

HOUSING THE GAP:

Provision Structures and Public Policy on Formal Housing Development in Indonesia's Evolving Market



Institute for
Management Research

Dian Rahmawati

**RADBOD
UNIVERSITY
PRESS**

Radboud
Dissertation
Series

HOUSING THE GAP

Provision Structures and Public Policy on Formal Housing
Development in Indonesia's Evolving Market

Dian Rahmawati



lembaga pengelola dana pendidikan



Radboud Universiteit



This dissertation was made possible through the support of the LPDP Scholarship from the Indonesian Ministry of Finance, and the Memorandum of Understanding between Radboud University and Institut Teknologi Sepuluh Nopember.

HOUSING THE GAP: Provision Structures and Public Policy on Formal Housing Development in Indonesia's Evolving Market

Dian Rahmawati

Radboud Dissertation Series

ISSN: 2950-2772 (Online); 2950-2780 (Print)

Published by RADBOUD UNIVERSITY PRESS

Postbus 9100, 6500 HA Nijmegen, The Netherlands

www.radbouduniversitypress.nl

Design: Proefschrift AIO | Annelies Lips

Cover: Proefschrift AIO | Guntra Laivacuma

Printing: DPN Rikken/Pumbo

ISBN: 9789465150468

DOI: 10.54195/9789465150468

Free download at: <https://doi.org/10.54195/9789465150468>

© 2025 Dian Rahmawati

**RADBOUD
UNIVERSITY
PRESS**

This is an Open Access book published under the terms of Creative Commons Attribution-Noncommercial-NoDerivatives International license (CC BY-NC-ND 4.0). This license allows reusers to copy and distribute the material in any medium or format in unadapted form only, for noncommercial purposes only, and only so long as attribution is given to the creator, see <http://creativecommons.org/licenses/by-nc-nd/4.0/>.

HOUSING THE GAP

Provision Structures and Public Policy on Formal Housing
Development in Indonesia's Evolving Market

Proefschrift ter verkrijging van de graad van doctor
aan de Radboud Universiteit Nijmegen
op gezag van de rector magnificus prof. dr. J.M. Sanders,
volgens besluit van het college voor promoties
in het openbaar te verdedigen op

dinsdag 9 december 2025

om 14.30 uur precies

door

Dian Rahmawati

geboren op 7 juni 1982

te Soerabaja (Indonesië)

Promotor:

Prof. dr. E. van der Krabben

Copromotor:

Dr. ir. D.A.A. Samsura

Manuscriptcommissie:

Prof. dr. S.V. Meijerink

Prof. dr. M.T. Taşan-Kok (Universiteit van Amsterdam)

Prof. dr. T.J.M. Spit (Universiteit Utrecht)

HOUSING THE GAP

Provision Structures and Public Policy on Formal Housing
Development in Indonesia's Evolving Market

Dissertation to obtain the degree of doctor

from Radboud University Nijmegen

on the authority of the Rector Magnificus prof. dr. J.M. Sanders,

according to the decision of the Doctorate Board

to be defended in public on

Tuesday, December 9, 2025

at 2:30 pm

by

Dian Rahmawati

born on June 7, 1982

in Surabaya (Indonesia)

PhD supervisor:

Prof. dr. E. van der Krabben

PhD co-supervisor:

Dr. ir. D.A.A. Samsura

Manuscript Committee:

Prof. dr. S.V. Meijerink

Prof. dr. M.T. Taşan-Kok (University of Amsterdam)

Prof. dr. T.J.M. Spit (Utrecht University)

To my father and to my mother,
whose prayers have carried me through.

To my husband and to my children,
for your patience, laughter, and quiet strength.

Samenvatting

Woningnood is een hardnekkig wereldwijd probleem dat wordt beïnvloed door demografische, economische en institutionele factoren die per regio verschillen. In hoge-inkomenslanden en geïndustrialiseerde staten wordt dit probleem vooral veroorzaakt door restrictief ruimtelijk beleid en veranderingen in de huishoudstructuur. Snel verstedelijkende landen kampen daarentegen met een bevolkingsgroei die het aanbod van adequate huisvesting overstijgt. Indonesië is een duidelijk voorbeeld van deze dynamiek, met een geschatte woningachterstand van 17 miljoen wooneenheden voor een bevolking van circa 281,6 miljoen mensen (ongeveer 75 miljoen huishoudens) die jaarlijks met 1,7% groeit. De jaarlijkse behoefte wordt geschat op 800.000 nieuwe wooneenheden, terwijl de formele huisvestingssector er slechts ongeveer 350.000 per jaar kan opleveren. Daardoor is een aanzienlijk deel van de bevolking nog steeds aangewezen op zelfgebouwde en informele huisvestingsoplossingen. Ondanks het groeiende belang van de formele woningmarkt in Indonesië blijft de academische aandacht voor deze sector beperkt, met name voor de structurele oorzaken van de lage woningproductie en de aanhoudende betaalbaarheidsproblemen te midden van snelle verstedelijking en de toenemende rol van particuliere ontwikkelaars.

Om deze structurele uitdagingen het hoofd te bieden, heroverweegt en verdiept dit proefschrift het fundamentele concept van *housing as a verb* van Turner (1972). Het beschouwt huisvesting niet als een statisch zelfstandig naamwoord of louter als handelswaar, maar als een dynamisch sociaal proces dat wordt gevormd door instituties en actoren. Turner stelde dat huisvestingsproblemen vaak ontstaan wanneer beleidsmakers de processen die zij met hun regels proberen te sturen onvoldoende begrijpen. Hoewel deze kritiek vandaag de dag nog steeds relevant is, schonk Turner zelf weinig aandacht aan de institutionele arena waarin deze processen zich afspelen. In de afgelopen decennia is huisvesting bovendien verschoven van sociaal georiënteerde voorziening naar marktgestuurde productie. Om deze dynamiek te begrijpen, plaatst dit onderzoek de woningvoorziening binnen het bredere kader van stedelijke planning in een markteconomie. In navolging van Adams (1994) wordt woningontwikkeling opgevat als een proces dat ingebed is in economische rationaliteiten, waarbij de effectiviteit van beleid afhangt van de mate waarin publieke interventies inspelen op de belangen van belangrijke marktactoren.

Voortbouwend op dit conceptuele kader onderzoekt deze dissertatie hoe de structuur van de woningvoorziening en het overheidsbeleid elkaar beïnvloeden om zo doende de ontwikkeling van formele huisvesting in de zich ontwikkelende Indonesische

markt vorm te geven. Het richt zich op de institutionele en actor-gebonden dynamiek die bijdraagt aan productietekorten en betaalbaarheidsproblemen, met name binnen de context van snelle verstedelijking en het naast elkaar bestaan van formele en informele systemen. De centrale onderzoeksvraag luidt:

In hoeverre beïnvloedt de wisselwerking tussen de structuur van de woningvoorziening en het overheidsbeleid de ontwikkeling van huisvesting in de zich ontwikkelende Indonesische woningmarkt?

Deze centrale vraag wordt beantwoord aan de hand van vier deelvragen:

RQ1: Wie zijn de belangrijkste actoren in de woningvoorziening in Indonesië, en welke rollen spelen zij in het ontwikkelingsproces?

RQ2: Hoe vormt de interactie tussen publieke en private actoren het overheidsbeleid, met name met betrekking tot de voorziening van betaalbare huisvesting?

RQ3: In hoeverre beïnvloedt het publieke grondbeleid de formele woningontwikkeling die ontwikkeld wordt door de particuliere sector in Indonesië?

RQ4: In hoeverre beïnvloedt de structuur van de woningvoorziening de uitkomsten van de formele woningontwikkeling?

In dit proefschrift worden deze deelvragen beantwoord aan de hand van de volgende vier empirische hoofdstukken:

Hoofdstuk 2 onderzoekt de structuur van de woningvoorziening in Indonesië en de transformatie daarvan in de afgelopen drie decennia, met bijzondere aandacht voor de financiële dimensie van huisvesting (*housing financialization*). Het identificeert vier actorgroepen: overheidsinstanties, particuliere ontwikkelaars, financiële instellingen en huishoudens; en analyseert hoe hun rollen zijn veranderd, vooral na de politieke transitie van 1998. Op basis van interviews, beleidsanalyse en veldonderzoek in Jakarta en Surabaya laat het zien hoe het huisvestingsproces is verschoven van sociaal gedreven behoeften naar een steeds verder gecommuniceerd systeem dat wordt gevormd door financiële logica's. Deze transformatie wordt gekenmerkt door een heroriëntatie van kapitaalstromen, staatssubsidies en spaarschema's naar hypotheekfinanciering. Bovendien vindt er ook een herverdeling van verantwoordelijkheden plaats, waarbij de levering van betaalbare huisvesting steeds vaker aan particuliere ontwikkelaars wordt toevertrouwd.

Hoofdstuk 3 onderzoekt hoe de interactie tussen publieke en private actoren het overheidsbeleid inzake betaalbare huisvesting vormgeeft. Met een focus op *Lingkungan Hunian Berimbang* (LHB), de lang bestaande *inclusionary housing*-regeling van Indonesië, laat het zien hoe het beleid voor betaalbare huisvesting zich in drie decennia heeft ontwikkeld onder invloed van veranderende stedelijke politieke dynamieken. Interviews en documentanalyse onthullen een verschuiving van een door de staat opgelegde verplichting naar een flexibeler, marktgericht kader. Deze transformatie blijkt uit de invoering van het conversion fund in de Job Creation Law (2020), waarmee ontwikkelaars de verplichting tot het bouwen van betaalbare woningen op locatie kunnen vervangen door financiële bijdragen aan overheidsinstanties. Dit weerspiegelt bredere patronen van neoliberaal urbanisme, waarin de publieke sector verantwoordelijkheden overdraagt aan de private sector. Dit heeft als gevolg verzwakt toezicht op regelgeving en aanhoudende betaalbaarheidsproblemen.

Hoofdstuk 4 onderzoekt in hoeverre publiek grondbeleid de formele woningontwikkeling door de particuliere sector beïnvloedt. Het richt zich op *land banking*-strategieën als instrument om de beschikbaarheid van grond voor woningbouw te waarborgen, en vergelijkt publieke en private benaderingen van grondaankoop en -beheer. Met het raamwerk van legitimiteit, effectiviteit, efficiëntie en rechtvaardigheid van Hartmann en Spit (2015) analyseert het hoofdstuk hoe het Indonesische grondbeleidsstelsel de participatie van de particuliere sector probeert te ondersteunen via instrumenten zoals grondconsolidatie, grondaankoop en de oprichting van de Land Bank Agency (2021). De uitvoering wordt echter verzwakt door beperkte handhaving, gefragmenteerde coördinatie en speculatieve praktijken. Particuliere ontwikkelaars behouden vaak grond voor toekomstige winst in plaats van voor het publieke belang, wat leidt tot vertragingen in de realisatie van betaalbare woningen.

Hoofdstuk 5 onderzoekt in welke mate de structuur van de woningvoorziening de uitkomsten van formele woningontwikkeling beïnvloedt. Het richt zich op de wijze waarop marktomstandigheden en publieke planningsprocessen, de kerncomponenten van deze structuur, bijdragen aan vertragingen in woningbouwprojecten. Vanuit twee theoretische invalshoeken, *speculative housebuilding* (Adams et al., 2009) en het *public planning process* (Ball, 2011), wordt betoogd dat zowel marktmechanismen als planningssystemen de ontwikkelingsduur in belangrijke mate bepalen, zij het met uiteenlopende intensiteit. Empirisch bewijs uit 214 woningbouwprojecten in Soerabaja laat zien hoe projectspecifieke kenmerken (zoals grondoppervlakte, aantal wooneenheden en gebouwgrootte) en marktomstandigheden (zoals

stijgende grond- en woningprijzen) de tijd beïnvloeden die nodig is voor de afgifte van bouwvergunningen, evenals de beslissingen van particuliere ontwikkelaars om projecten te voltooien. Regressieanalyse wijst uit dat projectspecifieke factoren doorgaans een grotere invloed uitoefenen op de ontwikkelingsduur dan bredere marktdynamieken. Het hoofdstuk biedt tevens een belangrijk aanvullend inzicht: de aanwezigheid van informele praktijken binnen de formele woningontwikkelingsketen. Veel particuliere ontwikkelaars starten met de bouw voordat de vereiste vergunningen zijn verleend. Dit is een strategie om de effecten van vertragingen en onzekerheid in het overheidsgoedkeuringsproces te omzeilen. Deze praktijk vertegenwoordigt een vorm van geïnstitutionaliseerde informaliteit: een overlevingsmechanisme waarmee ontwikkelaars regelgevingsonzekerheid trachten te beheersen terwijl zij inspelen op marktdruk.

Gezien door de lens van Turner benadrukt de dominantie van *housing as a noun* de opkomst van commodificatie, terwijl zijn pleidooi voor *housing as a verb* het belang van proces en praktijk onderstreept. Voortbouwend op dit inzicht betoogt dit proefschrift dat het in de huidige context van verregaande commodificatie niet volstaat om uitsluitend gebruiksgesichte huisvestingspraktijken te analyseren. Een kritische benadering van de aanbodprocessen, die de onderhandelingen, institutionele dynamieken en strategische manoeuvres omvatten die de woningvoorziening vormgeven is essentieel om de aanhoudende woningkloof te begrijpen. Door *housing as a verb* opnieuw te positioneren aan de aanbodzijde laat dit proefschrift zien dat woningvoorziening geen lineair proces is van beleidsuitvoering of markttransactie. Echter moet het beschouwd worden als een dynamisch bestuursproces dat wordt gevormd door onderhandelingen, contestatie en aanpassing tussen meerdere actoren. De aanhoudende woningkloof moet daarom niet worden beschouwd als een anomalie of technisch falen, maar als een actief (re)geproduceerd resultaat van institutionele structuren, actorenstrategieën en beleidskaders die opereren binnen bredere marktomstandigheden.

Dit proefschrift biedt een dieper inzicht in de wisselwerking tussen de structuur van de woningvoorziening en het overheidsbeleid, en hoe deze samen de woningontwikkeling beïnvloeden in de zich ontwikkelende Indonesische markt. Op basis van drie analytische dimensies: voorzieningsstructuren, publiek beleid en huisvestingsresultaten levert het onderzoek drie onderling samenhangende bijdragen aan het huisvestingsonderzoek: (1) de analyse van voorzieningsstructuren en de financiële dimensie van huisvesting; (2) de beoordeling van publiek beleid en publiek-private samenwerking; en (3) de evaluatie van woningvoorzieningsresultaten in relatie tot speculatie en inefficiëntie. In praktisch opzicht presenteert het proefschrift

beleidsaanbevelingen, gestoeld op empirisch bewijs, om het woningbestuur te versterken. Daarbij ligt de nadruk op de integratie van grond- en woningstrategieën, verantwoordelijke publiek-private samenwerking en een krachtigere handhaving om betaalbaarheid en uitvoerings-efficiëntie te bevorderen. Methodologisch combineert het proefschrift institutionele en politiek-economische analyse met empirische casestudies en kwantitatieve beoordeling van ontwikkelingsduur, waardoor een multischalig perspectief op woningvoorziening wordt geboden. Het introduceert een evaluatiekader voor grondbeleid, een model van stedelijke politieke interactie binnen *inclusionary housing*, en past projectniveauegegevens toe om vertragingen in het woningaanbod te kwantificeren. Hoewel geworteld in de Indonesische context, resoneren de bevindingen met bredere debatten in snel verstedelijkende regio's, waar formele en informele systemen elkaar kruisen, publieke capaciteit gefragmenteerd is en huisvesting een doordrongen politiek terrein blijft. Uiteindelijk biedt dit proefschrift een routekaart voor meer inclusieve, verantwoorde en duurzame woningontwikkeling door empirisch onderzoek te verbinden met theoretische reflectie.

Summary

Housing shortages represent a persistent global challenge, shaped by demographic, economic, and institutional factors that vary across regions. In high-income and industrialized countries, the problem is primarily driven by restrictive planning policies and shifting household structures. In contrast, rapidly urbanizing countries face population growth that outpaces the provision of adequate housing. Indonesia exemplifies this dynamic, with an estimated housing backlog of 17 million units for a population of about 281,6 million people (equivalent to roughly 75 million households) and an annual growth rate of 1.7 percent. The annual need is estimated at 800,000 new housing units, while the formal housing sector is only able to supply about 350,000 units per year. Consequently, a large share of the population continues to rely on informal and self-built housing solutions. Although Indonesia's formal housing market has become increasingly significant, academic research on this sector remains limited, particularly with respect to the structural factors constraining formal housing production and the affordability challenges that persist amid rapid urbanization and the growing role of private developers.

To address these structural challenges, this dissertation revisits and extends Turner's (1972) foundational concept of *housing as a verb*. It understands housing not as a noun or a commodity, but as a dynamic social process shaped by institutions and actors. Turner argued that housing problems often arise when policymakers misunderstand the game they regulate with the rules they institute. Although this critique remains relevant, Turner paid less attention to the institutional arena itself. Over recent decades, housing has shifted from socially oriented provision toward market-driven production. To capture this dynamic, the study situates housing provision within the broader framework of urban planning in a market economy. Following Adams (1994), housing development is understood as a process embedded in economic rationalities, where policy implementation depends on how effectively public interventions engage with the interests of key market actors.

Building on this conceptual framing, this dissertation examines how the structure of housing provision and public policy interact to shape formal housing development in Indonesia's evolving market. It focuses on the institutional and actor-based dynamics that contribute to persistent production shortfalls and affordability challenges, particularly in the context of rapid urbanization and the coexistence of formal and informal systems. The central research question guiding this dissertation is:

To what extent does the interplay between the structure of housing provision and public policy influence housing development in Indonesia's evolving market?

To address this overarching question, the dissertation is organized around four sub-questions:

RQ1: Who are the key actors in Indonesia's housing provision structure, and what roles do they play in the development process?

RQ2: How does public-private interplay shape public policy, particularly in relation to the provision of affordable housing?

RQ3: To what extent do public land policies influence formal housing development by the private sector in Indonesia?

RQ4: To what extent does the structure of housing provision influence the formal housing development outcomes?

This dissertation addresses these sub-questions through four empirical chapters as follows:

Chapter 2 examines Indonesia's housing provision structure and its transformation over the past three decades, with a particular focus on the financialization of housing. It identifies four key actor groups: public agencies, private developers, financial institutions, and households; and analyses how their roles have evolved, especially following the political transition after 1998. Drawing on interviews, policy analysis, and fieldwork in Jakarta and Surabaya, the chapter shows how housing process has shifted from a socially driven needs toward an increasingly commodified system shaped by financialization. This transformation is marked by a reorientation of capital flows, from state subsidies and savings schemes toward mortgage-based finance, and by a redistribution of responsibilities, as affordable housing provision is increasingly mandated to private developers. Driven by the interplay between the state, developers, and financial actors, these shifts have redefined homeownership as the center of housing programs while contributing to rising prices and declining affordability. By situating Indonesia's experience within the broader debate on housing financialization, the chapter connects local transformations to global patterns observed across both rapidly urbanizing and institutionally mature housing markets.

Chapter 3 investigates how public-private interplay shapes public policy on affordable housing provision in Indonesia. Focusing on the case of the *Lingkungan Hunian Berimbang* (LHB), Indonesia's long-standing inclusionary housing regulation, the chapter explores how affordable housing policy has evolved over the past three decades under shifting urban political dynamics. Based on interviews with key stakeholders and content analysis of legal and policy documents, the study reveals a shift in institutional logics, transitioned from a state-mandated obligation toward a more flexible, market-oriented framework. This transformation is exemplified by the introduction of the conversion fund under the 2020 Job Creation Law, which allows developers to replace on-site affordable housing provision with financial contributions to public agencies. The chapter highlights how the central government, municipal authorities, and private developers negotiate and contest policy implementation, with developers increasingly shaping regulatory outcomes. It argues that this transformation reflects broader patterns of neoliberal urbanism, in which the public sector delegates responsibilities to the private sector, leading to weakened regulatory oversight and persistent affordability challenges. The chapter concludes by proposing a model of urban political interplay to explain how institutional and governance shifts reconfigure affordable housing policy in Indonesia and other urban contexts undergoing similar market transitions.

