



MINISTRY OF HOUSING

INDONESIA'S HOUSING POLICIES AND PROGRAMS

PRESENTED on
Workshop on Housing Finance in South Asia

JAKARTA, 27 MAY 2009



Indonesia is a country in Southeast Asia. Comprising 17.508 islands with 5 large islands: Java, Sumatra, Kalimantan, Sulawesi and Papua.

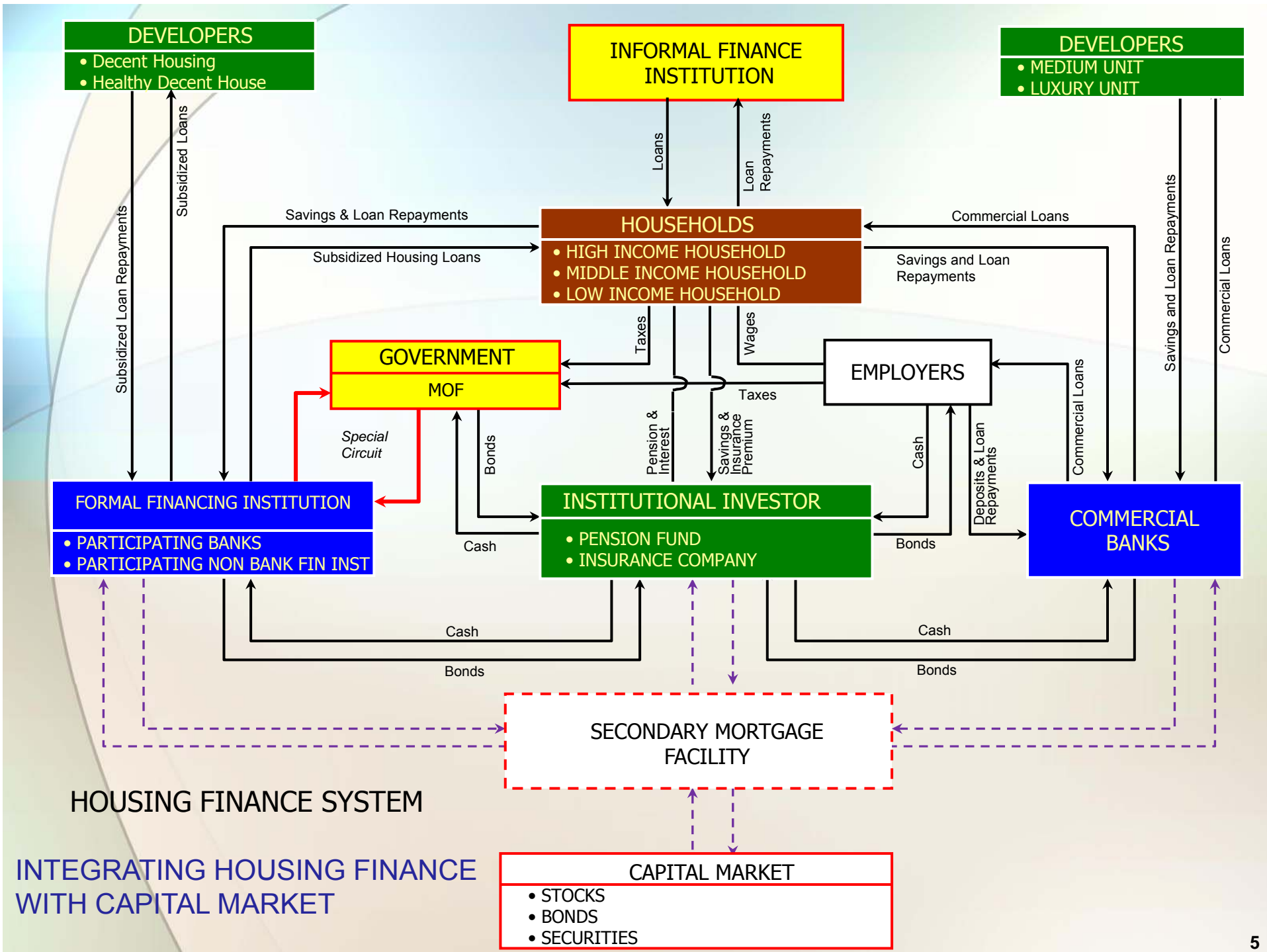
By 2008 Indonesia have at least 33 provinces, 349 regencies and 91 cities, with the city of Jakarta as its capital city.

