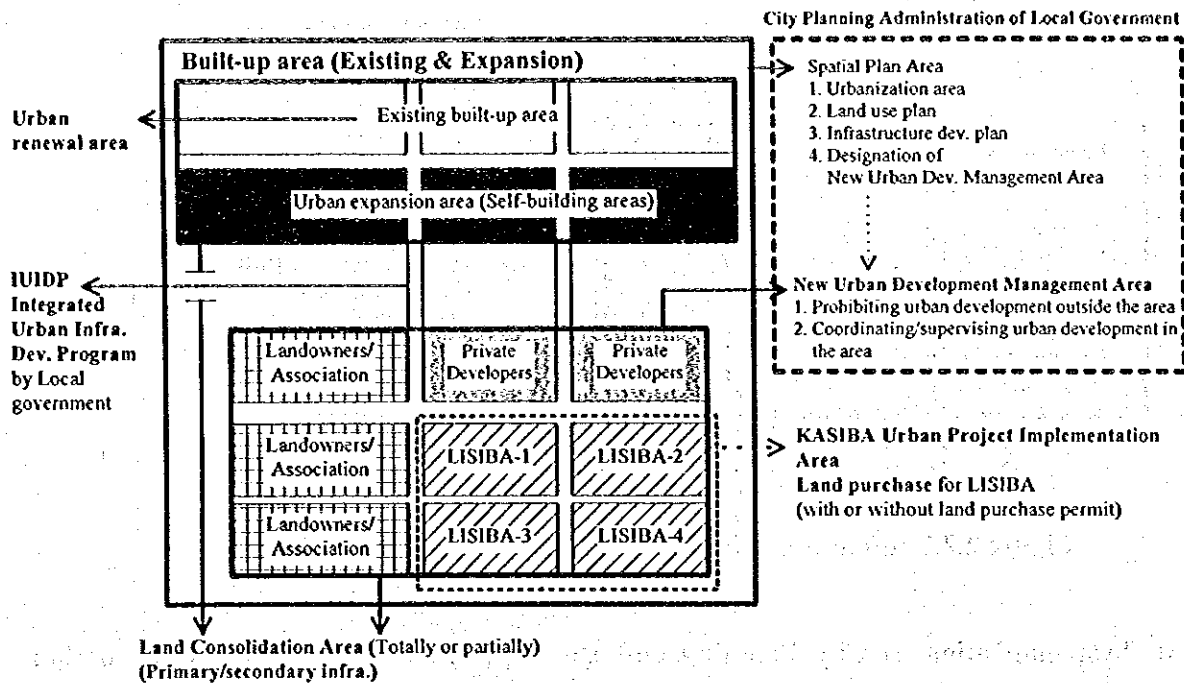


Figure 2.2.8 Systematization of City Planning and Development including KASIBA System

2.2.6 Guidelines for KASIBA Projects and Manuals for Practical Procedures

(1) Guideline for KASIBA Projects

With the enlarging authorities and increasing responsibilities of local governments in proceeding with the decentralization process, the local government becomes the sole responsible organization for urban and housing development in its jurisdictional territory. In this situation the local government must be the first responsible organization of KASIBA projects. The local government initiative and motivation, and implementing capability becomes essential for KASIBA projects. *The guidelines are to present some suggestions and proposals on the specific important aspects of KASIBA, which the local government may have to take into consideration in developing KASIBA projects in their jurisdictional territories.*

The guidelines consist of: 1.) Development (planning) guideline: public purposes/interests and city planning; 2.) Organizational guideline: public-oriented and none profit-making organization; 3.) Management guideline: purpose-oriented management (achievement of goals and purposes, effectiveness and efficiency of achievement, fairness and righteousness of project implementation) and comprehensive land management; 4.) Financial guideline: development benefit capturing; and, 5.) Environmental guideline: environment-friendly town.

(2) Practical Procedures and Manuals

General implementation procedures of KASIBA are drawn up in such a manner that the activities stipulated in the government regulation are arranged in a logical order and in time sequence. Along with the implementation procedures, manuals on how to prepare and implement KASIBA projects are proposed and compiled in separate volumes.