Chapter 4 examines the extent to which public land policies influence formal housing development by the private sector in Indonesia. It focuses on land banking strategies as a key instrument intended to ensure the availability of land for housing development, and compares public and private approaches to land acquisition and control. Drawing on Hartmann and Spit's (2015) framework of legitimacy, effectiveness, efficiency, and fairness, the chapter analyzes how Indonesia's land policy system seeks to support private-sector participation in housing provision through instruments such as land consolidation, land acquisition, and the establishment of the Land Bank Agency in 2021. Although these policies are formally integrated, their implementation is weakened by limited enforcement, fragmented coordination, and speculative practices. Private developers frequently acquire and hold land for future profit rather than public interest leading to delays in providing affordable housing. The findings highlight that without stronger regulatory mechanisms and more equitable governance, public land policies remain limited in their capacity to counter speculative private land banking and address housing affordability challenges. A municipal case study further illustrates how discretionary enforcement perpetuates land inequality and undermines policy intent. The chapter contributes to broader land policy debates in rapidly urbanizing and institutionally

evolving contexts by demonstrating how the interplay between public regulation and private speculation influence housing development outcomes.

Chapter 5 examines the extent to which the structure of housing provision influences the formal housing development outcomes. It focuses on how market conditions and public planning processes, the core components of provision structure, contribute to delays in housing production. Drawing on two analytical perspectives, *speculative housebuilding* (Adams et al., 2009) and *public planning process* (Ball, 2011), the chapter argues that both market dynamics and planning systems significantly influence development timelines, albeit to different extents. Empirical evidence from 214 housing projects in Surabaya demonstrates how project-specific characteristics (such as land area, number of units, and building size) and market dynamics (including housing price and land price increases) influence the time required for building permit issuance and private sector decisions to complete projects. Regression analysis indicates that project-specific factors exert a stronger influence on development time than broader market conditions. The chapter further identifies an important additional insight: the persistence of informal practices within formal housing development. Many private developers initiate construction prior to obtaining building permits, reflecting a strategy to cope with bureaucratic delays and uncertainties in the approval process. This practice represents a form of *institutionalized informality* that functions as a survival mechanism to manage regulatory uncertainty while responding to market pressures. The chapter concludes by emphasizing the need for stronger regulatory capacity, more transparent approval processes, and collaborative governance frameworks to ensure in-time delivery of formal housing in Indonesia and other rapidly urbanizing settings where formal and informal systems intersect and planning institutions face capacity challenges.

Seen through Turner's lens, the dominance of *housing as a noun* highlights the rise of commodification, whereas his call for *housing as a verb* underscores the importance of process and practice. Extending this insight, this dissertation argues that in contemporary contexts of pronounced commodification, it is insufficient to analyse user-led housing practices. A critical understanding of supply processes, involving the negotiations, institutional dynamics, and strategic maneuvers that shape housing provision, is essential for explaining the persistent housing gap. By repositioning *housing as a verb* within the supply side, this dissertation demonstrates that housing provision is not merely a linear process of policy delivery or market exchange, but a dynamic governance process shaped by negotiation, contestation, and adaptation among multiple actors. Persistent housing gaps, therefore, should not be interpreted as anomalies or technical malfunctions, but as actively (re)produced outcomes of

institutional structures, actor strategies, and policy frameworks operating within wider market conditions.

This dissertation contributes to a deeper understanding of how the interplay between the structure of housing provision and public policy influences housing development in Indonesia's evolving market. Building on the three analytical dimensions: provision structures, public policy, and housing supply outcomes, this dissertation advances three interrelated contributions to housing studies: (1) Provision structures and housing financialization; (2) Public policy and public-private partnership; (3) Supply outcomes, speculation, and inefficiency. Practically, it offers evidence-based policy insights to strengthen housing governance, emphasizing the need for integrated land and housing strategies, accountable public-private collaboration, and stronger regulatory enforcement to promote affordability and delivery efficiency. Methodologically, the dissertation combines institutional and political-economic analysis with empirical case studies and a quantitative assessment of development timelines, offering a multi-scalar approach to understanding housing delivery. It introduces an evaluative framework for land policy, a model of urban political interplay in inclusionary housing, and applies project-level data to quantify delays in housing supply. While rooted in the Indonesian context, the insights resonate with broader debates in the rapidly urbanizing regions, where formal and informal systems intersect, public capacity is fragmented, and housing remains a profoundly political terrain. This dissertation offers a roadmap for more inclusive, accountable, and sustainable housing development by bridging empirical research with theoretical insight.

Ringkasan

Kurangnya pasokan rumah, atau *housing backlog*, merupakan tantangan global yang berkelanjutan, dipengaruhi oleh faktor demografis, ekonomi, dan kelembagaan yang berbeda di setiap wilayah. Di negara-negara maju dan berpenghasilan tinggi, masalah ini dipicu oleh kebijakan yang ketat dan perubahan struktur rumah tangga. Sebaliknya, negara-negara dengan urbanisasi pesat menghadapi pertumbuhan penduduk yang melampaui kemampuan penyediaan perumahan layak. Indonesia menjadi contoh nyata dinamika tersebut, dengan perkiraan backlog perumahan mencapai 17 juta unit untuk populasi $\pm 281,6$ juta jiwa (setara ± 75 juta jumlah rumah tangga) dan laju pertumbuhan 1,7 persen per tahun. Kebutuhan tahunan mencapai 800.000 unit rumah baru, sementara sektor formal hanya mampu menyediakan sekitar 350.000 unit per tahun. Konsekuensinya, sebagian besar penduduk masih bergantung pada perumahan swadaya dan informal. Meskipun pasar perumahan formal Indonesia berkembang pesat, kajian akademik terhadap sektor ini masih terbatas, khususnya mengenai faktor-faktor struktural yang menyebabkan rendahnya produksi perumahan formal dan tantangan keterjangkauan di tengah urbanisasi pesat serta meningkatnya peran sektor swasta.

Untuk menjawab tantangan struktural tersebut, disertasi ini meninjau kembali dan memperluas konsep dasar *housing as a verb* yang dikemukakan oleh Turner (1972). Disertasi ini memandang perumahan bukan sebagai *noun* atau komoditas, melainkan sebagai proses sosial yang dinamis yang dibentuk oleh institusi dan para pelaku. Turner berpendapat bahwa masalah perumahan sering kali muncul ketika pembuat kebijakan gagal memahami proses yang mereka atur melalui aturan yang mereka tetapkan. Meskipun kritik ini tetap relevan hingga kini, Turner kurang memberikan perhatian terhadap arena kelembagaan itu sendiri. Selama beberapa dekade terakhir, penyediaan perumahan telah bergeser dari orientasi sosial menuju produksi komoditas yang digerakkan oleh pasar. Untuk menangkap dinamika tersebut, disertasi ini menempatkan penyediaan perumahan dalam kerangka yang lebih luas, yaitu perencanaan kota dalam ekonomi pasar. Mengacu pada Adams (1994), pembangunan perumahan dipahami sebagai proses yang tertanam dalam rasionalitas ekonomi, di mana keberhasilan implementasi kebijakan publik sangat bergantung pada sejauh mana intervensi publik mampu berinteraksi dengan kepentingan para pelaku utama pasar.

Berdasarkan kerangka konseptual di atas, disertasi ini meneliti bagaimana struktur penyediaan perumahan dan kebijakan publik saling berinteraksi membentuk pembangunan perumahan formal di pasar Indonesia yang sedang berkembang.

Penelitian ini berfokus pada dinamika kelembagaan dan aktor yang berkontribusi terhadap rendahnya produksi serta tantangan keterjangkauan, khususnya dalam konteks urbanisasi cepat dan keberadaan sistem formal–informal. Pertanyaan penelitian utama yang menjadi landasan disertasi ini adalah:

Sejauh mana interaksi antara struktur penyediaan perumahan dan kebijakan publik mempengaruhi pembangunan perumahan di Indonesia yang terus berkembang?

Untuk menjawab pertanyaan utama tersebut, disertasi ini disusun dalam empat sub-pertanyaan:

RQ1: Siapa aktor-aktor kunci dalam penyediaan perumahan di Indonesia, dan apa peran mereka dalam proses pembangunan?

RQ2: Bagaimana interaksi antara sektor publik dan swasta membentuk kebijakan publik, khususnya terkait penyediaan perumahan terjangkau?

RQ3: Sejauh mana kebijakan lahan publik mempengaruhi pembangunan perumahan formal oleh sektor swasta?

RQ4: Sejauh mana struktur penyediaan perumahan mempengaruhi hasil pembangunan perumahan formal?

Disertasi ini menjawab sub-pertanyaan tersebut melalui empat bab empiris sebagai berikut:

Bab 2 meneliti struktur penyediaan perumahan di Indonesia dan transformasinya selama tiga dekade terakhir, dengan fokus khusus pada finansialisasi perumahan (*housing financialization*). Bab ini mengidentifikasi empat kelompok aktor utama: lembaga publik, pengembang swasta, institusi keuangan, dan rumah tangga; serta menganalisis bagaimana peran mereka berevolusi, terutama setelah transisi politik tahun 1998. Berdasarkan wawancara, analisis kebijakan, dan pengamatan lapangan di Jakarta dan Surabaya, bab ini menunjukkan bagaimana proses perumahan telah bergeser dari kebutuhan yang didorong oleh orientasi sosial menuju sistem yang semakin terkomodifikasi dan dibentuk oleh logika finansialisasi. Transformasi ini ditandai oleh pergeseran aliran modal, dari subsidi negara dan skema tabungan menuju pembiayaan berbasis hipotek, serta oleh redistribusi tanggung jawab, di mana penyediaan perumahan terjangkau semakin dibebankan kepada pengembang swasta.

Bab 3 meneliti bagaimana interaksi antara aktor sektor publik dan swasta membentuk kebijakan publik dalam penyediaan perumahan terjangkau di Indonesia. Dengan berfokus pada studi kasus Lingkungan Hunian Berimbang (LHB), kebijakan *inclusionary housing* yang telah lama diterapkan di Indonesia, bab ini mengeksplorasi bagaimana kebijakan perumahan terjangkau telah berevolusi selama tiga dekade terakhir akibat dinamika politik perkotaan yang terus berubah. Berdasarkan wawancara dengan para pemangku kepentingan kunci serta analisis konten dokumen hukum dan kebijakan, studi ini mengungkap adanya pergeseran logika kelembagaan, dari kewajiban yang ditetapkan oleh negara menuju kerangka yang lebih fleksibel dan berorientasi pasar. Transformasi ini ditandai oleh pengenalan dana konversi melalui Undang-Undang Cipta Kerja tahun 2020, yang memungkinkan pengembang mengganti kewajiban pembangunan unit rumah terjangkau di lokasi dengan kontribusi finansial kepada lembaga publik. Bab ini menyoroti bagaimana pemerintah pusat, pemerintah kota, dan pengembang swasta bernegosiasi dan berkompetisi dalam implementasi kebijakan, dengan pengembang yang semakin membentuk arah dan hasil regulasi. Bab ini berargumen bahwa transformasi tersebut mencerminkan pola *neoliberal urbanism* yang lebih luas, di mana sektor publik mendelegasikan tanggung jawab kepada sektor swasta, sehingga melemahkan pengawasan regulatif dan memperburuk masalah keterjangkauan.

Bab 4 sejauh mana kebijakan lahan publik berpengaruh terhadap pembangunan perumahan formal oleh sektor swasta di Indonesia. Bab ini menyoroti strategi *land banking* sebagai instrumen penting untuk menjamin ketersediaan lahan bagi pembangunan perumahan, serta membandingkan pendekatan publik dan swasta dalam akuisisi dan penguasaan lahan. Mengacu pada kerangka *legitimacy*, *effectiveness*, *efficiency*, dan *fairness* dari Hartmann dan Spit (2015), bab ini menganalisis bagaimana sistem kebijakan lahan di Indonesia berupaya mendukung partisipasi sektor swasta dalam penyediaan perumahan melalui instrumen seperti konsolidasi lahan, pengadaan lahan, dan pembentukan Bank Tanah pada tahun 2021. Meskipun kebijakan ini secara formal telah terintegrasi, implementasinya masih lemah akibat penegakan hukum yang terbatas, koordinasi yang kurang baik, dan praktik spekulatif. Pengembang swasta sering kali memperoleh dan menahan lahan untuk keuntungan masa depan daripada dialokasikan untuk kepentingan publik yang menyebabkan keterlambatan pembangunan perumahan terjangkau. Temuan penelitian ini menyoroti bahwa tanpa mekanisme regulasi yang lebih kuat dan tata kelola yang lebih adil, kebijakan pertanahan publik masih terbatas dalam kemampuannya menekan praktik akuisisi dan penguasaan lahan secara spekulatif oleh swasta dan mengatasi tantangan keterjangkauan perumahan. Studi kasus di tingkat kota lebih lanjut menggambarkan bagaimana penegakan yang bersifat

diskresioner memperkuat ketimpangan penguasaan lahan dan melemahkan tujuan kebijakan. Bab ini memberikan kontribusi terhadap perdebatan kebijakan pertanahan di konteks urbanisasi pesat dan perubahan kelembagaan dengan menunjukkan bagaimana interaksi antara regulasi publik dan spekulasi swasta mempengaruhi pembangunan perumahan.

Bab 5 mengkaji sejauh mana struktur penyediaan perumahan memengaruhi hasil pembangunan perumahan formal. Bab ini berfokus pada bagaimana kondisi pasar dan proses perencanaan publik, sebagai representasi komponen utama dari struktur penyediaan perumahan, berkontribusi terhadap keterlambatan dalam pembangunan perumahan. Mengacu pada dua perspektif, yaitu *speculative housebuilding* (Adams et al., 2009) dan *public planning process* (Ball, 2011), bab ini berargumen bahwa dinamika pasar dan sistem perencanaan sama-sama memiliki pengaruh signifikan terhadap waktu yang dibutuhkan dalam pembangunan, meskipun dengan tingkat yang berbeda. Analisis terhadap 214 proyek perumahan di Surabaya menunjukkan bagaimana karakteristik proyek (misalnya luas lahan, jumlah unit, ukuran bangunan) dan kondisi pasar (seperti harga rumah dan kenaikan harga lahan) memengaruhi waktu yang dibutuhkan untuk penerbitan izin mendirikan bangunan serta keputusan sektor swasta dalam menyelesaikan proyek. Analisis regresi juga menunjukkan bahwa faktor spesifik proyek memiliki pengaruh yang lebih besar terhadap durasi pembangunan dibandingkan dengan kondisi pasar secara umum. Bab ini juga mengidentifikasi temuan penting lainnya, yaitu adanya praktik informal dalam pembangunan perumahan formal. Banyak pengembang swasta memulai pembangunan sebelum memperoleh izin mendirikan bangunan yang mencerminkan strategi untuk mengatasi keterlambatan dan ketidakpastian dalam proses persetujuan oleh pemerintah. Praktik ini merepresentasikan bentuk informalitas yang berfungsi sebagai mekanisme bertahan untuk mengelola ketidakpastian regulasi dan merespon tekanan pasar di saat yang sama. Bab ini menutup dengan menekankan pentingnya peningkatan kapasitas regulasi, transparansi dalam proses perizinan, serta kerangka tata kelola kolaboratif untuk memastikan ketepatan waktu dalam penyediaan perumahan formal di Indonesia dan konteks urbanisasi cepat lainnya, di mana sistem formal dan informal saling beririsan dan institusi perencanaan menghadapi keterbatasan kapasitas.

Melalui perspektif Turner, dominasi *housing as a noun* menegaskan meningkatnya komodifikasi perumahan, sementara *housing as a verb* menyoroti pentingnya proses dan praktik. Disertasi ini berargumen bahwa dalam konteks komodifikasi yang semakin kuat saat ini, analisis terhadap praktik perumahan yang berbasis kebutuhan pengguna saja tidaklah memadai. Pemahaman kritis terhadap proses penyediaan

yang mencakup negosiasi, dinamika kelembagaan, dan manuver strategis yang membentuk penyediaan perumahan menjadi kunci untuk menjelaskan mengapa kesenjangan perumahan tetap bertahan. Dengan menempatkan *housing as a verb* pada sisi penyediaan, disertasi ini menunjukkan bahwa penyediaan perumahan bukan sekadar proses linear dari pelaksanaan kebijakan atau pertukaran pasar, tetapi merupakan proses tata kelola yang dinamis, dibentuk melalui negosiasi, kontestasi, dan adaptasi di antara berbagai aktor. Karena itu, kesenjangan perumahan yang terus-menerus tidak dapat dilihat sebagai anomali atau kegagalan teknis, melainkan sebagai hasil yang secara aktif yang direproduksi oleh struktur kelembagaan, strategi aktor, dan kerangka kebijakan yang beroperasi dalam kondisi pasar yang lebih luas.

Disertasi ini memberikan pemahaman yang lebih mendalam mengenai bagaimana interaksi antara struktur penyediaan perumahan dan kebijakan publik memengaruhi pembangunan perumahan di pasar Indonesia yang terus berkembang. Berdasarkan tiga dimensi analitis: struktur penyediaan, kebijakan publik, dan hasil penyediaan perumahan, studi ini menghasilkan tiga kontribusi yang saling terkait terhadap kajian perumahan: (1) Struktur penyediaan dan finansialisasi perumahan; (2) Kebijakan publik dan kemitraan publik–swasta; (3) Hasil penyediaan, spekulasi, dan inefisiensi. Secara praktis, disertasi ini menawarkan wawasan kebijakan berbasis empiris untuk memperkuat tata kelola perumahan, dengan menekankan pentingnya strategi terpadu tanah–perumahan, kolaborasi publik–swasta yang akuntabel, serta penegakan regulasi yang lebih kuat untuk mendorong keterjangkauan dan efisiensi pembangunan. Secara metodologis, disertasi ini menggabungkan analisis kelembagaan dan ekonomi politik dengan studi kasus empiris serta penilaian kuantitatif atas durasi pembangunan, menawarkan pendekatan multi-skala untuk memahami penyediaan perumahan. Disertasi ini memperkenalkan kerangka evaluasi untuk kebijakan tanah, model interaksi politik perkotaan dalam kebijakan perumahan inklusif, serta menerapkan data tingkat proyek untuk mengukur hambatan dalam pasokan perumahan. Meskipun berakar pada konteks Indonesia, wawasan ini relevan dengan perdebatan yang lebih luas di wilayah urbanisasi pesat, di mana sistem formal dan informal saling bersinggungan, kapasitas negara terfragmentasi, dan perumahan tetap menjadi arena politik yang penuh pertarungan. Disertasi ini menawarkan peta jalan menuju pembangunan perumahan yang lebih inklusif, akuntabel, dan berkelanjutan dengan menjembatani riset empiris dan wawasan teoretis.

Table of contents

Samenvatting	9
Summary	15
Ringkasan	21
Chapter 1 Introduction	29
Chapter 2 The Structure of Housing Provision in Indonesia: Actors and Their Roles in the Transformation of Housing Production through Housing Financialization Perspective	59
Chapter 3 The Interplay of Actors on Public policy: Urban Politics on Housing Policy Transformation in Indonesia	79
Chapter 4 The Influence of Public Policy on Formal Housing Provision: From Policy to Practice: How Public Land Policies Shape Private-Sector Housing Development	105
Chapter 5 Provision Structure on Housing Development: Private Speculation and Public Inefficiency on Housing Delays	141
Chapter 6 Housing the Gap: Discussion and Conclusion	167
References	181
Appendices	
Acknowledgements	195
About the author	197
List of scientific publications (2020 – 2025)	199



Chapter 1

Introduction

"The greatest asset a city can have is something so commonplace that it is often overlooked: a supply of livable and accessible homes"(Inspired by the human-centered urban thinking of Jane Jacobs, 1961)

Contextual Background

Housing is a critical component of urban development. The success of a city is often measured by the adequacy of its housing provision (Setiawan, 2021). Its limited availability has become an issue as it is becoming less inclusive and less affordable. Housing challenges include shortages in availability, unaffordable prices for most people, unfeasible housing locations, and limited infrastructure and basic facilities (Smets & Van Lindert, 2016). These issues have been confirmed as global concerns in the Habitat Agenda of 1996, with subsequent attention in the Millennium Development Goals of 2000, the Sustainable Development Goals in 2015, and Habitat III in 2016 (Jenkins et al., 2007; Smets & Van Lindert, 2016).

Housing shortages occur in both the Global North and Global South countries, though they are driven by different factors. In the Global North, these shortages often arise from shifts in household structures and increased economic individualism. In contrast, the Global South faces challenges stemming from rapid demographic growth, which consistently outpaces the housing supply. As a result, the backlog due to irresponsive supply of housing continues to grow (Jenkins et al., 2007). Recent evidence also suggests that political pressures on housing allocation have exacerbated the situation, resulting in discriminatory spatial distribution and limited access to affordable housing which in turn fuels housing shortages (Dang et al., 2014).