CHALLENGES

1. Housing backlogs 7,5 million unit, and housing need growth 800.000 units/year (average);
2. Increasing slum area reaches 54.000 ha, inhabited by up to 17,2 million and spreading out over 10.000 location;
3. Around 13-14 million units of existing housing stock are substandard units;
4. Inefficient primary housing market (demand and supply sides);
5. Local government's capacity;
6. Lack of access to housing loan;
7. Scarcity of long-term fund for housing finance.

OPPORTUNITIES

1. House is one of the basic need for human being and has important roles in developing social-economic live and spirit of the nation.
2. Human Development Index (HDI), which uses housing factor as one of the indicators, has put Indonesia in position of 107 from 177 countries (2007/2008).
3. Efficient housing development will be able to accelerate national economy through its multiplier effect such as creation of employment opportunity and increased national income.
4. Government's commitments to provide descent housing for the low-income households as reflected in its Mid-Term Development Plan (RPJM) in 2005-2009 are targeting to build houses for $\leq 1.350.000$ units of formal housing and $\leq 3.600.000$ units of self-help housing.



POLICY REFORMS

1. SUBSIDIZING HOUSEHOLDS INSTEAD OF THE HOUSE;
2. LOCAL CONTENT IN HOUSING CONSTRUCTION;
3. ABOLISHING SPECIAL CIRCUIT;
4. INTEGRATION OF HOUSING FINANCE SYSTEM WITH CAPITAL MARKET;
5. ESTABLISHING SECONDARY MORTGAGE FACILITY: LINKING UP PRIMARY WITH SECONDARY FINANCE.

GOI POLICIES AND PROGRAMS IN HOUSING PROVISION FOR MIDDLE-LOW AND LOW INCOME GROUPS

STRENGTHENING PRIMARY HOUSING MARKET

- IMPROVING MARKET EFFICIENCY (DEMAND & SUPPLY SIDE)
- PROVIDING FISCAL INCENTIVES AND DISINCENTIVES

FURTHER DEV. HOUSING FINANCE ASSISTANCE PROGRAMS

- EXPANDING HOUSING ASSISTANCE PROGRAM (HAP)
- PROVIDING FISCAL INCENTIVES IN RELATION WITH HAP

INTEGRATING HOUSING FINANCE WITH CAPITAL MARKET

- PROMOTING SUSTAINABLE PROVISION OF LONG TERM FUND FOR THE HOUSING SECTOR
- THE OPERATION OF SECONDARY MORTGAGE FACILITY

MENPERA

- PREP. OF TECH. GUIDELINES FOR LARGE SCALE HSG. DEV.
- PREP. OF GUIDELINES FOR BASIC SERVICES MIN REQ.
- DEVELOPMENT OF HOUSING ASSISTANCE PROG.