Turner (1972) observed a conceptual error in interpreting housing needs, which has led to counterproductive outcomes. The word “housing” can be used as a noun and as a verb. As a noun, “housing” describes a commodity or product. As a verb, “to house” describes the process or activity of housing which includes the houses promoted, built and used. It follows that the criteria to measure housing will differ with the meaning of the word. The measure of housing products are physical standards, and the measure of housing activity are varied, some are measurable i.e. dwelling units, financial costs, time invested, and human effort as components of housing action, and some to reflect the meaning and value for its users are more complex to measure i.e. the satisfaction and frustration of housing needs. The problem arose when policymakers and producers began defining housing solely as a product with minimum acceptable standards, resulting in mismatches between housing supply and people’s needs as effective demand. Further, defining the housing needs as a commodity has fueled speculative development, where such process requiring initial investment to build and mortgage loans to buy. Turner argued that there is a significant gap between investment levels and effective demand – one that can not be closed with subsidies, either due to limited financial resources or political will.

His theory highlights the disconnect between policy-makers' approach and users' perspective, showing how public policies fail to grasp the concept of "housing as a verb" and miss the true nature of demand.

Many countries have implemented public policies aimed at providing new housing developments. However, the effectiveness of these policies has been limited, leading to delays in housing development and resulting in poor housing supply. The interaction between public policy and housing development practices has been explored in various contexts. For instance, Van der Krabben and Jacobs (2013) compared public land development strategies for housing in the Netherlands and the US, concluding that while proactive planning can be beneficial, its success depends on institutional and market contexts. Land readjustment and land banking policies have also been introduced as tools for urban housing development. However, these policies, while promising, have shown mixed results (De Souza et al., 2018; Van der Krabben & Needham, 2008). Planning inefficiencies also known to contribute to the unresponsive housing supply, as delays in permit issuance and land allocation create bottlenecks in the development process (Ball, 2011; Caesar, 2016). These delays underscore the need for more effective land supply strategies, which are essential for successful housing development (Bramley, 1998).

While public policies lay the groundwork for housing provision, the private sector dominates the development process. Adams (1994) argued that it is essential to understand housing development from a market economy perspective because the implementation of public policy on urban plans is highly dependent on the extent to which significant actors: landowners, investors, and developers, are successfully influenced. In a market economy, the public sector acts primarily as a regulator and enabler rather than a controller and provider. Therefore, policy formulation is seen as an interactive process of negotiation and bargaining between policymakers and implementing agencies, including the private sector. Poorly adjusted public policies reflect that policymakers do not understand the game they regulate with the rules they institute (Turner, 1972). It impacts the development goals where the action of exploiting loopholes in the policies by the implementing agencies potentially appears as a consequence. For example, Adams et al. (2002, 2009) observe that the action of land banking, where landowners hold onto land for future profits, and speculative housebuilding, where investors and private developers build houses without securing the buyers, have become their strategies that contribute to delays in housing production, which in turn to the housing shortage. This theory highlights the interplay between policymakers as regulators and the private sector as housing providers, representing the dynamics of the supply side in housing development.

This thesis adopts a housing supply perspective within a market economy, emphasizing the interplay between key actors: the government as regulator and the private sector as housing providers. This interaction plays a critical role in determining the availability of affordable housing in the market which shaped by policy interventions. Focusing on Indonesia as a case study, this research examines a Global South country transitioning from informal to formal housing markets. However, inadequate housing supply and excessive demand, driven by rapid growth and urbanization, may continue to sustain the persistence of informal and substandard housing (Kresse & Van der Krabben, 2021).

Indonesia: Housing challenges, historical perspective, and development context

Housing challenges in Indonesia

Indonesia has seen economic development in recent decades, which was accompanied by a growing trend of formal housing development. The urgent needs to address housing for its population of 267 million, includes a housing backlog of 17 million units, has become a critical national issue (Rukmana, 2019). This situation is caused by rapid demand due to the 1.7% annual population growth and limited formal sector capacity to meet these demands. With an annual need for 800,000 new houses, only around 350,000 units being built each year (Setiawan, 2021).

Housing shortage in Indonesia have been widely documented across different governance periods. Early analyses trace issues of housing shortage back to the colonial era, starting from Dutch East Indies rule (Cobban, 1993; Colombijn, 2011), and continuing through post-independence (Moochtar, 1980). In the post-independence period, Perumnas, the public housing developer, was established and received commendable evaluations for its housing provision efforts, although its reach was limited in scope and market (Sukarno & Indarto, 2010). The post-reform era, however, reveals more complex challenges, including housing backlogs and urban slums (Rukmana, 2018), self-built housing (Silas, 2016), and land constraints (Sadyohutomo, 2016). Proposals such as land readjustment have been introduced to make more land available for housing (Supriatna & Van der Molen, 2014). (Herawati et al., 2021) observes loopholes in land acquisition policies, noting that vague regulations allow private companies to acquire extensive landholdings, often leading to increased land prices and speculative behaviors. These studies largely highlight housing issues from the public policy perspective. However, there remains limited exploration into the interplay between key providers of housing and their products: public policy and private sector housing practice - a significant factor contributing to housing shortage.

Historical perspective of housing development in Indonesia

Indonesia's housing provision has deep historical roots. Dating back to the VOC period (1602-1799) and the Dutch East Indies governance (1800-1942), authorities allocated specific areas of the city for certain groups' housing, including Europeans and their trade partners from Arabian, Indian, and Chinese communities. In contrast, local residents (inlanders) were confined to settling organically on marginal lands outside designated housing areas, which typically lacked formal infrastructure. This organic settlement (kampung) is the root of the informal housing sector, emerging as a survival mechanism for local people to live on their own land.

In the early 20th century, the Dutch Ethical Policy (*Ethische Politiek*) and the Decentralization Law (*Decentralisatiewet*) initiated a shift toward addressing the needs of local populations. Surabaya, the capital city of the Dutch East Indies at the time, became a focal point for these changes. The kampung improvement (*Kampung Verbetering*) program in Surabaya in 1925 marked the first effort to enhance informal housing conditions for local communities. The program improved infrastructure in urban kampung areas, providing essentials like roads, clean water, and sanitation, thus raising the quality of local housing environments (Cobban, 1993; Setiawan, 2021). Surabaya's city authorities also made strategic moves in the housing market earlier. In 1910, they purchased the private estate (*particuliere landerijen*) of Goebeng area, preparing the land and selling parcels to private individuals. Over time, additional estates in the North, Northeast, and Northwest of the city (*Ketabang Noord and Zuid*, and *Ngagel*) were acquired for both residential and industrial purposes, funded partly with its own funds and bank loans from the Netherlands. This move was demonstrating early examples of public sector involvement in housing development.

The post-independence era (1945–1965) marked a period of national resource consolidation in Indonesia. During this time, the first Indonesian government prioritized economic stabilization over housing, giving minimal attention to formal housing development despite an emerging population surge. In the New Order era (1966–1998), the state established its first state-owned developer, *Perumnas*, to manage housing primarily for government staff and social housing needs. This period saw the construction of Indonesia's first public housing and an ongoing influx of urban migration, which intensified housing demand. The Reform era (1998–present) brought significant shifts in public policy, moving from a centralized to a more decentralized approach. Meanwhile, rapid urban population growth further exacerbated the housing backlog. In 1992, the government introduced the first housing policy which mandating private sector involvement in affordable housing provision—a historical moment that signaled a formal shift of housing development

responsibilities to the private sector. This historical context underscores a longstanding interaction between the public and private sectors in Indonesian housing provision, illustrating early patterns of cooperation and competition in the housing market (see Table 1.1).

Table 1.1 Indonesia's housing development trends and policy shift in historical perspective

Period	Key Initiatives & Trends	Population Impact	Housing Outcome
VOC* Era (1602–1799) <i>*Vereenigde Nederlandsche Oost- Indische Compagnie</i>	City authorities allocated areas for European settlers and trade partners; locals were excluded from formal housing areas	Minimal	Limited formal housing; informal settlements for locals
Dutch East Indies (1800–1942)	Housing segregated by ethnicity. Early housing policies emerged, but focus was on colonial settlers.	Growing but segregated urban population	Minimal infrastructure for locals; early focus on formal housing areas for Europeans
Early 20th Century (1900–1925)	Decentralization Law and Dutch Ethical Policy introduced to improve local communities' living conditions	Gradual inclusion of locals in urban plans	<i>Kampung Verbetering</i> program improved kampung infrastructure, setting a foundation for future urban interventions
Post-Independence (1945–1965)	Nationalization of resources; focus on economic stabilization rather than housing	Rapid population growth	Minimal focus on housing; few formal developments
New Order Era (1966–1998)	Establishment of Perumnas as a public developer; growth in industrial housing	High urban migration	Initial public housing projects; limited scale to meet demand
Reform Era (1999–Present)	Decentralized policies and private sector-led formal housing development; increasing urbanization and land constraints	Accelerated urban population growth	Housing backlog increased; significant role of private sector in land acquisition, escalating prices

Source: own work

Contemporary Indonesia: A formal housing market dominated by private sector development

The housing market in Indonesia today has been shaped by a combination of economic growth, demographic trends, real estate investment, and regulatory factors. As the world's fourth most populous country, Indonesia has a large and rapidly growing urban population, leading to increased demand for housing, particularly in major cities such as Jakarta, Surabaya, and Bandung (Igamo et al., 2023; Njo et al., 2019;

Nugroho et al., 2018, 2020). However, its formal housing market is characterized by a significant supply-demand gap, especially in affordable housing. While demand in the affordable segment is high, there is also growth in the middle-class and luxury housing markets, driven by urbanization, rising incomes, and increased foreign investment (Nugroho et al., 2018, 2020). Table 1.2 illustrates the different methods of housing acquisition in Indonesia's housing market. While informal housing (self-built) remains predominant—stemming from longstanding practices established as survival mechanisms since the colonial era and continuing due to the government's limited capacity to meet the housing demands of rapid urban migration (see Figure 1.1)—formal housing by developers is gaining a stronger foothold, particularly in urban reas (see Table 1.2). This thesis is limiting its scope on the rising prominence of the formal housing market in Indonesia, especially as urbanization intensifies and the role of private developers becomes more influential in shaping housing provision.

Table 1.2 Type of housing transaction

Transaction Type	Area Category		
	Urban (%)	Rural (%)	Average (%)
Bought from developers	7.32	0.42	3.87
Bought second hand	6.80	2.21	4.50
Self-built	76.27	90.10	83,18
Other*	9.61	7.27	8,44
Total	100	100	100

Source: BPS (2022); * includes inheritance, administrative allocation, and civil/public servant housing



Figure 1.1 Housing typologies in Indonesia's formal market by the private developers: Luxury units in prime urban areas (left), and compact units in peripheral locations (right)

Source: Private developers' marketing brochures



Figure 1.2 State-provided housing for civil servants (left), and self-built informal housing in urban margins (right)

Source: Ministry of Public Housing, 1995; www.antarafoto.com

Figure 1.3 provides a graph of the Housing Price Index (HPI) from 2015 to 2022 in three major cities in Indonesia and the national average. The HPI for Jakarta, Surabaya, Bandung, and the national level shows a consistent upward trend, reflecting the ongoing increase in housing prices across these regions. Jakarta continues to lead in price appreciation, while Surabaya and Bandung also show steady growth. This trend indicates a robust demand for housing in major cities and a general rise in property values nationally.

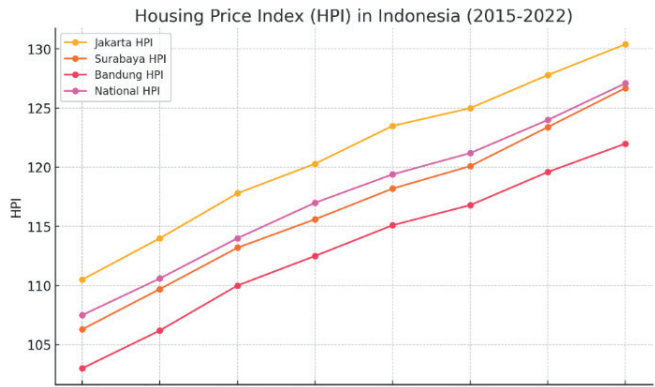


Figure 1.3 Housing Price Index (HPI) in three major cities in Indonesia and the national level

Source: adapted from Bank Indonesia Survey Reports, 2022

Figure 1.4 shows the data for new housing units with a general growth trend from 2015 to 2022, with a dip in 2020 due to the impact of COVID-19 pandemic on the construction sector. However, the market rebounded in 2021 and 2022, particularly in Jakarta, Surabaya, and nationwide. As property demand and prices rise due to rapid population growth and high urbanization, the real estate market in Indonesia is one

of the most vital sectors in the region. It was one of the few sectors not significantly affected by the COVID-19 crisis in the country. The official figures from Statistics Indonesia reflected that the GDP from real estate activities in Indonesia amounted to IDR 488.31 trillion (USD 31 billion) in 2022. Indonesian GDP derived from real estate activities has gradually increased over the decade.

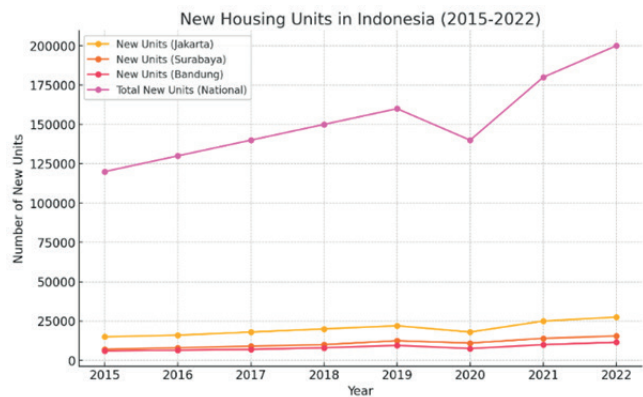


Figure 1.4 New housing units in three major cities in Indonesia and the national level
Source: adapted from Bank Indonesia Survey Reports, 2022



Figure 1.5 GDP growth, inflation rate, and interest rate in Indonesia from 2015 to 2022
Source: adapted from Bank Indonesia Survey Reports, 2022

Figure 1.5 indicates Indonesia's GDP growth was stable from 2015 to 2019. The economic contraction in 2020 due to COVID-19 pandemic negatively impacted the housing market, leading to reduced new housing units and construction delays. However it

rebounded in 2021 and further increased in 2022, reflecting economic recovery and supporting the housing market's resurgence. The inflation rate decreased significantly in 2015 to 2019, which created a favourable environment for property investment. The low inflation rate in 2020 resulted from reduced demand during the pandemic, while it increased in 2021 and further respectively. The interest rate, controlled by Bank Indonesia as the central bank, decreased from 2015 to 2021. Lower interest rates in recent years have made mortgages more affordable, likely supporting home-buying activities and boosting demand in the housing market. This trend indicates that, while the formal housing segment remains smaller in scale compared to informal housing, it is experiencing rapid growth. However, research on formal housing development remains limited, particularly in terms of its role in addressing housing shortages.

Problem Statement

This study examines the growing formal housing sector in Indonesia, a Global South country facing a persistent housing crisis marked by supply shortages and rising unaffordability. The root of this crisis lies in the complex interplay between actors in the market structure and public policies. While government policies aim to support housing supply, their implementation often results in delays due to conceptual error in interpreting housing (Turner, 1972), inefficiencies in public planning processes (Ball, 2011; Caesar, 2016), and speculative practices in private-sector housing development (Adams et al., 2002, 2009).

A knowledge gap exists in the debate over whether market structure factors or policy interventions are the primary drivers of housing supply challenges (Adams et al., 2009; Ball, 2011). In Indonesia, rapid population growth and the limited capacity of formal institutions to meet housing demand have resulted in a significant housing backlog (Setiawan, 2021). This issue is further compounded by public policies that struggle to adapt to rapidly changing market conditions and inconsistencies within the planning system. While housing studies in Indonesia have predominantly focused on the informal sector, there is limited research on the formal housing sector.

This dissertation addresses the gap between government objectives in public policy and market outcomes in housing provision. It focuses on how Indonesia's public policy frameworks interact with the private sector's formal housebuilding industry and how this interaction perpetuates the housing shortage. By examining this dynamic, the study aims to offer insights into the housing gap that may differ from findings in previous research, primarily conducted in Global North countries.

Research Questions and Objectives

This dissertation aims to answer the following overarching research question: **To what extent does the interplay between the structure of housing provision and public policy influence housing development in Indonesia's evolving market?** The dissertation is based on four sub-questions, answered in the empirical chapters, as follows:

1. Who are the key actors in Indonesia's housing production, and what roles do they play in the development process?
This sub-question examines the structure of housing provision by identifying key actors, their roles, and their interactions on housing provision in Indonesia.
2. How does the interplay between public and private sector actors influence affordable housing policy in Indonesia?
This sub-question assesses in extent to which public policy, specifically affordable housing policy, are shaped and transformed considering the interplay between actors where broader urban politics are embedded
3. Under what conditions do land policies shape formal housing development by the private sector?
This sub-question explores the impact of public policy frameworks both in national and municipality level on housebuilding practices
4. To what extent does the structure of housing provision influence the formal housing development outcomes?
This sub-question evaluates the housing sector's performance in terms of the development time of housing production to meet with demands.

The main objective of this dissertation is to gain a comprehensive understanding of speculative formal housing development in Indonesia, a sector that, while smaller than the informal market, is expanding rapidly. Additionally, this study seeks to measure whether the current pace of housing development is sufficient to address Indonesia's housing shortage. By filling the existing gap in research, the dissertation intends to provide valuable insights into how speculative practices affect housing provision and offer recommendations to improve the alignment between policy and market behavior.

Theoretical framework

This dissertation builds on Turner's (1972) seminal concept of housing as a verb and extends it to examine the institutional dynamics of housing provision. Turner's work has been a foundational reference in critical housing studies, particularly in the global South, where he framed housing not as a static product but as a dynamic social process. Central to his argument is the distinction between housing as process and

housing as product. When treated as a process, housing embodies use-value, which refers to what it does for people. In contrast, when viewed as a product, it is reduced to its market value as a commodity to be produced, exchanged, and consumed in formal systems. Turner also introduces a linguistic duality: housing as noun and as verb. The noun aligns with commodification and standardized production, while the verb form involves active practices such as promoting, building, and using houses as embedded in wider economic, political, and institutional processes. Turner argues that policymakers who treat housing merely as a commodity often fail to understand the game they regulate with the rules they institute.

Over time, housing has increasingly shifted from being driven by social needs to being primarily viewed as a market-oriented commodity. Jenkins et al. (2007) describe this transformation illustrates as a move away from collective action, mutual aid, and state-led provision, toward commodified systems governed by market mechanisms. D'Arcy and Keogh (1998) further assert that housing markets are not neutral arenas of supply and demand but institutional constructs, reflecting patterns of power and influence across political, economic, legal, and social systems. In this perspective, markets actively shape housing outcomes rather than simply mediating them. Seen through Turner's lens, the rise of commodification reflects the dominance of housing-as-noun thinking. However, Turner's insistence on housing as a verb underscores the importance of user-led housing processes at a time when housing remained embedded in social frameworks. Extending this insight, this dissertation argues that in contemporary contexts, where commodification is more pronounced, understanding the housing system requires a critical analysis of supply processes. Therefore, recognizing housing as a verb is crucial not only on the user side but also on the supply side, as it reveals the dynamic processes, negotiations, and strategic maneuvers that shape the housing gap over time.

The Structure of Housing Provision

Housing provision is shaped by a continuous negotiation between institutional structures and the strategic actions of various actors. Drawing on Giddens' (1976) structuration theory, structure is reproduced and transformed through the practices of actors, who deploy, challenge, and reinterpret rules, resources, and ideas in pursuit of their strategies. This relationship is dialectical: structure constrains and enables actors as agency, while agency reproduces or transforms structure (Hay, 1995). Healey and Barrett (1990) highlight that structures operate through resources, rules, and ideas, all of which actors mobilise strategically. As Allmendinger (2017) argues, the mutual constitution of structure and agency requires moving beyond static categorizations. Instead, actors and institutions are engaged in ongoing processes of adaptation, contestation, and transformation in governance and market practice.

The roles and relative power of these actors vary across governance contexts. Ball (2016) shows that in many European countries, housing provision operates within collaborative domain where public, private, and non-profit actors intersect with their influence shaped by historical trajectories and welfare regimes. In social-democratic welfare states, such as the Netherlands, public actors have historically assumed an active role in regulating, planning, and directly providing social housing. The prominence of housing associations managing large shares of the housing stock exemplifies how governance traditions are inscribed within contemporary housing systems. However, this configuration shifts in market-oriented contexts, where private developers often dominate housing production. Their agency is shaped not only by market demand but also by institutional factors such as regulatory frameworks and land availability. Even in these settings, non-profits persist, though often confined to low-income groups, as in the UK and Germany.

The shift toward commodified systems has intensified the role of financial actors. As housing provision has become increasingly entwined with capital markets, the structuring influence of financial institutions such as banks, mortgage lenders, and investment funds has grown. These actors shape access and affordability through lending practices, credit conditions, and investment logics. This process, widely theorised as housing financialization, refers to the rising dominance of financial actors and logics, transforming states, markets, and households alike (Aalbers, 2008; Krippner, 2005; Wijburg & Aalbers, 2017). Financialization has been extensively documented in North America and Europe (August, 2020; Fields & Uffer, 2014; Romainville, 2017; Wainwright & Manville, 2016), where its effects include rising debt, securitisation, and escalating prices (Aalbers, 2017).

While most research has focused on advanced economies, financialization is also emerging in low- and middle-income countries (Pereira, 2017). The financialization of housing production is less examined than rental housing (Fields, 2017), homeownership (Kohl, 2018; Langley, 2007), or provider strategies (Aalbers et al., 2017), and concerns how developers and financiers raise capital and structure investment in housing (Pereira, 2017; Romainville, 2017). Even where commodification is less advanced, housing production increasingly involves financial logics, privileging homeownership as tenure (Rolnik, 2013; Wainwright & Manville, 2016). In this sense, financialization is not external to provision structures but actively reconfigures their rules, resources, and strategies.

Case studies illustrate this reconfiguration. In the Netherlands, deregulation in the 1980s allowed housing associations to act commercially, including derivatives trading (Aalbers et al., 2017). In Cambodia, foreign investment created a condominium market

aimed at expatriates (Fauveaud, 2020). In Tokyo, REITs reoriented leasing strategies toward investor profiles (Aveline-Dubach, 2020). In Brussels, developers evolved into financial actors themselves (Romainville, 2017). In Mozambique, World Bank-supported programmes facilitated land transfers to investors, displacing low-income residents (Jorge, 2020). In Brazil, securitisation expanded commodification into low-income housing (Pereira, 2017). These examples demonstrate that financialization interacts with local governance regimes, reshaping provision structures in diverse ways.

Financialization is also embedded in macroeconomic policy. In financialised regimes, homeownership is promoted almost universally and supported fiscally (Aalbers, 2017; Fernandez & Aalbers, 2016) and closely tied to housing finance programs. Consequently, financial institutions, developers, governments, and NGOs are not mere participants but co-constitutive elements of provision structures. Their agency is simultaneously enabled and constrained by evolving institutional frameworks. As Turner (1972) anticipated, failures occur when policy and institutional design fail to recognise how these dynamics actually function.

This dissertation therefore frames provision structures as the institutional fields through which actors, including financial ones, enact, negotiate, and transform strategies. This perspective provides the conceptual framework for the dissertation as a whole. Although the empirical chapters engage with distinct strands: financialization, institutional governance, land policy, and housing market behaviour, they are unified by a common concern: how governance structures (actor strategies) and public policy interact and shape outcomes in housing provision. Chapter 2, for example, examines Indonesia's housing provision structure through the lens of financialization.

Public policy on Housing Provision

Public policy is central to housing supply but is neither neutral nor straightforward. It emerges from political negotiations among actors and, once enacted, structures the conditions under which provision occurs. From land-use planning and housing programs to financial market interventions and even cultural policies aimed at shaping consumer behaviour, policy is often cast as the principal mechanism through which housing supply elasticity can be enhanced (Kresse & Van der Krabben, 2021). Institutionalist arguments, such as those advanced by Ihlanfeldt & Shaughnessy (2004) and Mayo & Sheppard (1996), emphasise reducing transaction costs through streamlined planning procedures, lower fees, or deregulation as the key to enabling more responsive housing markets. In rapidly urbanising countries, this narrative expands to include capacity-building initiatives and improved access to credit

as means of stimulating the housing sector (Kresse & Van der Krabben, 2021). Yet outcomes depend on how actors interpret, negotiate, and resist policy frameworks.

Land availability vividly illustrates this. Adams (1994) cautions against reducing development delays to restrictive planning, pointing instead to fragmented landownership, speculative landholding, and land remediation costs. Policies must therefore address the political economy of land by incentivising assembly, remediating sites, and managing owner expectations. Similarly, demand-side subsidies may inflate prices (Ball, 2016), while supply-side reforms may confront fiscal or political limits. Financial market interventions are likewise reshaped by developers and investors. Policies may enable developers to access financing or households to secure mortgages, yet their broader impact on land and housing markets is mediated by how these actors choose to engage with or exploit regulatory frameworks (Kresse & Van der Krabben, 2021).

This perspective underpins Chapter 3, which examines housing policy transformation in Indonesia through institutional and urban politics lenses. Institutional logics approaches (Fuenfschilling & Truffer, 2014; Thornton et al., 2012) emphasise how competing norms, such as privileging homeownership, structure both policy design and transformation. In transitional governance contexts like Indonesia, overlapping mandates and weak enforcement (Firman, 2004; Roestamy et al., 2022) make these negotiations particularly visible. Land banking illustrates these tensions. Public land banking, pioneered in Amsterdam and later across Europe and North America (Bao et al., 2012; Alexander, 2015; Sasu et al., 2022), aims to stabilise property values, counter speculation, and capture land value increases for public purposes (Smolka & Amborski, 2000). In contrast, private land banking treats land as a financial asset, with developers holding reserves to maximise returns (Adams & Tiesdell, 2012; Huang et al., 2015; Van der Krabben et al., 2022; Zhang et al., 2012). These behaviours are rational responses to regulatory incentives. Empirical cases from Hong Kong (Huang et al., 2015) and Ghana (Sasu et al., 2022) show how speculative holding directly shapes supply.

Taken together, public policy emerges as both a product of political negotiation and a structuring force. Chapter 3 highlights how actors transform housing policy in contested institutional arenas, where competing logics, interests, and power relations drive policy change. Chapter 4, in turn, examines how these policies shape housing outcomes, particularly through land instruments that channel, constrain, or enable private-sector development. Read together, these chapters reveal policy not as a one-way mechanism but as part of a recursive process: negotiated by actors, it structures provision outcomes that feed back into future rounds of contestation.

Housing supply and Influencing Factors

Housing supply has long been considered a central indicator of how well a housing system functions. In classical urban economics, housing supply responsiveness or elasticity is framed as the outcome of production costs, input prices, and demand signals (Mayo & Sheppard, 1996; Quigley, 2007). Within this perspective, structural factors such as land availability are fundamental: without suitable land, neither the pace nor the quantity of new housing can expand. Land use and zoning theories (i.e. Alonso, 1964) highlight how geographical, regulatory, and environmental constraints shape land supply. However, these approaches often assume frictionless land and construction markets. In reality, land ownership fragmentation, speculative landholding, and remediation costs generate bottlenecks that delay development, restrict output, and drive up prices (Adams et al., 1988).

Institutional economics shifts the lens from these technical determinants to the rules, norms, and governance structures that mediate them. North (1990) and Ostrom (2005) emphasise that institutions are not neutral backdrops; they structure the incentives and constraints within which housing actors operate. From this standpoint, regulations such as zoning laws, building codes, and permitting systems represent political choices embedded in governance structures. Ball (2011) shows how inefficiencies in planning approval processes extend delivery timelines, while Ihlanfeldt and Shaughnessy (2004) argue that predictable, transparent governance reduces transaction costs and improves supply responsiveness. Yet institutions can also generate unintended consequences: poorly enforced regulations, or processes captured by powerful actors, may reproduce exclusion and concentrate benefits rather than expand supply.

Market behaviour theories foreground the decision-making of developers, landowners, and other market participants. While developers respond to demand signals and price trends, they may also act strategically to manage risk or maximise returns. As Adams et al. (2009) argue, housebuilders sometimes delay construction, not due to regulatory or technical barriers, but to control the timing of market entry and sustain higher prices. Such deliberate delay has direct implications for all three dimensions of supply effectiveness: it prolongs delivery time, constrains output, and inflates prices. In highly inelastic markets, where land and planning permissions are scarce, this behaviour can exacerbate affordability crises even when aggregate land supply appears adequate.

Public policies and financial conditions intersect with both structural limits and actor strategies, further shaping supply outcomes. Fiscal incentives, subsidies, and infrastructure investment may reduce barriers and stimulate construction, yet when poorly designed, they can inflate land values without increasing output. Financial

market conditions—interest rates, credit availability, and mortgage terms—affect both developers' access to capital and households' purchasing power. Adams and Watkins (2008) caution that in monopolistic or asymmetrical land markets, even favourable credit conditions fail to translate into broad affordability. Legal and institutional contexts matter too: Gandhi et al. (2021) show how litigation prolongs real estate project timelines in Mumbai by around 20%. In Indonesia, developers sometimes begin construction before securing approvals, speculating on future price gains (Jakarta Property Institute, 2024). Such practices are enabled by weak enforcement and informal governance (Nurhayati & Haryati, 2013; Panggoa, 2012), highlighting how institutional capacity conditions the link between financial incentives and housing delivery.

Taken together, these perspectives reveal that housing supply is not the product of neutral market mechanics, nor of isolated inefficiencies. It is better understood as the outcome of structured interaction between institutional arrangements and actor strategies. Delays, speculative practices, and policy ineffectiveness should not be read as anomalies or malfunctions; they are the observable forms through which these interactions play out. By assessing supply effectiveness through the dimensions of time, quantity, and price, this dissertation reframes such outcomes not as descriptive findings, but as evidence of how governance capacities and market strategies co-produce the housing gap. This conceptualisation provides the foundation for Chapter 5, which applies these insights to the Indonesian context, testing whether models developed in the Global North hold under different institutional and market conditions.

The interplay of housing provision structure, public policy, and housing supply

Housing supply is shaped by the interplay between the structure of housing provision and the strategic agency of key actors, operating within- and responding to- public policy frameworks. The notion that housing supply emerges from the interaction between structural conditions and strategic agency is well established in planning and housing studies. Kemeny (1992) and Ball (1986) remind us that housing provision is not a single linear process but a field of relations, where governments, market actors, and households play differentiated roles within institutional frameworks. Public policies are central in this field, aiming to enhance elasticity, reduce transaction costs, and steer actor behaviour (Kresse & Van der Krabben, 2021), but their impact is mediated through how actors interpret and respond—whether by adapting, resisting, or exploiting regulatory frameworks.

Persistent outcomes such as backlogs, delays, and affordability crises therefore cannot be dismissed as anomalies or malfunctions. They are the patterned effects of

mismatches between policy aims and market logics, intensified in rapidly urbanising contexts by demographic pressures, fragmented institutions, and uneven state capacity. Glaeser et al. (2006) demonstrate that rigid land-use regimes exacerbate inelasticity and price escalation, while Ihlanfeldt and Shaughnessy (2004) show that transparent governance can lower costs and stimulate investment. The critical point, however, is that structural reforms alone do not resolve supply failures unless they simultaneously reshape actor incentives.

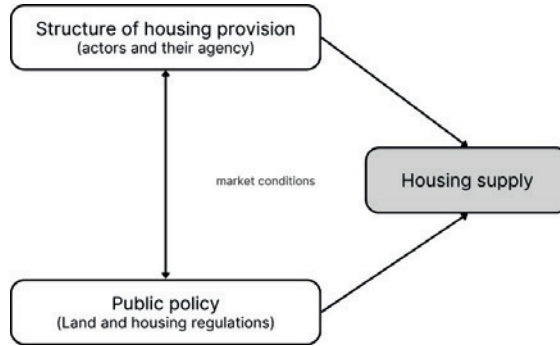


Figure 1.6 Conceptual model of the dissertation

Source: own work

Building on these perspectives, this dissertation frames a conceptual model, presented in Figure 1.6. The model illustrates housing supply as a negotiated outcome of three interrelated dimensions: the structure of housing provision, public policy, and market conditions. The structure of provision highlights the roles and agency of key actors whose strategies interact within institutional settings. Public policy, particularly land and housing regulations, intervenes and being intervened with this interaction. Market conditions form the broader environment within which structures and policy operate. Together, these dynamics shaping housing supply outcomes, which mostly measured in terms of time, price, and amount to understand problems related to delay, affordability, and mismatch. By foregrounding these interactions, the model captures the core argument of this dissertation: that persistent housing gaps are outcomes of institutional structures, strategic agency, and policy frameworks operating within wider market circumstances.

Research Strategy

This research adopts an exploratory design that integrates both qualitative and quantitative methods, tailored to address the study's research questions. The

dissertation employs a structured, article-based format to examine how governance structures (actor strategies) and public policy interact and shape outcomes in housing provision. The research strategy combines empirical analysis with theoretical frameworks to provide a comprehensive understanding of the formal housing sector in Indonesia. The study addresses the main research question by examining how the housing provision structure is formed by identifying key actors and their roles and interplay in the shifted governance settings of commodified and market-oriented (RQ1), the influence of the structure on public policy and the other way around (RQ2), how public policy (RQ3) and provision structures (RQ4) shapes supply outcomes. Figure 1.7 illustrates these frameworks that formed the basis of the dissertation.

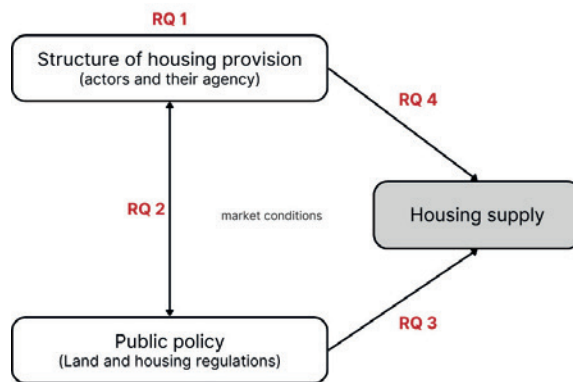


Figure 1.7 Frameworks of the dissertation

Source: own work

Case Study Selection: Indonesia and Surabaya

Indonesia as the National Case Study

Indonesia, the fourth most populous country globally, is a representative example of the Global South. It is characterized by rapid urbanization, a growing population, and significant economic transformations. Over the past few decades, Indonesia has experienced substantial shifts in its housing market, driven by urban expansion and the increasing demand for affordable housing.

While the informal housing is mostly discussed in the Indonesian housing literature as it provide solutions for low-income groups through self-built or unregulated developments, the formal housing sector has been growing steadily. This growth is driven by rising urban middle-class demand, increased private sector involvement, and government initiatives promoting affordable housing. Policies such as subsidies

for affordable housing and incentives for developers have accelerated the production of formal housing, particularly in urban areas. However, the interplay between the two sectors highlights significant gaps in addressing the needs of low-income households, making Indonesia an ideal case for exploring the dynamics of speculative housing development and the effectiveness of public policies in bridging these gaps.

Surabaya as the Municipal Case Study

Surabaya, the capital of East Java Province and Indonesia's second-largest city, serves as the municipal case study for this research. Known for its pioneering housing programs dating back to the Dutch East Indies governance era, Surabaya has been at the forefront of urban housing development. Despite these efforts, the city continues to grapple with providing adequate housing for its growing population, which reached 3.1 million in 2019.

Administratively, Surabaya consists of 31 districts and 154 sub-districts. Geographically, it is a lowland area with an average altitude of 3-6 meters above sea level. The city is bordered by the Madura Strait to the east and north, Sidoarjo Regency to the south and Gresik Regency to the west. Surabaya's strategic location as a port city and its administrative complexity make it a compelling case for examining urban housing challenges and opportunities. Figure 1.8 illustrates Surabaya's geographic location within Indonesia.



Figure 1.8 Case Study Selection: Indonesia and Surabaya city

Source: own work

Rationale for Case Selection

Surabaya has a history of implementing innovative housing policies and programs within Indonesia's broader housing landscape. Its long-standing efforts to address housing backlogs and affordability provide valuable insights into the effectiveness of public policy in influencing housing supply. The combination of Indonesia's national context and Surabaya's municipal-level dynamics allows for a comprehensive exploration of housing provision challenges in the Global South. At the national level, the study investigates the broad impacts of public policies on housing supply. At the municipal level, Surabaya offers a detailed view of how these policies are implemented and how market dynamics influence housing outcomes.

This dual approach enables the research to bridge macro and micro perspectives and provides insights into both systemic issues and localized challenges. By examining Indonesia and Surabaya, the study captures the complexities of speculative formal housing development in a rapidly urbanizing economy, offering valuable lessons for other Global South nations facing similar challenges.

Data Sources and Methods

The research employs a combination of primary and secondary data collection in order to provide a robust analysis of housing provision in Indonesia. The data collection methods comprise desk research, interviews, observations (both primary survey and digital observation), and secondary data collection. Table 1.3 delineates the research variables and their corresponding data sources. Data gathered from surveys and secondary sources is compiled into a detailed housing database, encompassing unit-level data for 215 housing projects and 71,408 housing units based on building permits issued by the Surabaya municipality between 2015 and 2020. This data indicates that the average annual production of new housing in Surabaya is approximately 8,400 units¹. However, as Firman (2004) explains, it is important to acknowledge the limitations of data in Indonesia, particularly the inconsistencies among secondary data sources from different institutions.

¹. The total number of new housing units in Surabaya from 2015 to 2020 may reported as higher than 8,400 units. The figure referred here is based on unit-level data from building permits issued by the municipality, compiled into a housing database. Figure 1.4 uses data from the Central Bank, which likely incorporates a broader range of sources beyond municipal permits, that is census surveys and estimates from national ministries. Additionally, the higher figures could indirectly reflect informal housing production, units constructed without formal permits, which would be captured in household surveys but not in the official permit system. According to Figure 1.4, the annual new units in Surabaya are: 2015 - 8,000; 2016 - 8,500; 2017 - 9,000; 2018 - 10,000; 2019 - 11,000; 2020 - 9,500 (averaging around 9,900 units annually).

The study is anchored in a comprehensive literature and policy review conducted through desk research, which explores the global and Indonesian contexts. This review is centered on an examination of planning and land policies for housing provision, public instruments such as land banking and private investment strategies, and theoretical perspectives on housing supply dynamics.

Focused Group Discussions (FGD) and Interviews with government officials at the national and municipal levels, private developers, commercial and state-owned banks, and academic experts yielded valuable insights. The FGDs and interviews encompass a range of topics, including institutional impediments to the provision of new housing and investment strategies in housing development.

Observations are conducted through primary surveys and digital tools. On-site surveys of housing projects offer insights at the ground level, while digital observations leverage resources such as Google Earth, Google Maps, OpenStreetMap, and government websites to track housing developments.

Secondary data plays a critical role in the research. Confidential data from government sources is obtained through formal proposals, providing key information about housing projects, policy documents, and statistical datasets.

Table 1.3 Research Variables and Corresponding Data Sources

Variable	Definition for this research	Method	Data Source
Housing policy	Public policy with respect to affordable housing provision, especially the Inclusionary housing regulation and its transformations	Desk research	Government official repository
Land policy	Public policy with respect to land provision, both in national and municipal level	Desk research	Government official repository
Spatial planning policy	Public policy with respect to space allocation (in this study especially for housing provision)	Desk research	Government official repository
Starting Year	When the housing plan was started. Consists of 2 types of data: 1. The year stated in planning document housing plan in the municipality 2. The year of housing masterplan was launched by the developers	FGD, Interviews, Secondary data survey	Municipality, Private developers confidential

Table 1.3 Continued

Variable	Definition for this research	Method	Data Source
End Year	When the housing was completed. Consists of 3 types of data per project: 1. The end year of local officials (building permit) 2. The end year according to developers (building completion) 3. The end year according to digital observation (satellite imagery)	FGD, Interviews, Secondary data survey	Municipality confidential, Housing developers confidential, Satellite imagery (Google Earth)
Development time	Time needed to develop a housing project from planning, permit issued and project completion	Database analysis	Starting Year and End Year Data
Land area	Total area of land for housing development owned by the private developers	Interviews, Digital observation	Housing developers confidential, Satellite imagery (Google Earth)
Built unit	The number of housing built on the land area owned by the developer	Interviews, Digital observation	Housing developers confidential, Satellite Imagery (Google Earth)
Types of houses	The house size built by the developers and categorized according to the housing policy standard	Interviews, Secondary data survey	Housing developers confidential
House Price	The predetermined selling price of a house established by real estate developers	Interviews, Secondary data survey	Housing developers confidential
Building permit	Official authorization granted by the municipality that allows the construction of a building	Secondary data survey	Municipality confidential (Document: IMB)
Land price	The price of the land per m2 set by the municipality to determine land and building tax (PBB)	Secondary data survey, Supervised classification	Municipality confidential (Document: ZNT)
Housing parcels	Housing parcels or lots in real estate clusters	Digital observation, ArcGIS (Identity, Dissolve, Merge, Geocoding)	Satellite imagery (Google Earth, OSM)

Source: own work

Interviews and FGD

Interviews are an essential part of the data collection process in this PhD research, particularly for gaining in-depth insights into identify the actors and their role, the interplay with public policy, and how it affects housing provision. Interviews are conducted with various stakeholders (see Table 1.4), including public officials such as national and municipal governments; private developers, and housing policy experts, to understand their perspectives, experiences, and strategies. This approach is critical because the housing market, especially in developing economies like Indonesia, is shaped by complex interactions between public policy and private sector practices. Interviews provide valuable context-specific information that cannot be fully captured through literature or secondary data.