- TECHNICAL GUIDELINES LARGE SCALE HSG DEV
- GUIDELINES FOR BSMR
- HAP

LOCAL GOVERNMENT

LOCAL & REGIONAL PROGRAM ON HOUSING & URBAN DEVELOPMENT

- DIRECTION OF URBAN DEV.
- LARGE SCALE HSG DEVELOPMENT
- PROVISION OF INFRASTRUCTURE
- PROVISION OF AMENITIES

LOCAL GOVERNMENT

- HOUSING PROGRAM
- DEVELOPMENT PERMIT
- BUILDING PERMIT

LAND AGENCY

- LAND CERTIFICATION
- RESIDENTIAL AREA
- INDIVIDUAL PLOT

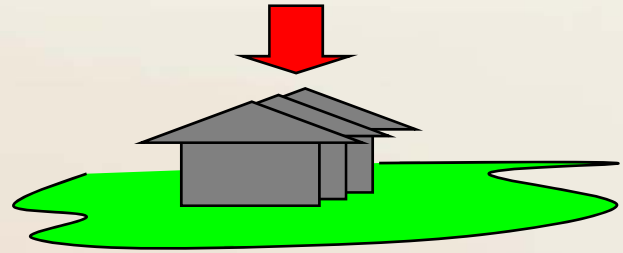
LOCAL GOVERNMENT

URBAN FISCAL POLICY

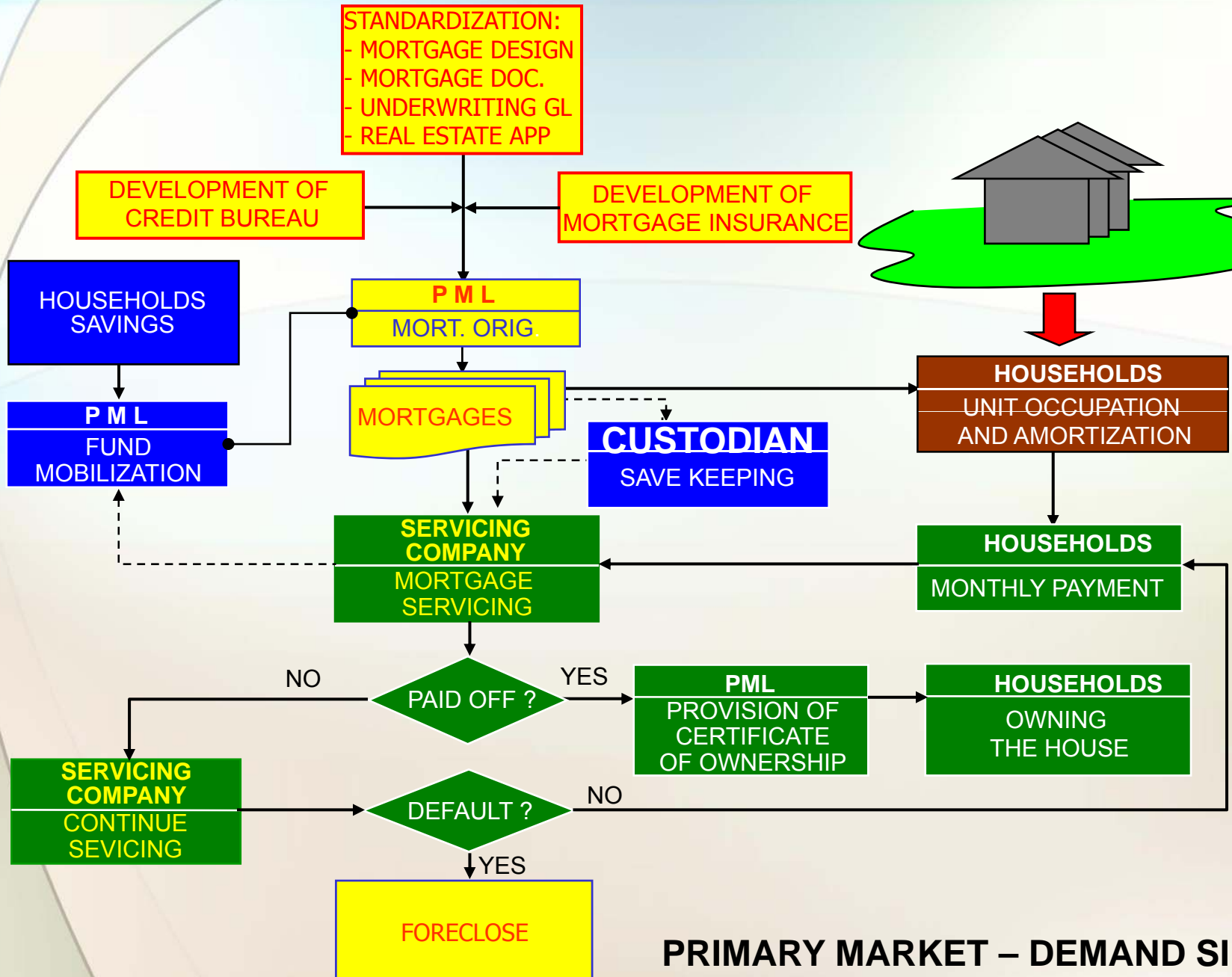
- REAL ESTATE TAXES
- TRANSACTION TAXES
- IMPACT FEE
- FISCAL IN/DIS INCENTIVES

DEVELOPERS

- CONSTRUCTION OF HOUSING
- PROVISION OF AMENITIES



PRIMARY MARKET – SUPPLY SIDE



PRIMARY MARKET – DEMAND SIDE

STRENGTHENING THE PRIMARY MARKET

INCREASING PRIMARY MARKET EFFICIENCY

■ SUPPLY SIDE:

- SIMPLIFICATION AND COST REDUCTION OF PERMITS Φ
- SIMPLIFICATION AND COST REDUCTION OF LAND CERTIFICATION Φ
- SIMPLIFICATION THE EXECUTION OF LIABILITY REGARDING BAD DEBT KPR Φ
- TECHNICAL ASSISTANCE IN HOUSING DEVELOPMENT THROUGH HOUSING DEVELOPMENT IN BIG SCALE APPROACH (KASIBA/LISIBA) $\checkmark\Phi$
- EDUCATION FOR LOCAL GOVERNMENT AND MARKET PLAYERS $\checkmark\Phi$

■ DEMAND SIDE:

- STANDARDIZATION OF THE QUALITY OF KPR $\checkmark\Phi$
- INSTITUTIONALIZATION OF CREDIT BUREAU $\checkmark\Phi$
- INSTITUTIONALIZATION OF INFORMATION OF KPR/KPRS PRODUCTS Φ
- INSTITUTIONALIZATION OF BLU / NATIONAL HOUSING FUND (NHF) Φ
- INSTITUTIONALIZATION OF HOUSING SAVING FOR COMPANY WORKERS (TP3) Φ
- INSTITUTIONALIZATION OF GROUP OF FACILITATORS/ASSISTANTS $\checkmark\Phi$
- EDUCATION OF LOCAL GOVERNMENT AND MARKET PLAYERS $\checkmark\Phi$

\checkmark : FINISH

Φ : IN PROCESS

X: NOT STARTED

STRENGTHENING THE PRIMARY MARKET

INCREASING FISCAL INCENTIVE

▪ SUPPLY SIDE:

- COST REDUCTION OF PERMITS Φ
- COST REDUCTION OF LAND CERTIFICATION Φ
- TAX DEDUCTION ON ACQUIREMENT OF LAND AND BUILDING (BPHTB) Φ
- REDUCTION OF WEIGHT RISK OF PORTFOLIO KPR INVESTMENT (ATMR KPR) $\checkmark\Phi$
- EDUCATION FOR LOCAL GOVERNMENT AND MARKET PLAYERS $\checkmark\Phi$

▪ DEMAND SIDE:

- INCENTIVES OF INTEREST SUBSIDY/DOWN PAYMENT SUBSIDY $\checkmark\Phi$
- INCENTIVES OF VALUE ADDED TAX (PPN) \checkmark
- SOFT LOAN FROM BAPERTARUM-PNS FOR HOUSING DOWN PAYMENT $\checkmark\Phi$
- INSTITUTIONALIZATION OF MORTGAGE INSURANCE \checkmark
- INSTITUTIONALIZATION OF SELF-HELP CREDIT HOUSING GUARANTEE \checkmark
- EDUCATION FOR LOCAL GOVERNMENT AND MARKET PLAYERS $\checkmark\Phi$

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MATRIX OF HOUSING ASSISTANCE PROGRAM POLICY FOR LOW INCOME COMMUNITY