Table 1.4 List of Discussions

Source of Information	Discussion Method
Public sector	
Central government:	
Ministry of Agrarian Affairs, Spatial Planning & Land Agency	Focused Group Discussion (FGD)
Board of National Development	Semi-structured interview
Surabaya municipality:	
Department of Housing, Settlements & Land	Semi-structured interview
Department of Tax & Revenue	Semi-structured interview
National Land Agency	Semi-structured interview
State-owned banks	Semi-structured interview
Private sector	
Real Estate Association	Semi-structured interview
Private developers	FGD, Semi-structured interview
Property agent	Semi-structured interview
Expert	
Planning & housing policies expert	Semi-structured interview

Source : own work

Housing Dataset: Spatial analysis in constructing the housing project and attributes data

This dissertation build its own dataset to get a thorough understanding of various data collected which mostly not in the same format. The method applied in this

research to build the housing dataset is spatial analysis method. Spatial analysis is a method used to examine, interpret, and visualize data based on its geographic or spatial location, identifying patterns, relationships, and trends within spatial data. The analysis tools utilizing ArcGIS used in this research include:

Georeferencing: To assign a coordinate system to an image by placing control points at known coordinates or intersections of latitude and longitude. In this research, the georeferencing tool is used to input coordinate data into the housing dataset of Surabaya as empirical case study. This step is essential to enable the spatial processing of the data (Figure 1.9).

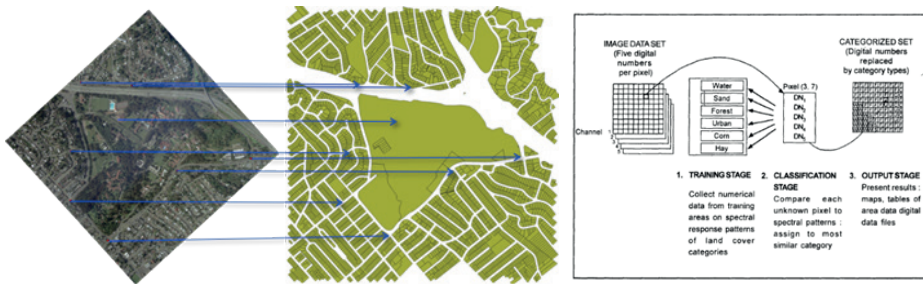


Figure 1.9 Illustration of georeferencing process (left), and supervised classification (right)

Source: ArcGIS

Supervised classification: This function classifies images using spectral recognition (reflectance values) from manually collected pixel samples representing different land cover types. In this research, the supervised classification tool is utilized to create a raster map of land price classes by grouping uniform pixel characteristics with predefined class values (Figure 1.9).

Raster to polygon: To convert raster datasets into polygon features. In this research, the raster to polygon tool is utilized in data processing to ensure consistent data types or formats for subsequent analysis (Figure 1.10).

Identity: To performs overlay analysis by combining overlapping feature classes to create a new feature class. In this research, it is used to integrate land price attributes into residential parcel data (Figure 1.10).

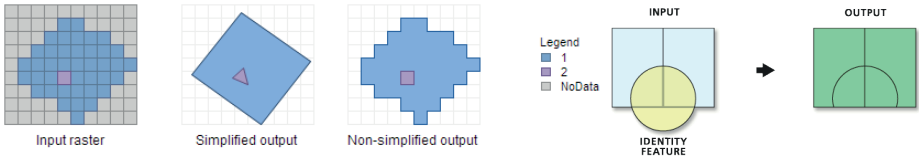


Figure 1.10 Illustration of raster to polygon process (left), and identity (right)

Source: ArcGIS

Dissolve: To merge multiple objects with the same attributes into a single object. In this research, the dissolve tool combines parcel data with matching parcel codes. For parcels with two land price values, the assumption applied is that the land price of the largest area is used (Figure 1.11).

Merge: This tool combines two or more adjacent features (points, lines, or polygons) with similar characteristics. In this research, it is used to merge residential parcels into a unified administrative boundary of Surabaya (Figure 1.11).

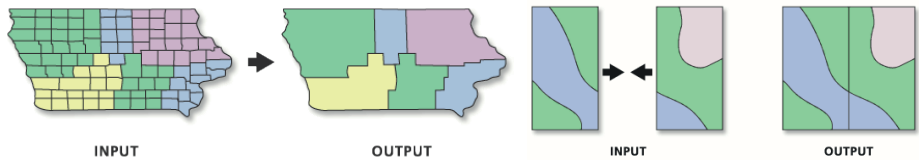


Figure 1.11 Illustration of dissolve process (left), and merge (right)

Source: ArcGIS

Geocoding: To assign location identifiers to data records, linking them to specific map locations. In this research it is used to merge two tables based on a shared field to integrate location information into the housing dataset (Figure 1.12).

Interpolation: To estimate values at locations where data is unavailable through mathematical method. In this research, spatial interpolation assumes that property price data attributes are continuous and spatially dependent, meaning nearby points are more likely to have similar values than those farther apart (Figure 1.12).

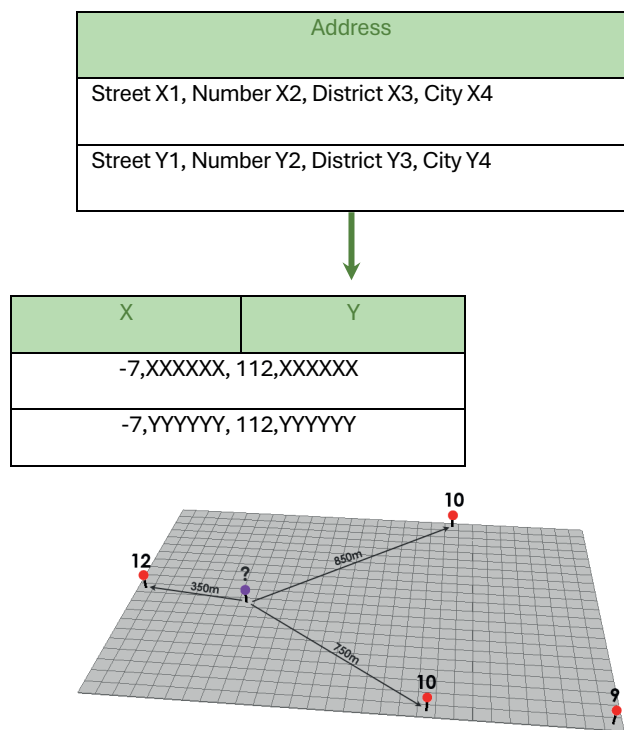


Figure 1.12 Illustration of geocoding process (left), and interpolation (right)
Source: ArcGIS

The city of Surabaya comprises 500,993 residential parcels, as derived from OpenStreetMap (OSM) data. These parcels are analyzed to identify their property value based on taxable land value (NJOP) data between 2017 and 2020, determine the average annual property value increase, and examine the spatial distribution. The analysis is conducted using the supervised classification method, applied to NJOP map data sourced from the Surabaya Regional Tax and Revenue Agency (BPKPD). This map data is processed to extract and classify spatial information essential for understanding patterns and trends in property values across the city. To simplify the analysis of various range of spatial distribution, the Sturges' method is applied to determine the land price classes. Further this data is to build the housing dataset for the research (see Figure 1.13 and Figure 1.14).

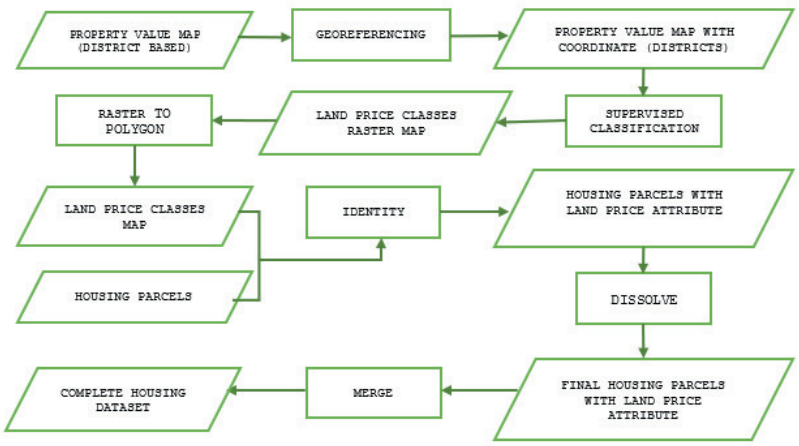


Figure 1.13 Flowchart of spatial data analysis process to construct the housing dataset
Source: own work

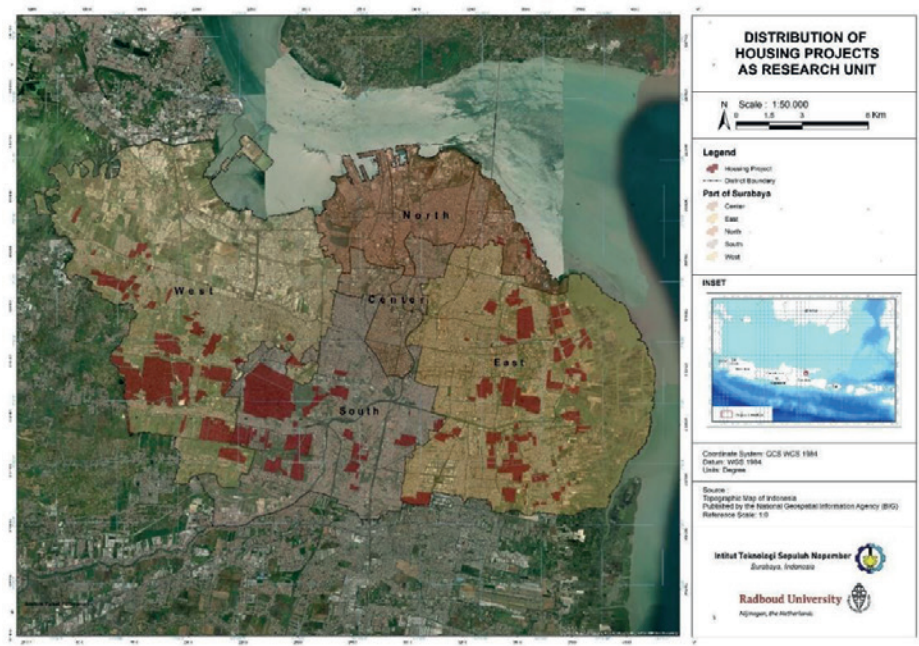


Figure 1.14 Housing Dataset constructed for this dissertation
Source: own work

Overview of the Dissertation

This dissertation is composed of six chapters, starting with an introduction that frames the key theoretical and empirical questions concerning the interaction between public policy and private housing development in Indonesia's evolving market. As this is an article-based dissertation, the empirical chapters 2 – 5 are articles written for academic, peer-reviewed journals. The empirical chapters are organized to first explore the Indonesia's evolving market on housing development (Chapters 2 and 3), followed by an evaluation of the private sector performance on housing development (Chapters 4 and 5). Chapter 2 explores the financialization of housing, examining how financial actors and markets shape housing production and access. Chapter 3 analyzes urban politics on the transformation of inclusionary housing policies, addressing the balance between state and market forces. Chapter 4 investigates the impact of public land policy ambiguities on private sector development, focusing on municipal-level practices. Chapter 5 examines factors contributing to delays in housing development, considering both public planning processes and private sector practices. Chapter 6 synthesizes these findings and presents policy recommendations aimed at improving housing development outcomes in Indonesia.

Table 1.5 Article List for Publication

Chapter	Title of the article	Journal's title	Status
2	The financialization of housing in Indonesia: Actors and their roles in the transformation of housing production	<i>Cities</i>	Published
3	Urban Politics on Housing Policy Transformation in Indonesia: An Institutional Perspective	<i>Housing Studies</i>	Published
4	From Policy to Practice: How land policies shape private sector-driven housing development – An Indonesian Case	<i>Land</i>	Published
5	Private speculation versus public inefficiency: Which delays housing development more?	<i>Journal of Property Research</i>	Published

Source: own work



Chapter 2

The Structure of Housing Provision in Indonesia:

Actors and Their Roles in the Transformation
of Housing Production through Housing
Financialization Perspective

Rahmawati, D., & Rukmana, D. (2022). The financialization of housing in Indonesia: Actors and their roles in the transformation of housing production. *Cities*, 130, 103918. <https://doi.org/10.1016/j.cities.2022.103918>

Abstract

There has not been a lot of focus on housing financialization literature in Indonesia, except for Lee (1996). This article focuses on the financialization of housing in Indonesia in the past thirty years, including the actors and their roles in transforming housing production. The fall of the New Order regime in 1998 spurred the process of democratization and marked the transformation of Indonesia from an authoritarian rule into a more democratic government. We offer an analytical framework that centers on the transformation of housing production due to the government system changes. We interviewed public and private developers, financial actors, and government officials in Jakarta and Surabaya. The data sources for this article also include federal and local housing regulations, unpublished and published housing reports, and local and national newspapers in Indonesia. This article contributes to the discussion of how housing policy and practice changes result in the transformation of housing production. The Housing and Settlement Law 1/2011 provides new provisions that the government needs to assist low-income residents through tax incentives, insurance permits, the provision of land and public utilities, and land title registrations. We explain how these new provisions shape actors and their roles in housing production, arguing that homeownership is central to the financialization of housing in Indonesia.

KEYWORDS: financialization, housing production, homeownership, Indonesia

Introduction

The financialization of housing has mostly occurred in countries of the Global North and recently grew into some countries of the Global South through various forms. In this article, we adopt Aalbers (2017) and refer to financialization as 'the increasing dominance of financial actors, markets, practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households'. It is characterized by the shifting roles of actors in housing industries, where the financial actors dominate the property fields and transform the spatially fixed property into fictitious financial business (Van Heerden, 2020). Housing production is the least investigated aspect of housing financialization because it does not allow transformation. It is generally taken by the developers who will sell the dwellings to their homeowners. However, some aspects of housing production can be considered financialization (Romainville, 2017).

In Indonesia, the financial system faced the same problems from the decolonization era (1950-1980) on making the budget available to provide adequate and affordable housing in all parts of the country. The government developed innovative financing systems to support state-owned and private housing providers (Lee, 1996). The financialization of housing is assumed to occur here, considering a high number of private banks involved in property finance systems for supporting both developers and homebuyers. This article aims to discuss to what extent housing financialization transforms housing production. We took an empirical study of the Indonesian housing market to illustrate how it occurred and explore the actors and their roles in transforming housing production.

This article offers an exploratory approach that centers on the transformation of housing production following the fall of the Suharto regime in 1998, marking the transformation of Indonesia into a more democratic system of government. We explore how new housing policy and practice changes result in the transformation of housing production in Indonesia. We identify the actors and their roles in the transformation of housing production. We conducted interviews between 2020-2021 with ten key persons consisting of public and private developers, financial actors, and government officials in the two largest Indonesian cities, Jakarta and Surabaya. From the interviews, we gathered essential information regarding housing production and financialization, such as the challenge of the state developers, the institutional and regulatory mechanisms, and the effectiveness of the housing mortgage program. We also collected secondary data from various sources, including federal and local housing regulations, unpublished and published housing reports,

and local and national newspapers in Indonesia. We expect the results to contribute to the academic discussion of financialization focusing on housing production.

Literature Review of the Housing Financialization and Housing Production

Financialization is a pattern of the increasing dominance of financial actors and markets, resulting in a major transformation of financial institutions, states, and households (Aalbers, 2008; Krippner, 2005; Wijburg & Aalbers, 2017). It signifies the transformation of the financial industry to play a bigger role in overall economic growth (Aalbers, 2008; Engelen, 2008; Wainwright & Manville, 2016). Financialization is pervasive in other non-financial sectors of the economy, including the massive development of the housing sector. Some studies in North America and European countries (August, 2020; Fields & Uffer, 2014; Romainville, 2017; Wainwright & Manville, 2016; Wijburg & Aalbers, 2017) indicate that financialization also transforms the housing markets. The financialization of housing markets could result in increased mortgage debt, higher levels of mortgage debt securitization, higher house prices, and higher levels of personal debt (Aalbers, 2017).

Investigation in housing financialization highlighted significantly impacted aspects of housing, including rental housing (Fields, 2017), homeownership (Kohl, 2018; Langley, 2007), housing providers (Aalbers et al., 2017), housing rights (Rolnik, 2013) with the least investigated aspect that is housing production (Romainville, 2017). Most studies of housing financialization focused on advanced-economy countries, particularly North America and European countries. Recently, an investigation of housing financialization has also been conducted in low-to-middle income countries (Pereira, 2017).

The financialization of housing production entails the financialization process of how financial institutions and housing developers raise capital to invest in housing production (Pereira, 2017; Romainville, 2017). Housing financialization is often seen as the transformation of a dwelling unit into a trading asset for investors on financial markets (Aalbers, 2008; Fields & Uffer, 2014). This type of transformation is only applied to rental property, while housing production does not allow this kind of transformation. Housing production is generally taken by developers who will sell the dwellings to their homeowners. However, Romainville (2017) argues that some aspects of housing production can be considered financialization, especially on how the capital is raised (Romainville, 2017). The financialization of housing production also considers home ownership the best option for all (Rolnik, 2013; Wainwright & Manville, 2016).

Housing financialization is responsible for shaping the urban policy and program of a country since it is integral to macro-economic policy, and it plays a role in housing finance policy and program (Fernandez & Aalbers, 2016). Housing has entered a post-Fordist, neoliberal, or financialized regime where homeownership is supported almost everywhere and supported fiscally in many countries (Aalbers, 2017). Consequently, homeownership has been central to most housing policies.

Actors are significant in the development of financialization as financialization itself refers to the increasing dominance of financial actors at various scales, resulting in a structural transformation of economies, firms, states, and households (Fernandez & Aalbers, 2016). Some case studies show that financial actors are vital, and private developers and the government are the important actors as well. In the Netherlands, the nature of social housing after the deregulation of housing in the 1980s became more private, and housing associations acted upon the freedom for gaining profit as possible through the derivatives. (Aalbers et al., 2017) find that deregulation of social housing into privatization is a red alert without government supervision. In Cambodia, the foreignization of the housing market where the development of housing markets based on a logic of accumulation by extraction of real estate capital, corporate housing developers and real estate brokers are key agents of housing financialization (Fauveaud, 2020). In Tokyo, real estate investment trust asset managers target the vast majority of their leasing activity to Japan's young and promising corporate employees (Aveline-Dubach, 2020). Brussels' housing production sector (Romainville, 2017) and the Dutch housing association Vestia (Aalbers et al., 2017) show the transformation of developers into firms engaging in financial activities and derivatives trading houses.

Studies from Brazil, Cambodia, and Mozambique, show that housing financialization began as part of macroeconomic reform efforts in adherence to the Structural Adjustment Programs by the International Monetary Fund and the World Bank (Fauveaud, 2020; Jorge, 2020; Pereira, 2017). However, financialization is not all the same from the epicenter. In Brazil, financial agents have penetrated the housing sector since the 1990s through securitization, which did not subject to low-income housing (Pereira, 2017). In the following decade, transformations such as the massive movement of companies going listed and the establishment of social housing programs expanded the housing market and commodified low-income housing (Pereira, 2017). In Cambodia, housing financialization relies heavily on foreign investment, leading to a new market segment of condominium development to attract these investors (Fauveaud, 2020). In Mozambique, urban rehabilitation projects for the low-income, which the World Bank supports, set the scene for housing

financialization as housing became no longer affordable for the inhabitants resulting in gentrification (Jorge, 2020). Like the preceding, their urban land regularization program prompted inhabitants to sell their spaces to large real estate investors and developers and move to a more peripheral place (Jorge, 2020). The study above shows that commodification of housing comes in many forms and is not necessarily subject to low-income housing but may affect them like the case in Mozambique. Housing financialization may set up a new housing production trend like the case in Cambodia in favor of the market. Many actors are involved in enabling housing financialization, including NGOs, Government, and private sectors, with different levels of influence and roles in each country. The case for every global south country is unique and understanding the phenomena in each country requires specific study to understand how housing financialization commenced and developed. Furthermore, to know the actors involved and what impact they created.

The Indonesian System of Government, Housing Policy, and Housing Production

Housing production in Indonesia was started in the pre-independence period, during the Dutch East Indies governance, both for the European and local people. To fulfill affordable housing needs, the government bought the private estate, transformed it into public housing, and rented it to low-income people (Cobban, 1993). This action was conducted by the housing authorities (*Gemeentelijke Woningbedrijven*), founded in several municipalities in Indonesia, i.e., Surabaya, Semarang, and Bandung, where they financed and supervised the house building process (Van Genabeek & Rietbergen, 1991) directly. This effort aimed to reduce housing shortages (Colombijn, 2010).

In the post-independence period, housing production continued under the centralized system of government and the authoritarian political structure. The first National Housing Congress in 1950 marked the start of public housing in independent Indonesia (Kusno, 2012). This congress declared that a public housing agency would be established to realize healthy public housing with the state budget. Following this, the Cooperative Housing Association or *Jajasan Kas Pembangunan* (YKP) was formalized in the same year with two sources of capital for housing funds: subsidy from the central government and saving deposits from the people that register as members of the agency. After YKP, more important agencies were founded in the 1970s: The National Housing Corporation (PERUMNAS) as the state-owned developer and The National Savings Bank (BTN) as the main lender of mortgage

loans for supporting PERUMNAS. The housing loans program, popularly known as Kredit Pemilikan Rumah or KPR, provides subsidized loans to PERUMNAS as a state developer and expands subsidized and non-subsidized loans to private developers. This scheme marked the early state of housing financialization in Indonesia, wherein the latter of these loans proved to relate to the rising in housing prices (Buhaerah, 2019).

The integration of housing production and the financial sector was developing during the New Order regime of Soeharto through the establishment of the Ministry of Public Housing Affairs in 1978. The emerging strategy during the time was developing KPR into a more efficient and effective home-mortgage instrument to support homeownership. This period also enacted the first law of Housing and Human Settlement in 1992, which set the rules for the housing sector, including research, supervision, and public housing development. Public housing production in Indonesia supports three segments: housing for the lower-income people (Rumah umum), housing for a special purpose (Rumah khusus), i.e., the elderly, fisherman, etc., and housing for the public servant (Rumah Negara). Back then, homeownership was also found to be related to the accumulated housing backlog (Buhaerah, 2019) and the rise in housing prices (Marcuse, 2020).

In the late 1980s, many governments confronted the failure of centralized planning and started to implement democratic decentralization initiatives (Freire & Stren, 2001). The fall of the Suharto regime in 1998 spurred the process of democratization and marked the transformation of Indonesia from an authoritarian rule into a more democratic government (Rukmana, 2015). The post-New-Order government focused on decreasing the housing backlogs and creating a pro-poor housing policy. Housing is no longer assumed as just a human need but more as a human right, and this is stated in the second National Housing Congress in 2009. Following this, the new Housing and Settlement Law 1/2011 enacted in January 2011 reflects the new system of government and stipulates that provincial and local governments have a greater level of responsibility for housing provision than does the central government (Mungkasa, 2013). However, the public housing sector remains the responsibility of the central government. It supports the public housing for the lower-income with tax incentives, insurance permits, the provision of land and public utilities, and land title registrations. This governance shifting into a more deconcentrated planning and provision of housing has affected housing production. The capacity to provide housing is dependent on the local actors and their roles in developing housing to meet the needs.

The Transformation of Housing Production in Indonesia: The actors and the roles

In the 1990s, the housing market in Indonesia worked relatively well. The size and condition of the housing stock are broadly tolerable (Lee, 1996). The government, along with PERUMNAS and private developers, worked together to build public housing and single-family housing to counter the backlog. Until 2015, the combined production by private and state developers met half of the housing demand, which reached 850,000 housing per year (Rukmana, 2018). The remaining households still resort to self-built houses in many areas, mostly without sufficient facilities and infrastructure, well-known as informal housing.

Housing financialization is marked by the increase of various dominating actors, not only financial. In the situation where developers were given a large part to provide housing, a monopoly occurred, which led to the increase in housing prices. It had been very costly to enter the housing industry that had been dominated by a few large developers. Furthermore, land constraints have been the reason for the developers not to keep low-cost housing stays affordable. On the other side, the cost of households to move from informal housing to the formal housing that is well-planned and equipped with better basic infrastructure remains high, not to mention the time and cost of obtaining permits were excessive compared to the benefits. This situation has made the formal housing production has a certain market, where prices are controlled by the few, and the financialization is easier to set up by the intentional actors.

Although there is a dominance of informal housing units in Indonesia (Crane et al., 1997; Leaf, 1993; Rukmana, 2018), the formal housing sectors are growing and supported by many programs from various actors. Table 2.1 describes the housing units developed by the developers, which accounted for less than eight percent of the stock in urban areas and less than one percent in rural areas. Most people had to provide their own house, where the most assistance was needed. However, most programs by various actors are mostly targeting the formal housing sector and in some way involve the financialization process.

The actors of housing production in Indonesia have played significant roles in enacting housing programs and shaping its transformation. Besides the government and state developers as the key actors, we believe that financial actors contribute large influence in the process of housing financialization, such as the specialized-housing banks (BTN and Bank Papan), the state-owned bank (BRI), the private banks, and the secondary mortgage market agency (SMF). We described their roles in transforming housing production as follows.

Table 2.1 Type of housing acquisition

Acquisition Method	Area Category		
	Urban (%)	Rural (%)	Avr. (%)
Bought from a developer/builder	7.48	0.40	3.72
Bought second hand	11.55	3.56	7.30
Self-built	59.78	78.23	69.59
Other*	21.19	17.88	19.29
Total	100	100	100

Source: BPS (2017); * includes inheritance, administrative allocation, and civil/public servant housing

The Government

Adequate housing provision is one of the government's critical tasks. It is guaranteed by the Constitution of the Republic of Indonesia article 28H "All people are entitled to a healthy life, physically and mentally, and housing, as well as a good and healthy environment, and are entitled to access to health services" (Widoyoko, 2007). The government has established responsible agencies for housing provision and made sure that their policy and programs are on track, including PERUMNAS as the state developer and BTN as the state housing bank (Mangeswuri, 2016). Both agencies have provided housing, including for the lower-income, and have involved private developers and commercial banks in running the mission with a limited budget. They allocated most of their limited housing budget into investment in housing programs rather than providing the bulk for constructing new homes. Such strategy was initially implemented in advanced economy countries such as the United States during the HOPE VI program, which used public housing funds to leverage additional public and private capital and then employed the greater resources to break up the large public housing sites and build new mixed-income developments (Hunt & DeVries, 2019). In short, the transformation has created an environment of the policy-making process with multi-actors, and the government's role became indirect to the housing end-users.

The State Developer (PERUMNAS)

As the state developer, PERUMNAS has been responsible for building public housing since the initial program of 1974, building housing units for government employees. The Government Regulation 15/2004 set the ground rules for operating PERUMNAS, including its housing market targets and the finance source (Obermayr & Astuti, 2016). According to our interviews with the state developer, the challenge appears when on the one hand, PERUMNAS should seek profit for operational cost, and on the other hand, it must adhere to the state-owned enterprise regulations. The market

segment, which mostly serves the lower-income, is not easy to satisfy the PERUMNAS obligation to make profits. Lower income in Indonesia comes from informal workers who are not administratively qualified to receive home mortgage loans from formal financial institutions as they do not have a fixed income.

During the period 1992-1998, PERUMNAS built nearly half of the total housing production in Indonesia. PERUMNAS built simple houses in urban fringe areas to cater to the housing needs of low-middle income people. The houses in urban fringe areas are not attractive for low-income people because they prefer to stay close to their employment in the city centers (Obermayr & Astuti, 2016). To meet the need of low-income people for housing in urban areas, PERUMNAS built low-cost housing flats in the city centers. PERUMNAS faced difficulties in finding suitable land for low-cost housing flats in inner-city areas and did not meet its goal to provide housing for low-income people. After the economic crisis hit Indonesia in mid-1997, there were major disruptions to housing development in Indonesia. The global crisis –commonly known in Indonesia as *krismon*– had largely squeezed the economy of Indonesia. Domestic and foreign investments dramatically declined. The housing market in Indonesian cities nearly collapsed due to increasing prices of building materials and housing loan interest rates. However, although most construction projects, including housing by PERUMNAS, slowed down or even completely stopped, PERUMNAS has produced the largest part of formal housing in Indonesia until today (Firman, 2004).

The State/Government-sponsored Banks: BTN, Bank Papan, and BRI

The National Savings Bank or locally known as Bank Tabungan Negara (BTN), was the first to offer loans for house purchases in 1976. The loans were not directly offered to the homebuyers but only through the developers. In the 1990s, BTN was central to the housing finance market because it financed about 10% of all new housing units built in the formal housing sector. BTN also offered subsidized lending for the developers, which was supported by the government. This movement has eventually generated competition in the commercial banking sector in lending programs. However, BTN has now been moving away from highly subsidized lending rates in three ways: lending funds raised from its borrowing in the open market, raising its lending rates closer to the commercial levels, and eliminating subsidized lending for mid-income housing.

Bank Papan is a government-sponsored but privately-owned bank. It was one of the only two specialized housing banks in Indonesia. Bank Papan offered higher loan ceilings than BTN and had less dependence on heavily subsidized funds. The lending services of Bank Papan mostly helped middle-income households. Bank Papan has failed to find a niche in the market and has not become a major mortgage lender.

Bank Rakyat Indonesia (BRI) is the largest state-owned bank in Indonesia, with 4,000 branches and rural offices. The BRI has quite a record of innovative and responsive practice in loan programs called Kupedes. In 1990, the BRI decided to extend its Kupedes loan program for housing by making non-mortgage housing loans available the similar terms to regular loans. This implies that nearly 100,000 housing loans are made annually, approximately the same number as are issued by the BTN.

Commercial Banks

Mortgage lending is a high-risk economic activity because of the difficulty and high cost involved in foreclosing a loan and repossessing properties. Until the early 1990s, the private banks largely confined their housing loans to building construction and real estate development projects by developers. With the relaxation by Indonesia's central bank (Bank Indonesia) of lending requirements, private banks have shown great interest in offering home mortgage loans. The demand from consumers proved to be much stronger than expected. In contrast to the BTN, the private banks target upper-income households, particularly in the top five or ten percent of the income distribution. Although there is some price competition among the private banks, the real battles are in the form of service standards. The competition among the private banks has increased the range of housing and produced new instruments which increase people's affordability to buy a house even if the house prices are much higher than they could achieve.

The State Liability: SMF

Sarana Multigriya Financial (SMF) was established as a state-owned liability company under the supervision of the Ministry of Finance in July 2005 under Government Regulation 5 of 2005. SMF focuses its activities on developing the secondary mortgage market and increasing the availability of long-term funding for the housing sector. The technical assistance to do the activities was initially provided by the Asian Development Bank and the United States Agency for International Development (USAID). SMF was established because there was a concern about funding mismatch between long-term mortgage lending and limited access to the alternative sources of funds by BTN. It offers liquidity to the housing mortgage lenders by refinancing the mortgage portfolios already owned by the lenders. The mission of the SMF is to engage with the banks and other financial institutions that provide housing mortgage loans as a secondary housing finance corporation. It raised funds from the public by issuing long-term and short-term obligations (Hoek-Smit, 2005). In the early years, SMF securitized BTN's portfolio to see what legal and implementation issues needed to be resolved. Furthermore, it also identified that the structure of the securitization package was best suited and obtained the best rating. SMF worked

with finance companies and their regulator to develop appropriate liquidity funding. They also built up the infrastructure which was necessary to make the real estate and housing finance sector ready to develop investment-grade assets and attractive for long-term investors (Hoek-Smit, 2006). The volume of securitization, lending, and warehousing transactions of SMF from 2006 to 2019 can be seen in Table 2.2. (Note: Lending refers to lending to the banks). Table 2.2 also described that the SMF started to purchase mortgage assets or warehousing in 2019. The warehousing system was implemented following a community-based housing mortgage proposed by SMF in that year (ANTARA News, 2019).

Table 2.2 Securitization, lending, and warehousing activities of PT. SMF

Year	Securitization Transaction*	Lending*	Warehousing*
2006	-	100	
2007	-	405	
2008	-	939	
2009	502	1,347	
2010	1,252	2,049	
2011	1,955	3,303	
2012	2,955	5,555	
2013	3,955	8,062	
2014	5,455	11,091	
2015	5,655	14,597	
2016	7,155	20,238	
2017	8,155	27,477	
2018	10,155	37,360	
2019	12,155	49,783	106
Total	59,349	182,306	106

Source: SMF (2015, 2019). *In billions of Rupiahs

According to our interviews with the state officials, it is found that the institutional and regulatory mechanism has enabled the occurrence of housing financialization. It appears in at least two different ways from various financial actors: (1) the housing mortgage, subsidized and non-subsidized, offered by the housing banks and private banks; (2) the securitization served by the secondary mortgage lenders, the SMF. The banks, both state-owned and private banks, were also enabling the securitization at the internal level to prevent the non-performing loans (NPL) of home mortgages. They also

secure the external level, working with the secondary mortgage lenders, by providing cost recovery for the property lenders, both developers as housing providers and individuals as homebuyers. Apart from the performance of the finance actors, housing financialization has enabled the system to diversify its fund. Rolnik (2013) describes this fund diversion occurred from *aide a la pierre*, financing social housing builders, to *aide a la personne*, subsidizing the consumption of market-produced houses. The service that SMF provides is similar to Fannie Mae, which is a securitization of home mortgages. Fannie Mae is the earliest and the most recognized securitization institution dating back to 1938. The US Congress split Fannie Mae in 1968 into Ginnie Mae (one that bought government-issued loans and would remain a government entity) and Fannie Mae (privatized, owned by stakeholders), then was split again in 1970 into Fannie Mae (securitized and bundled mortgages by banks) and Freddie Mac (securitized and bundled mortgages originated by savings and loans) (Carr & Anacker, 2014).

The Financialization of Housing and the Transformation of Housing Production in Indonesia

Financialization has occurred for at least 30 years in Indonesia. Referring to Aalbers (2008), financialization is not only to the growth of financial actors but also to the operations of non-financial firms in different sectors of the economy. In Indonesia, it started because of the economic deregulation and transformation to mobilize domestic resources for the lost oil revenues. The government was in a powerful alliance with the business community, shaped the policies, and encouraged the private sector to contribute about 70% of the GDP increase from 1983 to 1991. Privatization also brought a more commercial approach to the business activities of many entities in the public sector, including the state banks which offered loans to the housing sector. Although the housing finance system in Indonesia was still poorly developed until the early 1990s compared with other East Asian countries, the subsidized home mortgage loans had been well-established for civil servants and few other privileged borrowers. In the mid of 1990s, the government of Indonesia experimented with alternative housing finance policies in response to the burgeoning urban middle class with higher aspirations. These policies included loans for middle-income borrowers, mortgage products offered by the commercial banks, and the secondary mortgage facility (Lee, 1996). These policies are developing into many housing programs today.

The financialization of housing production in Indonesia has been transforming rapidly during the last 30 years. The way financial institutions and housing developers raise capital for investment in housing production is an essential indication of the

financialization process (Pereira, 2017; Romainville, 2017). At the early stage, housing credit was not a significant element of the Indonesian economy by Asian standards. The ratio of housing credit to the national housing investment in Indonesia was 0.09 compared with 0.50 in Malaysia and 0.60 for the OECD countries (Struyk et al., 1990). High levels of interest rates, the inability of the informal housing to access the finance system, cumbersome procedures for foreclosure, an underdeveloped finance sector, heavily subsidized loans from state lenders, and political and economic turbulence were responsible for the slow movement of housing credit (Lee, 1996). The situation today is very much different, where Indonesia is in a surge of formal housing sector development. Real estate constitutes 2.94% of Indonesia's GDP in 2020 (Statistics Indonesia, 2020). Meanwhile, the real estate and rental-leasing sector are the biggest GDP contributor in the US and Canada, accounting for around 13.2% and 13.06% by the end of 2020 (Bureau of Economic Analysis, 2022; Statistics Canada, 2022). Housing, Industrial Estate, and Office Building sector is the top five contributor to Foreign Direct Investment (FDI) in Indonesia in 2021, attracting 2,186.4 Million US Dollars of investment, constituting 7% of total FDI. Indonesia's FDI realization is supported mainly by Asian countries, such as Singapore, Hong Kong, China, and South Korea (Ministry of Investment, 2021).

One of the programs which transformed the housing production in Indonesia was FLPP, a liquidity facility for the lower-income families' housing mortgages introduced in 2010. The capital invested in this program was 70% from the state budget and 30% from the participating banks. Securitization of this program was provided by the state insurance company Askrindo which covers 70% of credit risk. FLPP is claimed as a pro-poor program with a fixed interest rate of 7.25% and 20 years housing mortgage loan period (UNHRC, 2013). For ten years, FLPP had contributed 55,598 billion rupiahs or around USD 3.834 billion to build 764,856 housing units in cooperation with 52 participating banks (see Table 2.3 - Notes: Although it seems like the data in 2011 and 2020 are disproportionate, it is not the case when we break down the data. We found that the fund disbursed per housing unit gradually increased each year. Respectively from 2011 to 2020, fund for each unit are: 0.03; 0.04; 0.05; 0.06; 0.08; 0.09; 0.11; 0.10; 0.09; 0.10 - in billion rupiahs).

Of the 52 participating banks with FLPP, BTN, as the state housing bank, had the most housing funded by the FLPP program, which reached 529,552 units or 69.2 % of the total built housing unit. Followed by BTN Syariah 5.6% (43,068 units), BRI Syariah 5.5% (41,772 units) and BNI 5.0% (38,293 units). FLPP program is distributed to the whole 34 provinces of Indonesia, with West Java province having the most housing units built, which reached 246,794 units or 32.3%, followed by Banten province at 8.6% (65,940 units), and East Java province at 6.2% (47,592 units).

Table 2.3 The fund distribution and housing units built by the FLPP program

Year	Fund disbursed*	Housing units built
2010	242	7,958
2011	3,688	109,593
2012	2,587	64,785
2013	5,363	102,714
2014	4,655	76,058
2015	6,055	76,489
2016	5,627	58,469
2017	2,706	23,763
2018	5,895	57,939
2019	7,545	77,835
2020	11,231	109,253
Total	55,598	764,856

Source: PPDPP (2020); *in billion rupiahs

Indonesian housing policies contribute to the transformation of housing production. The National Law of Housing ensures the availability of long-term housing mortgages and low-cost funds for housing production through the involvement of various actors in raising capital. Besides FLPP, the Indonesian government launched two other housing mortgage schemes in 2016: the Home Mortgage Interest Subsidy program (Subsidi Suku Bunga or SSB) and the Down Payment Subsidy program (Subsidi Bantuan Uang Muka or SBUM). SSB program aims to set fixed interest rates during the loan period; meanwhile, the SBUM program is targeted at those who do not have enough funds to pay down payment and closing costs requirements (Mangeswuri, 2016). In 2017, the government launched another new program: the Saving-based Housing Finance Assistance (Bantuan Pembiayaan Perumahan Berbasis Tabungan or BP2BT). BP2BT is a program for informal workers who do not have access to mortgage loans provided by most financial institutions. The BP2BT recipients are required to save their income for six to twelve months in a saving account and receive financial assistance up to 30% of the housing price from the government (Erawati et al., 2018).

Lastly, key actors in housing production have made significant contributions to the financialization of housing in Indonesia in the past thirty years. As described in the previous section, the government, the developers, the banks, and financial institutions owned their actions which resulted in the transformation of housing

production in Indonesia. However, how do they connect, and what are their results? The diagram below explains the financialization of housing in Indonesia with the interplay between the key actors (Figure 2.1), and the results of the financialization experience are described in the following section.