| SEGMENTATION GROUP (IDR/MONTH) | PROVISION TYPE | HOUSING ASSISTANCE PROGRAM | | REMARKS |
|---|--|--|--|---|
| | | RELATED TO CREDIT SCHEME | UNRELATED TO CREDIT SCHEME | |
| (I) I < 500.000 | OWNED HOUSE • Self-Help ECONOMIC EMPOWERMNT RENTAL APARTMNT Un-recovery cost | <ul style="list-style-type: none"> ➤ CREDIT MICRO FOR CAPITAL BUSINESS ➤ HOUSING MICRO CREDIT ➤ <i>CREDIT INSURANCE/ GUARANTEE</i> | <ul style="list-style-type: none"> ➤ PUBLIC UTILITIES ➤ BLM ➤ INCREASING ENVIRONMENTAL QUALITY ➤ OPERATIONAL AND MAINTENANCE SUBSIDY ➤ <i>FISCAL INCENTIVE</i> ➤ <i>PERMITS & CERTIFICATION</i> | <ul style="list-style-type: none"> ➤ COMMUNITY ENTERPRISES & ECONOMIC DEVELOPMENT ➤ POVERTY ALLEVIATION PROGRAM ➤ SOCIAL HOUSING |
| (II) 500,000 ≤ I < 1,000,000 | OWNED HOUSE • Formal • Self-Help RENTAL APARTMNT Un-recovery cost | <ul style="list-style-type: none"> ➤ DOWN PAYMENT SUBSIDY ➤ INTEREST SUBSIDY ➤ HOUSING MICRO CREDIT ➤ <i>CREDIT INSURANCE/ GUARANTEE</i> ➤ <i>CREDIT CONSTRUCTION</i> | <ul style="list-style-type: none"> ➤ PUBLIC UTILITIES ➤ BLM ➤ INCREASE ENVIRONMENT QUALITY ➤ OPERATIONAL & MAINTENANCE SUBSIDY ➤ <i>FISCAL INCENTIVE</i> ➤ <i>CERTIFICATION AND BUILDING PERMIT</i> ➤ <i>INCOME TAX</i> | |
| (III) 1,000,000 ≤ I < 1,700,000 | OWNED HOUSE • Formal • Self-Help RENTAL APARTMNT Recovery Cost OWNED APARTMNT | <ul style="list-style-type: none"> ➤ DOWN PAYMENT INTEREST ➤ INTEREST SPREAD SUBSIDY ➤ <i>CREDIT INSURANCE/ GUARANTEE</i> ➤ <i>CREDIT CONSTRUCTION</i> | <ul style="list-style-type: none"> ➤ FISCAL INCENTIVES ➤ LIMITED PUBLIC UTILITIES ➤ COST TO BUILD ➤ OPERATION & MAINTENANCE SUBSIDY ➤ <i>CERTIFICATION AND BUILDING PERMIT</i> ➤ <i>INCOME TAX</i> | |
| (IV) : 1,700,000 ≤ I ≤ 2,500,000 | OWNED HOUSE • Formal • Self-help RENTAL APARTMNT Recovery Cost OWNED APARTMNT | <ul style="list-style-type: none"> ➤ DOWN PAYMENT SUBSIDY ➤ INTEREST SPREAD SUBSIDY ➤ <i>CREDIT INSURANCE/ GUARANTEE</i> ➤ <i>CREDIT CONSTRUCTION</i> | <ul style="list-style-type: none"> ➤ FISCAL INCENTIVES ➤ LIMITED PUBLIC UTILITIES ➤ CERTIFICATION & BUILDING PERMIT ➤ <i>INCOME TAX</i> | |

PROGRAMS WRITTEN IN *ITALIC* MEANS THE PROGRAMS ARE NOT STARTED YET

SUBSIDIZED HOME MORTGAGE (Conventional dan Sharia)

TARGETING GROUP

- family/household who has not have a house;
- Never get housing subsidy;
- Low-income household with their income as follows:

| TARGETING GROUP | INCOME (IDR per Month) |
|-----------------|---|
| I | $1.700.000 \leq \text{income} \leq 2.500.000$ |
| II | $1.000.000 \leq \text{income} < 1.700.000$ |
| III | $\text{income} < 1.000.000$ |

SUBSIDIZED HOME MORTGAGE (conv) [1]

DOWN PAYMENT REQUIREMENT AND MAXIMUM CREDIT

| Targeting Group | Maximum Housing Price (IDR) | Buy Down Subsidy | | Up Front Subsidy |
|-----------------|-----------------------------|--------------------------|----------------------|--------------------|
| | | Minimum Down Payment (%) | Maximum Credit (IDR) | Maximum Loan (IDR) |
| I | 55.000.000 | 7,5 | 50.875.000 | 46.500.000 |
| II | 41.500.000 | 7,5 | 38.387.500 | - |
| III | 28.000.000 | 5,0 | 26.600.000 | - |

SCHEME OF SUBSIDY

| Targeting Group | Amount of Subsidy per Household | |
|-----------------|---------------------------------|--------------------------------|
| | Buy Down Subsidy (IDR) | Maximum Up Front Subsidy (IDR) |
| I | 8.500.000 | 8.500.000 |
| II | 11.500.000 | - |
| III | 14.500.000 | - |

SUBSIDIZED HOME MORTGAGE (conv) [2]

| Targeting Group | Subsidized Interest Rate (%/year) | | | | | | | | | | |
|-----------------|-----------------------------------|------|-----|------|-------|-------|--------------------------------|------|-----|-----|-----|
| | Year | | | | | | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| I | 7* | 7* | 7 | 10.5 | 11.75 | 11.75 | Commercial Interest Rate (CIR) | | | | |
| II | 4.5* | 4.5* | 4.5 | 5 | 7.5 | 10 | 11 | 11 | CIR | | |
| III | 1* | 1* | 1 | 2 | 2,5 | 3 | 3 | 3.75 | 4,5 | 5.5 | CIR |