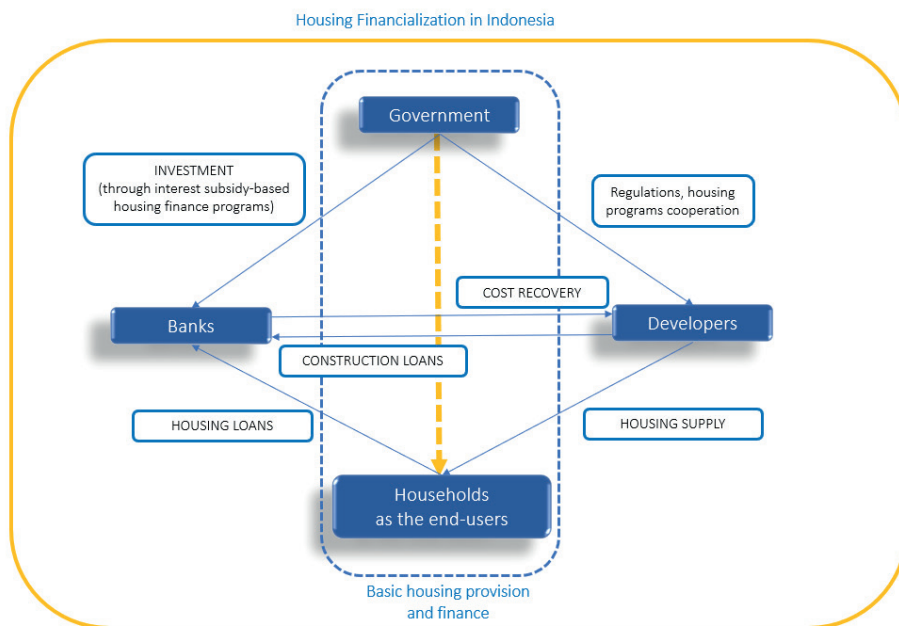


Figure 2.1 Diagram of the Financialization of Housing in Indonesia

Source: own work

To fulfill its critical task, the government has the authority to enact housing policies and programs that involve related actors: the banks and financial institutions, including secondary mortgage agencies, the state and private developers, and the people themselves as the end-user of housing. Recent government programs such as FLPP, SSB, and SBUM set the budget of housing program as an investment to the banks and encourage developers to offer this program as housing financing for their customers, which is the people as the end-user themselves. The banks, including the state banks and private banks, offer loans for housing construction and development cost recovery to the developers that are involved in housing programs. They also offer housing mortgage loans to individuals through the developers who are involved in a certain program or direct application between the bank and the individual. This is an advantage for the consumers because there are many options that they could choose based on personal situations and preferences for credit requirements, housing price,

location, quality, and promotions (Sutianingsih, 2010). According to our interview with the banks and financial actors, the housing program is quite successful as an investment budget. FLPP, SSB, and SBUM are categorized as interest-rate subsidy housing programs, which means by setting them as investments, the government's role is to subsidize the mortgage interest of the program, not to finance the whole construction of new housing. The capital that is invested in the banks is then continued to be offered as loans, both for the developers and the individual. Furthermore, by subsidizing the mortgage's interest to the state banks, the capital will return to the government because it owns 50% bonds of the banks. The banks and secondary mortgage facilities also hold the securitization function in the financialization scheme. They guarantee the government's and the developers' investment in political and property risk, including non-performing loans (NPL). The first NPL of the property sector in Indonesia occurred during the global financial crisis in 1998, which caused significant numbers of developers to file for bankruptcy (Febriaty, 2017). Since then, it has been recognized that NPL is a featured risk for any stakeholders related to housing programs, including the loan provider themselves. According to Aalbers (2008), the risk related to NPL results from financialization, which has made the housing mortgage market dependent on other financial and financialized markets.

The result of financialization is an increase in housing prices and affordability. There are at least three factors that contribute to this: market monopoly, housing mortgage program, and homeownership. Market monopoly is explained when investors and housing developers have been controlling significant housing projects, new towns, and infrastructures funded by capital or construction loans from participating commercial banks. Private developers have contributed significantly to the production of formal housing in Indonesia (Monkkonen, 2013). Furthermore, with a large and increasing population, Indonesia has become one of the investment destination countries, including the property sector (Febriaty, 2017). The role of developers is important in interrelating actors in the housing sector (Socoloff, 2019). They not only produce and sell housing but also act as an agent of financialization and asset manager by creating their channels of real estate capital circulation and landing (Fauveaud, 2020). While the demand for housing continues to increase both as basic needs and investments, the housing prices are rising and are becoming unaffordable to most people. Housing mortgage and homeownership programs such as KPR and FLPP are set as a solution to access housing. However, there is a positive relationship between housing mortgages, homeownership, and the ever-increasing of residential property prices. Marcuse (2020) argues that homeownership should be the last option in housing tenure because it results in the decommmodification of housing. An empirical study in Indonesia by Buhaerah (2019) found that a one percent

increase in property loans will raise property prices by 3.6 percent in the long term. Furthermore, his studies in four provinces in Indonesia have shown that housing prices for small and medium types are no longer affordable for the average working class. In the urban area of West Java and East Java, the housing credit installment has reached 80% - 400% of the average revenue of the working class. Housing mortgage policies and programs that centered on homeownership provide easy access for people to buy houses because it increases people's purchasing power. As a result, the demand continues to increase. Ultimately, when the housing production is high, and land is limited, the other side the land prices are not regulated by the government, which results in the house price index that always rises.

Conclusion

This article explains Indonesia's housing financialization and focuses on the housing production experience. While most studies of housing financialization focus on how dwelling units transform into trading assets, (Romainville, 2017) argues that the origin of capital invested in housing production can be considered financialization. We center on discussing to what extent the origin of capital transforms the way housing is produced and attempt to contribute to the knowledge of how the policies, practices, and actors can transform the supply of the housing market.

Learning from the local case, as an illustration, we find that certain actors play roles in enabling policies and practices in housing production. These actors had successfully orchestrated the origin of capital and resources for the production of housing. In the early stage, the capital was raised from the state budget and people's saving scheme. As the democratization marked the change of the government system in 1998, more actors played roles in the housing production, especially in the financing system. The state budget for house-building and program-subsidizing was mostly transformed into investment in housing finance programs, and people's saving scheme for housing was transformed into a mortgage loan housing scheme. Such changes also changed in the housing policies, including the Housing and Settlement Law 1/2011, which promotes assisting low-income families through tax incentives, insurance permits, land, and public utilities, and land title registrations. These findings prove that the dominance of financial actors is not the only one whose resulting transformation of economies, as Fernandez & Aalbers (2016) argued, and shows that non-financial actors such as the governments and homebuilders or developers are also key agents of housing financialization. It also happens in Cambodia (Fauveaud, 2020), Tokyo (Aveline-Dubach, 2020), Brussel (Romainville, 2017), and the Netherlands (Aalbers, 2017).

Another finding taken from this article is that the interplay of the state, the developers, and the financial actors in creating financialization programs that centered on homeownership have an impact on the housing price and affordability. The regulation and program were established to promote housing production by means of optimizing the roles of financial actors to manage the state budget for a housing investment program, connecting the program to the developers or homebuilders and the end-user. This finding is similar to previous arguments of Lima (2020) and Van Heerden (2020) about the housing policy framework that focuses on increasing the commitment of financial actors and collaborating with the weak regulation of the housing market to reproduce patterns of inequality and reshape the role of the state and negatively impact the affordability of housing.

The financialization of housing is responsible for shaping the urban policy and program of a country since it is integral to the macro-economic policy and is critical in the housing finance policy and program (Fernandez & Aalbers, 2019). The policies and programs make a difference in enabling developers to build more houses and enhance their role as formal providers, enabling the people, especially lower-income families, to access the formal housing sector through certain pro-poor financial programs in many banks, both public and private, throughout Indonesia. Financialization in Indonesia is important to be observed because it reveals multi-stakeholders contributions to housing provision, especially how the capital for housing investment is raised for housing production.



Chapter 3

The Interplay of Actors on Public policy: Urban Politics on Housing Policy Transformation in Indonesia

Abstract

This study develops a model of urban politics on public policy transformation using an institutionalism perspective, examining Indonesia's inclusionary housing policy. Urban politics in this context is explored by identifying the key actors involved in housing provision and analyzing the interplay between these actors. We argue that this interplay significantly shapes public policy, particularly housing policy. Inclusionary zoning, as a housing policy instrument, is globally recognized for supporting affordable housing provision and mitigating discriminatory practices in housing delivery. It facilitates negotiations among various actors within the housing provision structure, including central government, municipal authorities, and private housing developers. In Indonesia, one prominent inclusionary housing policy is the *Lingkungan Hunian Berimbang* (LHB) regulation. This regulation has demonstrated resilience, enduring over three decades despite challenges to its effectiveness. Its evolution overtime underscores the influence of urban politics, as shaped by the interplay among actors within different government regimes. To examine these dynamics, we conducted interviews with key stakeholders and analyzed regulations and reports using content analysis. We employed institutionalism and observed a shift in institutional logics over time, transitioning from a state-driven or mandatory logic to a market logic, reflected in the transformations of the policy. Our findings support the broader notion that the rise of neoliberalism has reshaped the housing policy paradigm. The public sector increasingly delegated responsibility for affordable housing provision to the private sector. This study highlights how urban political dynamics and institutional changes have contributed to the shifting frameworks governing inclusionary housing policies in Indonesia.

KEYWORDS: housing provision, inclusionary housing policy, institutionalism, Indonesia, transformation, urban politics

Introduction

The dynamics of urban politics and their influence on public policy for housing provision have long been a subject of academic inquiry. Housing policy emerges from a multi-party negotiation process involving representatives from the housing sector and key political constituencies (Tomlinson, 1999). It is not merely a technical exercise but rather the outcome of complex political and social dynamics shaped by institutional frameworks, stakeholder interests, and policy formulation processes. Previous research has demonstrated how these dynamics affect housing policy, and in turn, influence urban housing performance. For instance Rahmawati and Rukmana (2022) highlight that in Indonesia, the orchestration among the government, private housing developers, and financial institutions has shaped the housing supply system through housing finance policies, contributing to the phenomenon of housing financialization. Similarly, Tomlinson's (1999) study in South Africa revealed that despite housing policy being negotiated at a national level to represent various political constituencies, the final outcomes often failed to prioritize the needs of intended beneficiaries. Additionally, Tomlinson (2006, 2011) emphasized that despite restructuring efforts, such as shifting from quantity to quality, breadth to depth in low-cost housing delivery, and supply driven to demand-driven frameworks, the South African government remains responsible for assuming the risks associated with private sector lending to low-income households. Moreover, there are persistent challenges in delineating the roles and responsibilities of different levels of government in housing provision.

Inclusionary zoning is a policy instrument designed to support the provision of affordable housing and to mitigate discriminatory housing practices which typically implemented as part of land use regulations. It requires developers to set aside a certain proportion of their units for households unable to afford housing in the open market (Calavita & Mallach, 2009). This concept, also referred to as mixed-income housing initiatives, has received significant attention from housing scholars, particularly in the Global North (Calavita & Mallach, 2009; Shin, 2014; Stabrowski, 2015). The implementation and outcomes of inclusionary housing policies are shaped by the broader institutional context in which they operate. For instance, legal and regulatory frameworks governing land use and housing development significantly influence the design and effectiveness of inclusionary policies.

In the context of neoliberal governance, many states and municipalities continue to rely on private sector actors to deliver below-market-rate housing through incentive-based programs (Rolnik, 2013). However, this reliance has sparked debates, such

as the “incidence” controversy in the United States, which questions how the costs of providing affordable housing are distributed and which parties in real estate transactions ultimately bear these costs (Calavita & Mallach, 2009). Inclusionary zoning programs have been adopted across diverse jurisdictions yielding varied outcomes. In some cases, these policies have successfully increased the supply of affordable housing units, whereas in others, they have faced significant opposition and implementation challenges.

In rapidly urbanizing countries, inclusionary housing policies have also been implemented as a strategy to expand low-income housing stock. For example, Sanga (2021) found that while inclusionary housing policies were adopted in India to address affordable housing needs, their integration with urban planning and multi-level governance structures was insufficient, resulting in policy failure. These findings underscore that the success of inclusionary housing initiatives depends not only on policy design but also on effective coordination within broader urban planning frameworks.

In Indonesia, inclusionary housing policy has garnered enduring interest due to its resilience over three decades despite numerous implementation challenges. This policy has not only undergone significant changes but has also adapted to reflect Indonesia’s evolving political landscape. On a global scale, studies have recognized inclusionary housing policies as critical tools for addressing housing inequality and supporting affordable housing initiatives as demonstrated by Shin (2014) and Stabrowski (2015) for cases in the Global North, and Sanga (2021) for cases in the Global South. However, research on Indonesia’s inclusionary housing policy remains limited, particularly regarding the interplay between urban politics and housing policy as part of the country’s emerging urban institutional framework. Therefore, we seek to fill that gap by examining how urban political dynamics influence the design, implementation, and evolution of inclusionary housing policies in Indonesia.

This article examines the dynamics of urban politics in shaping the transformation of inclusionary housing policy, employing the Indonesian context as a case study. The policy transformation in Indonesia reflects the broader influence of neoliberalism, where the public sector increasingly relies on public-private partnerships to fulfill affordable housing mandates (Batley, 1996; Taruvinga & Mooya, 2018). By exploring the implementation and evolution of inclusionary housing regulations over time, this study aims to provide new insights into how political negotiations and institutional arrangements shape housing policy frameworks. In particular, the study is guided by the following research question: *How does the interplay*

between public and private sector actors influence affordable housing policy in Indonesia? This question foregrounds the political nature of institutional change and helps structure the subsequent analysis of actor roles and governance configurations. This research contributes to the global discourse on urban politics and housing policy by highlighting the complex interactions among state actors, municipalities, and private developers in shaping housing outcomes.

We acknowledge that inclusionary housing policy in Indonesia involves multiple regulations across various sectors, such as in broader spatial planning and urban management. However, this study specifically focuses on the *Lingkungan Hunian Berimbang* (LHB) regulation and its transformation. This focus allows us to provide an in-depth examination of the policy's institutional evolution and urban political dynamics.

Institutional perspectives on urban politics and housing policy

Institutions are the formal and informal rules, norms, and structures that shape and constrain human behavior and decision-making processes. In the context of urban politics and housing policy, institutions influence how policies are conceived, negotiated, and implemented (Sanga, 2021). Institutional theory has evolved over time with various perspectives on the role of institutions in political and social outcomes.

Traditional institutionalism, which emerged in the late 19th and early 20th centuries, focused primarily on formal structures such as constitutional arrangements, bureaucratic organizations, and legal frameworks (Wu, 2009). While this approach highlighted the importance of government structures, it was critiqued for its rigidity and inability to account for the dynamic interactions between institutions, actors, and socio-economic forces (Hadler, 2015). In response, the rise of new institutionalism in the 1970s and 1980s expanded the scope of analysis, incorporating informal norms and practices, and power dynamics that shape collective behavior and policy outcomes (Wu, 2009).

New institutionalism provides a valuable lens for understanding the interplay between institutional arrangements and urban political processes. This framework acknowledges that institutions not only constrain actions but also enable agency, shaping negotiation spaces where actors interact and influence policy decisions.

Urban politics, in particular, is shaped by the competing interests of multiple stakeholders, navigate institutional environments driven by different logics; firms are driven by profit-seeking, agencies seek larger budgets, political parties pursue votes, and research universities prioritize publications as their academic output (Fuenfschilling & Truffer, 2014). Despite the diverse institutional settings, there are common patterns and recurring dynamics provide a structured approach to analyzing governance and policy transformations (Ostrom, 2005).

However, both traditional and new institutionalist frameworks have limitations. As Obeng-Odoom (2016) argues, new institutional economics (NIE) evolved as a reaction to the limitations of neoclassical economics and emphasizing the role of institutions in shaping economic exchange. Yet, NIE retains many of the market-centric assumptions of neo-classical theory and often framing institutions as mechanisms for reducing transaction costs and supporting market efficiency. In contrast, traditional institutionalism, adopts a more evolutionary and justice-oriented perspective and seeing institutions as embedded in social norms, historical context, and power relations. This distinction is particularly important for urban governance and housing policy where institutional change is often driven by political negotiation, social struggle, and shifting configurations of state-market-society relations.

While institutional approaches have been widely used to study governance and urban politics, their application to housing policy transformation, particularly inclusionary housing, remains limited. Existing studies often focus on either the role of institutions in housing policy or the political economy of urban development but fail to systematically link institutional mechanisms with housing policy shifts. Furthermore, previous research tends to analyze state and market logics as opposing forces rather than examining their interplay in shaping policy transformation (Lowndes, 2001). This gap calls for a framework that integrates institutional analysis with the study of actor negotiations and evolving governance structures in housing policy.

To address this gap, this study employs Ostrom's Institutional Analysis Development (IAD) framework in conjunction with the institutional logics perspective. The IAD framework offers a structured approach to examining how institutions operate and evolve in policy contexts (Ostrom, 2010; McGinnis, 2011), while the institutional logics perspective conceptualizes institutions as sets of material practices and symbolic systems including assumptions, values, and beliefs that shape organizational behavior and policy making (Thornton et al., 2012).

While Ostrom's IAD has faced critiques particularly from constitutionalists who argue that it underplays structural power and normative conflict, it remains valuable for this study. The IAD'S strength lies in its capacity to unpack multilevel rule configurations and actor interactions within complex institutional environments. In Indonesia's affordable housing sector, where national, municipal, and private actors operate under overlapping mandates, the IAD provides a flexible yet systematic lens to analyze how governance arrangements function in practice. This study combines it with institutional logics to better account for the normative, political, and value dynamics that shape policy transformation over time.

By applying this approach, this article contributes to a deeper understanding of how urban politics and institutional forces shape the evolution of housing policy, particularly in transitional governance contexts like Indonesia.

Methods and research materials

Structure of analysis

This study examines how and under which conditions urban politics influence public policy transformation, particularly housing policy, using new institutionalism perspective. We adopt a case study approach, drawing from the case of the inclusionary housing policy in Indonesia. Our research follows a structured three-stage analytical framework:

Stage 1: Identifying key actors and their interplay to understand the urban political landscape

The first stage involved an investigation on identifying key actors in the inclusionary housing policy, and understanding the interplay between actors involved using partnership development (Lowndes, 2001). This stage include exploring the deep structural rules they adhere to, and how these rules influence their perceptions and actions. To achieve the first stage, we conducted interviews between 2020 and 2022 with key actors in housing provision and a comprehensive review of the LHB regulation in Indonesia over 30 years, encompassing five formal regulation transformations.

Stage 2: Analyzing the urban politics interplay on the policy transformation

The second stage involved an analysis of actors interplay on the policy transformation employing institutional logics (Thornton et al., 1999, 2012). The analysis based on interviews, LHB regulation review, and secondary data from various sources, particularly reports and national/local media news. This analysis provided valuable insights into the chronological sequences and motivations behind the policy

transformations, the challenges encountered during policy implementation, and the future expectations for the policy.

Stage 3: Inferring model of the urban politics on inclusionary housing policy transformation

The third stage involved developing a model of urban politics on public policy transformation, illustrating the inclusionary housing case. Applying Sorensen's (2018) four parameters: timing and sequencing, actors involved, power relations, and values/ configurations, to examine patterns of Indonesia's inclusionary housing policy transformation.

Data sources and collection

Data were collected from two primary sources to ensure a comprehensive analysis:

1. Official Documents:

National regulations of inclusionary housing in Indonesia that is Lingkungan Hunian Berimbang (LHB), comprised of 5 national government's regulation:

 - Law No. 1/2011 on Housing and Public Settlements (Undang-Undang Republik Indonesia Nomor 1 Tahun 2011 Tentang Perumahan dan Kawasan Permukiman).
 - Law No. 11/2020 on Job Creation (Undang-undang Republik Indonesia Nomor 11 Tahun 2020 tentang Cipta Kerja).
 - Presidential Law No. 9 of 2021 on Agency for the Acceleration of Housing Provision (Peraturan Presiden Republik Indonesia Nomor 9 Tahun 2021 Tentang Badan Percepatan Penyelenggaraan Perumahan).
 - Joint Decree (SKB) of the Minister of Home Affairs, the Minister of Public Works, and the State Minister of Public Housing of 1992 on Balanced Housing Regulation (Surat Keputusan Bersama (SKB) Menteri Dalam Negeri, Menteri Pekerjaan Umum, dan Menteri Negara Perumahan Rakyat Tahun 1992).
 - Government Regulation No. 12 of 2021 on Amendments to Government Regulation Number 14 of 2016 on the Administration of Housing and Public Settlements (Peraturan Pemerintah (PP) Nomor 12 Tahun 2021 tentang Perubahan atas Peraturan Pemerintah Nomor 14 Tahun 2016 tentang Penyelenggaraan Perumahan dan Kawasan Permukiman).
2. Semi-Structured Interviews

Interviews were conducted with key stakeholders, including a housing expert from academia, a representative from central government official, a representative of real estate associations and five private housing developers who are imposed with the regulation. These interviews provided qualitative

insights into inclusionary housing policy implementation, challenges, and interactions between public and private actors for housing provision. To ensure ethical research practices, all participants were informed about the study's purpose, and their participation was entirely voluntary. Confidentiality was maintained by anonymizing responses and ensuring that no personally identifiable information was disclosed. Ethical approval was obtained in accordance with institutional guidelines, and informed consent was secured from all interviewees before data collection.