* interest only payment

SUBSIDIZED HOME MORTGAGE (sharia) [1]

DOWN PAYMENT REQUIREMENT AND MAXIMUM FINANCING

| Target Group | Maximum Housing Price (IDR) | Minimum Down Payment (%) | Maximum Financing (Rp) |
|--------------|-----------------------------|--------------------------|------------------------|
| I | 55.000.000 | 0 | 46.500.000 |
| II | 41.500.000 | 0 | 30.000.000 |
| III | 28.000.000 | 0 | 13.500.000 |

SCHEME OF SUBSIDY

| Target Group | Amount of Subsidy per Household (IDR) |
|--------------|---------------------------------------|
| | Up Front Subsidy |
| I | 8.500.000 |
| II | 11.500.000 |
| III | 14.500.000 |

STRENGTHENING HOUSING SECONDARY FINANCE

ENDORSE PROVISION OF LONG TERM FUND

- INSTITUTIONAL AND OPERATIONAL OF SMF:
 - SMF ESTABLISHMENT ✓
 - *PREPARE THE INDONESIAN LAW OF SECURITIZATION* Φ
 - *PROVIDE TAXATION INCENTIVE (PPN)* Φ
 - *TRANSFER OF MORTGAGE'S RIGHT WITH GLOBAL NOTE* Φ
 - *GIVE AUTHORITY TO TRUSTEE AS THE HOLDER OF MORTGAGE'S RIGHT* Φ
 - EDUCATION FOR REGULATOR AND MARKET PLAYER ✓Φ
- FACILITATING SMF BUSINESS CYCLE:
 - SMF OPERATIONALIZATION ✓
 - *SECURITIZATION OF FINANCIAL ASSET* Φ
 - *GUARANTEE OF OBLIGATION* Φ
 - *(RE)STRUCTURIZATION OF SMF OWNERSHIP* X
 - EDUCATION FOR REGULATOR AND MARKET PLAYER ✓Φ

✓: FINISH

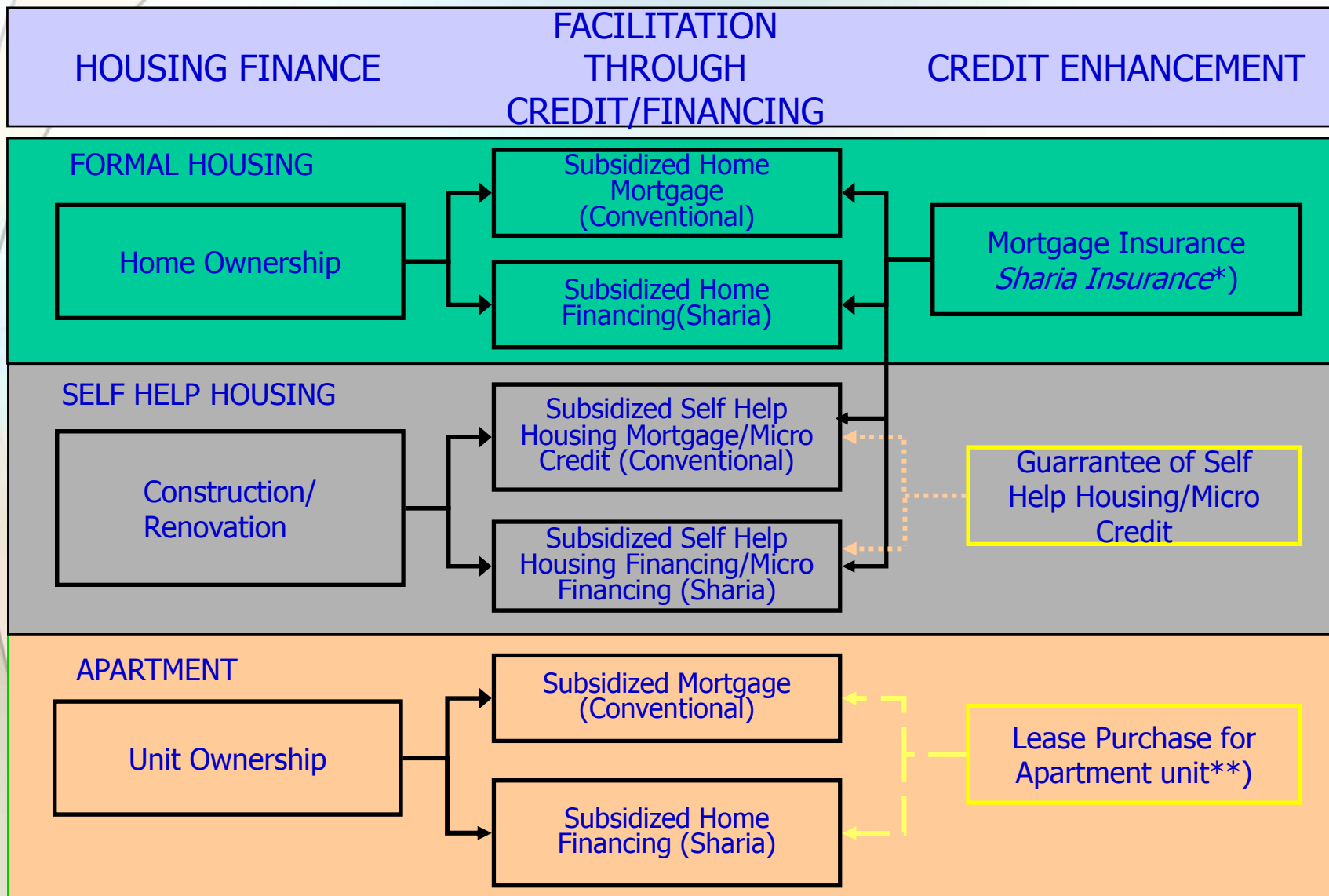
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STIMULUS FOR REAL SECTOR

1. Free-Input VAT to accelerate construction of subsidized apartment;
2. Liquidity facility to maintain purchasing power of end-user to access subsidized apartment;
3. Provision of mortgage principle to housing-focused bank to issue subsidized mortgage;
4. Moratorium for mortgage payment to avoid default of debtor and to maintain Bank's performance in good level;
5. Infrastructure development in housing and settlements;
 - a. Provision of rental apartment for Army Forces, Police Officers, Workers, and Students; → first stage in year 2009
 - b. Provision of Infrastructure and Utility;
 - c. Stimulant aids for Area Development;
 - d. Stimulant aids for self-help housing provision; and
 - e. Development of thematic housing for fishermen, cultural conservation and borderline area.

SCHEME OF HOUSING FINANCE ASSISTANCE



Note: *) study
 **) preparation

THE DEVELOPMENT OF HOUSING FINANCE SOURCES

| PERIOD | | TYPE OF KPR BERSUBSIDI | SOURCES OF FUND | | | | | |
|--------------------|--------------|----------------------------------|-----------------|------------|------|-----|------|------|
| PELITA | YEAR | | PMP | WORLD BANK | KLBI | RDI | BANK | APBN |
| II/III | 1976-86 | Perumnas & Non perumnas | √ | | √ | | √ | |
| III/IV/V | 1986-91 | Perumnas & Non Perumnas | √ | √ | √ | | √ | |
| V/VI | 1991-99 | RS/RSS | | | √ | √ | √ | |
| FY 1999/2000 | 1999-2000 | RS/RSS | | | √ | √ | √ | |
| FY 2000 FY 2001 | 2000 2001 | RS/RSS | | | | √ | √ | |
| FY 2002 | 2002 | RS/RSS | | | | | √ | √ |
| | | RSH (Healthy and decent Housing) | | | | | | √ |

DELIVERY SYSTEM OF HOUSING SUBSIDY

- ❑ IMPLEMENTED BY **BANKING INSTITUTIONS** OR **NON BANKING INSTITUTIONS** OR **COOPERATIVES**
- ❑ **PARTICIPATING FINANCIAL INSTITUTIONS** MUST PROVIDE **MORTGAGE PRINCIPLE**
- ❑ **REIMBURSEMENT** OF SUBSIDY UTILIZATION
- ❑ **REIMBURSEMENT** BASED ON VERIFIED ADMINISTRATION

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REPUBLIC OF INDONESIA**

THANK YOU