Data analysis

The primary research method employed was content analysis, following Krippendorff (2022). The process involved data preparation, unitizing, coding, sensitizing, analysis and inference, sampling and reduction, and narrative analysis. The first stage applies the partnership development framework (Lowndes, 2001). The second stage employs institutional logics (Thornton et al., 1999, 2012). The third stage overlap the partnership development framework into Sorensen's (2018) pattern analysis of urban institution to visualize a model.

Findings

This section presents the empirical findings that address the research question: How does the interplay between public and private sector actors influence affordable housing policy in Indonesia? Drawing on interviews, regulatory analysis, and secondary sources, the findings demonstrate how this interplay is mediated by institutional arrangements, actor strategies, and evolving governance frameworks. The analysis focuses on three dimensions: (1) the development of partnership among national government, municipal authorities, and private developers, highlighting patterns of both cooperation and contestation; (2) the competing institutional logics that underpin policy transformations over time; (3) the policy trajectory that reveals how urban political dynamics contribute to the declining provision of affordable housing by the private developers.

Focusing on the case of Lingkungan Hunian Berimbang (LHB), Indonesia's long-standing inclusionary housing regulation, we argue that over the past 30 years, the policy has undergone noticeable transformation influenced by the urban political dynamics. The provision of affordable housing has gradually shifted from a state-mandated obligation to a more flexible, market-oriented framework. This shift reflects a broader change in institutional logic (Thornton et al., 2012), transitioning

from mandatory logic to market logic, as evidenced by the 2020 Job Creation Law's introduction of a financial conversion scheme that allows developers to substitute housing delivery with monetary contributions.

The findings illustrate how central and municipal government interact with the private sector to co-produce regulatory change, often in ways that strengthen developer influence and reduce public enforcement capacity. These dynamics exemplify broader patterns of neoliberal urbanism (Taruvunga & Mooya, 2018), in which the public sector increasingly delegates responsibility to market actors, often weakening its own regulatory role. The section concludes by proposing a model of urban political interplay (see Table 2) that synthesizes the institutional and governance shifts observed. Drawing from Lowndes (2001), the model traces the evolution of state-private interactions through four phases of partnership development: networking, hierarchy, program delivery, and governance reassertion in affordable housing provision.

Discussions

The Political Landscape of Inclusionary Housing Policy: A Global Overview

Housing policy is shaped by the government's political stance, influencing policy implementation and restructuring at various levels. (Tomlinson, 1999) highlights that housing policies often fail to address the needs of beneficiaries because they are typically formulated by various stakeholders, excluding the beneficiaries themselves. Despite well-intentioned efforts, the combination of a developer-driven approach with a people-centered approach has frequently led to dissatisfaction, as these approaches may prioritize different objectives. However, fundamental shifts in housing policy have also occurred, moving from a focus on quantity to quality, breadth to depth, or supply-driven to demand-driven approaches. For example, South Africa's housing policy illustrates such a shift: the new democratic government initially prioritized quantity over quality but later transitioned towards establishing clear norms and standards for adequate housing delivery (Tomlinson, 2006). This shift reflects the government's strategic investment in housing not only as a means of improving living conditions but also as a tool for stimulating economic growth and alleviating poverty.

Global literature has explored multiple perspectives on the role of housing policy in urban development. Firstly, the rise of neo-liberalism has transformed housing development paradigms, prompting governments to scale back their direct

involvement in housing production (Taruvunga & Mooya, 2018). As a response, inclusionary housing has emerged as a strategy that shifts part of the responsibility for affordable housing to private developers under government mandates. Secondly, inclusionary housing redistribute land value. For example, in Britain, land use restrictions in certain areas can lower land values while increasing them elsewhere as development permissions drive price shifts (Alterman, 2012). Thirdly, inclusionary housing reflects a public-private partnership approach to affordable housing provision. Across various countries, public-private relationships take different forms, with governments increasingly relying on private sector involvement due to fiscal constraints, particularly in developing economies (Batley, 1996).

Inclusionary housing is a public policy that requires private developers to allocate a portion of their housing units or land for affordable housing. This policy aims to support households that cannot afford market-rate housing (Calavita & Mallach, 2009). Originating in the United States, inclusionary housing was developed as a response to discriminatory zoning practices in both suburban and urban areas particularly where rapid housing price escalation has worsened affordability. The policy leverages private-sector investment in the real estate market to integrate affordable housing within new developments. In exchange for including affordable housing units, private developers receive incentives such as density bonuses and tax advantages (Stabrowski, 2015). At a large-scale, inclusionary housing supports mixed-income development through land-use planning regulations. At a smaller scale, it operates through project-based financial subsidies (Sanga, 2021).

Prior research highlights the interplay between inclusionary housing policy and governance politics. Stabrowski (2015) examined Bloomberg's inclusionary zoning program in North Brooklyn, highlighting its failure to address New York City's housing affordability crisis. The study also explored how the program shaped community-based housing struggles, emphasizing a governance framework where real estate-led development was positioned as a solution rather than a driver of gentrification. Shin (2014) analyzed Madison, Wisconsin's inclusionary zoning program, detailing the political tensions among stakeholders throughout its formulation and implementation. Applying a Bourdieusian framework, the study mapped stakeholder interactions across social and institutional spheres, revealing how power dynamics shaped urban housing policy. Sanga (2021) examined inclusionary housing and public-private partnerships in Andhra Pradesh, India, highlighting federal policy shortcomings in supporting local mixed-income initiatives. The study emphasized the need for better integration of housing policies with urban development, particularly in peripheral areas. Collectively, these studies

reveal how inclusionary housing policies are deeply intertwined with urban politics, often leading to misalignment between governance levels and policy objectives.

The Emergence of Inclusionary Housing Policy in Indonesia

The inclusionary housing policy in Indonesia, known as *Lingkungan Hunian Berimbang* (LHB) regulation, was introduced to expand affordable housing access and promote social integration. Yuniati (2013) identifies two main objectives of this policy: increasing affordable housing production and fostering socially integrated development through mixed-income residential areas and cross-subsidies. The Joint Decree of Three Ministers (1992) and Minister of Housing Regulation Number 10 of 2012 mandate that housing developers integrate inclusionary housing regulation into their master plans and construct affordable housing units as a prerequisite for obtaining building permits. Originally, the balanced housing ratio (1:3:6) required developers to build three medium-sized houses and six smaller houses for every luxury house within a residential estate. However, this ratio was later revised to 1:2:3, meaning developers must now construct two medium-sized houses and three smaller houses per luxury home.

The emergence of Indonesia's inclusionary housing policy can be traced back to the late 1980s and early 1990s, driven by rapid land acquisition in Jakarta and its surrounding regions, primarily led by private property developers. These developers sought government-issued location permits to build large-scale projects, including the 6,000-hectare area in Tangerang, which later became the well-known Bumi Serpong Damai (BSD) integrated residential complex. However, regulations at the time limited location permits to a maximum of 30 hectares, restricting developers from undertaking large-scale housing projects.

To address this issue, three ministries: the Ministry of Home Affairs, the Ministry of Public Housing, and the Ministry of Public Works began discussions on potential policy solutions. During this period, Minister of Home Affairs Rudini, introduced an inclusionary strategy aimed at integrating affordable housing into private developers' housing plans, ultimately shaping it into formal policy. With Indonesia facing a severe housing backlog due to rapid population growth and limited fiscal capacity, the inclusionary strategy emerged as a critical solution. In 1992, the policy was officially enacted as the *Surat Keputusan Bersama* (SKB) Tiga Menteri tahun 1992 or the Joint Decree of Three Ministers (SKB Tiga Menteri), introducing the *Lingkungan Hunian Berimbang* (LHB) regulation or Balanced Housing Policy. This policy marked the first formal engagement between the national government and private developers in shaping Indonesia's inclusionary housing framework.

Urban Politics and Actor Interplay in Indonesia's Inclusionary Housing Policy

Urban politics is shaped by the interactions between key actors – state agencies, private developers, municipalities, and academic institutions - who negotiate power, resources, and responsibilities in housing provision and policy. Drawing from new institutionalism, Lowndes (2001) provides a framework for understanding how these actors' behaviors evolve through partnership development. This framework categorizes their engagement into four stages: network formation, hierarchy, program delivery, and governance reassertion. Each phase reflects shifts in governance structures, policy adaptations, and market responses which illustrating the ongoing contestation over inclusionary housing policy.

In the context of Indonesian inclusionary housing policy, the key actors involved include the national government, serving as the policy enabler; municipalities, acting as regulators within their respective regions; and private developers as the executing agents imposed to certain policies and regulations on their projects. These actors interact in pursuing housing provision while simultaneously contradict due to divergent interests regarding project outcomes.

Table 3.1 presents our analysis of partnership development between actors in Indonesia's inclusionary housing policy, categorizing the transformation into three key dimensions: institutional, spatial, and land-based factors. These categories highlight how different actors shape and respond to policy implementation at various stages.

Table 3.1 Partnership development of Indonesia's inclusionary housing policy

Issues	Actors	Perceptions	Actions	Partnership Development
Institution	National government	The housing developers are expected to fulfill the affordable housing needs through mixed-income housing development	Establishment of the inclusionary housing policy	Network
	Housing developers	The policy must be carried out by every developer which leads to unfair competition between property developers regardless their business scale		Hierarchical
	National government		The policy is modified to be imposed specifically for the property developers who build luxury houses	Program delivery
	Housing developers	The policies are inflexible in a certain region because the financial requirement for simple homebuyers are below the standard of living cost in the development area		
Municipalities			The local regulation to operationalize the inclusionary housing policy is enabled in the municipality level, although not in every region of Indonesia	
Academia		The housing's value is conflicted between housing rights and housing as a commodity which leads to the underperformed of the policy		
Municipalities			Incentives are offered to the developers who perform the policy (i.e building permits, infrastructure provisions, expansion of house-building location)	
Housing developers		The obligation to build simple houses as affordable housing provision is perceived as inefficient if it has to be built in the same area as medium and luxury houses. In fact, simple house users tend to resell their property because they can't afford to pay taxes.		

Table 3.1 Continued

Issues	Actors	Perceptions	Actions	Partnership Development
Institution	National government		Conversion mechanism is formalized in 2021. The developers could convert the obligation to provide simple houses into the public housing fund	Governance reassertion
Spatial	Housing developers	The lack of data on the lower incomes as the captive market of simple house users makes housing plans difficult and unrealistic.	Housing acceleration agency is established to manage the public housing fund (government regulation of 2021)	
	Municipalities		The data and location for affordable housing are not provided or determined in the spatial planning policy of the municipalities	Program delivery
	Academia	The suitable location for affordable housing are not integrated into the spatial planning policy		
Land	Housing developers	Acquiring brownfield land for housing is difficult and costly for housing developers, therefore the future housing prices are adjusting to the cost itself. Sometimes it is more difficult to allocate affordable housing over this area.		Program delivery
	National government	Land co-development with existing housing areas such as kampungs is strategic to adopt combined with the policy	The housing density could be optimized as an alternative to supply affordable housing, i.e. mixed-income apartments, not only depending on landed housing	
	Academia	The housing prices for different segments in one contiguous area are difficult to determine due to the limited land availability and particular land tax		Governance reassertion
	Municipalities		Jakarta municipality has successfully implemented a land banking strategy for future public housing. This strategy could be a good example for other municipalities.	

Source: own work

In the “Network” stage, the national government initiates the inclusionary housing policy, recognizing the potential of engaging private developers in mixed-income housing development. However, in the subsequent “Hierarchical” stage, property developers contest the policy’s uniform application across all business scales, arguing that it creates unfair competition. This resistance prompts a policy refinement, narrowing its scope to luxury housing developers.

As the policy transitions into the “Program Delivery” stage, tensions emerge between the national framework and local implementation. Developers criticize the financial thresholds for affordable housing buyers which are often misaligned with the actual cost of living in different regions. Municipalities, in response, begin localizing the policy, offering incentives such as expedited building permits, infrastructure provisions, and expanded housing locations for compliant developers. Meanwhile, academic discourse critiques the policy’s dual role which attempting to balance housing as a social right with housing as a market commodity, raising concerns about its overall effectiveness.

In the “Governance Reassertion” stage, the national government seeks structural adjustments to improve policy implementation. The 2021 government regulation introduces a conversion mechanism allowing developers to contribute to a public housing fund instead of directly constructing affordable units. This shift is institutionalized through the establishment of the Housing Acceleration Agency, signaling a governance strategy aimed at streamlining housing-related initiatives and reinforcing public-private collaboration. This cyclical process of partnership development highlights the inherently political nature of housing provision where state-market relations and governance structures continuously shape outcomes.

While institutional factors drive policy evolution, spatial considerations become particularly salient in the “Program Delivery” phase. Developers cite the lack of comprehensive data on low-income homebuyers as a key constraint, making housing plans unrealistic. Furthermore, municipalities struggle to integrate affordable housing locations into spatial planning, leaving developers without clear guidance on where to build. Academic critiques further underscore the policy’s spatial limitations, noting that affordable housing sites often remain disconnected from broader urban planning strategies.

Land-related issues impact both the “Program Delivery” and “Governance Reassertion” phases. Developers face difficulties acquiring brownfield land for affordable housing, with high costs leading to market-driven price adjustments. To

address this, the national government explores alternative strategies such as land co-development with existing informal housing areas (*kampung*) and encouraging higher-density mixed-income developments. Meanwhile, the Jakarta municipality has successfully implemented a land banking strategy to secure land for future public housing, setting a potential precedent for other municipalities. This highlights the fragmented nature of local governance, where certain municipalities proactively adapt policy frameworks while others struggle with implementation. This pattern is consistent with broader observations of uneven urban governance across Indonesia (Roitman & Rukmana, 2022).

Under the Job Creation Law of 2020, the national government established the Land Bank Agency (*Badan Bank Tanah*) through Government Regulation No 64/2021 to centralize land acquisition and to secure land availability for public purposes, including for affordable housing (Candra & Khaidir, 2020; Roestamy, 2022; Sanjaya & Djaja, 2021). This institutional shift marks a significant development in Indonesia's land governance framework to address land availability and to regulate private-sector participation. However, the Land Bank's effectiveness depends on enforcement capacity and stronger coordination with local governments. As Roestamy (2022) argues, the establishment of municipal-level land banks is urgent for achieving equitable and sustainable spatial development. His analysis of Jakarta suggests that land bank could be instrumental in suppressing land speculation, stabilizing housing prices, and promoting affordability through improved land administration system.

Despite this potential, empirical findings by Rahmawati et al. (2025) highlight persistent gaps in institutional legitimacy, particularly regarding affordable housing provision at the municipal level. The findings indicate that private-sector land banking practices are largely speculative, driven by profit-maximization rather than housing provision, and are reinforced by inconsistent policy enforcement across municipalities. A municipal case study illustrates how governance challenges and discretionary compliance mechanisms allow private developers to prioritize profitability over the affordable housing needs outlined in public policies.

Although the national regulation outlines the agency's mandate, enabling frameworks at the municipal level have yet to be operationalized to support land banking for affordable housing. Furthermore, although the Land Bank is presented as a nationwide institution, its implementation often prioritizes strategic and investment-driven projects over socially inclusive housing outcomes. This reflects a wider institutional gap in translating national land policies into locally grounded strategies. As illustrated in Pontianak's land consolidation approach, municipalities

often rely on discretionary and negotiated practices to manage land informality and integrate kampung settlements within spatial plans (Roitman & Rukmana, 2022). Such localized responses highlight the need for more context-sensitive and inclusive approaches to land governance and affordable housing delivery.

In sum, the interplay between key actors - national government, municipalities, and private developers – shapes the urban politics of inclusionary housing policy in Indonesia. Their interactions are marked by both collaboration and contradiction, reflecting competing priorities in housing provision. These tensions stem from differing institutional logics (Høiland & Klemsdal, 2022), where governance imperatives and market incentives shape policy outcomes. Understanding these competing logics provides deeper insight into the evolution of inclusionary housing policy and the extent to which governance structures reconcile these tensions. This sets the stage for analyzing housing policy transformation as a product of shifting institutional logics.

Urban Politics on Indonesia's Inclusionary Housing Policy Transformation: A Shift Of Institutional Logics

Housing policy transformation in Indonesia is shaped by the competing yet interdependent logics of state governance and market capitalism. The government's role in providing housing and enabling supportive policies is driven by state logic, which aligns with welfare capitalism. This logic emphasizes redistribution by guiding bureaucratic authority in regulating private-sector actors (Friedland & Alford, 1991; Thornton et al., 1999, 2012). As a result, The government seeks to enforce policies that mandate developers to contribute to affordable housing provision.

In contrast, private developers operate under market logic, which prioritizes financial feasibility and profit maximization. This logic rooted in economic behavior and market efficiency, often contradicts the government's objective of ensuring affordable housing distribution (Thornton et al., 1999, 2012). Developers argue that regulatory constraints reduce profitability and distort market incentives, creating a structural tension between public policy goals and private-sector interests.

However, this contradiction also reveals an interdependent dynamics. The government faces fiscal limitations in funding large-scale affordable housing programs, making private sector involvement a practical necessity. Developers, despite their reluctance, rely on government incentives, regulatory frameworks, and land allocations to sustain their operations. The scarcity of public resources forces the governments to make difficult decisions about subsidy allocations and regulatory flexibility, shaping

the evolving landscape of inclusionary housing policy (Gilbert, 2004). This ongoing negotiation between state intervention and market-driven development reflects the adaptive nature of housing policy transformation in Indonesia.

Indonesia's inclusionary housing policy was designed as a regulatory mechanism to mandate developer participation in affordable housing production. Under this policy, developers were required to integrate a prescribed housing ratio into their masterplans, while municipalities were tasked with adapting the regulation into local ordinances and establishing enforcement frameworks. The primary control mechanism relied on withholding permits from developers who failed to comply. However, the policy lacked binding enforcement measures as there were no penalties or financial disincentives for noncompliance.

The 1998 global financial crisis further weakened the policy's effectiveness. As economic instability reshaped market conditions, developers prioritized financial survival over regulatory obligations. The government struggled to reinforce the policy and constrained by fiscal limitations. In 2007, Jakarta's then-governor, Sutiyoso, publicly criticized developers for failing to meet their affordable housing commitments and conducted permit reviews. However, this concern was not sustained by subsequent administrations, and enforcement mechanisms remains weak. The diminishing political will to hold developers accountable further exemplifies how shifting institutional logics – between state intervention and market flexibility – continue to shape Indonesia's housing policy trajectory.

The national government's revision of inclusionary housing policy aimed to address implementation challenges by redefining developer obligations. The 2012 amendment limited the regulation's application to projects with at least 50 commercial housing units while allowing developers to fulfill affordable housing requirements outside of developments area but remained within the same regency or municipality. This shift received criticism for favouring developers, as it enabled a more profitable yet spatially fragmented approach to affordable housing (Yuniati, 2013).

Beyond regulatory adjustments, broader institutional critiques of inclusionary housing have highlighted issues such as empowerment, institutional reform, partnership effectiveness, and economic efficiency (Pugh, 2001). Interviews with housing experts reinforce these concerns, particularly regarding chronic noncompliance by developers:

“At that time, there were few developers who complied with regulations, making inclusionary housing policy largely ineffective. Various strategies were used to bypass requirements, rendering the policy ineffective even after decades of implementation” (Interview, 2021).

Despite the state's initial dominance in setting the regulatory framework, contradictions between institutional logics shaped housing policy trajectories. The government sought to redistribute housing production through mandatory developer participation, but enforcement weaknesses and economic constraints limited policy effectiveness. Large-scale developers, particularly those with strong political connections, engaged in (private) land banking strategies, consolidating control over urban land and weakening state regulatory authority:

“During the 1997-1998 period, many developers secured extensive land holdings, leading to large-scale market domination. When the financial crisis hit, inclusionary housing policy lost its effectiveness due to the absence of binding sanctions for noncompliance” (Interview, 2021).

By 2012, the government modified the inclusionary housing ratio to 3 simple houses, 2 medium houses, and 1 luxury house per project, increasing financial feasibility for developers. However, in 2013, a more market-oriented shift exempted developers from this obligation unless they engaged in luxury housing projects. This effectively narrowed the policy's scope, reinforcing market logics and further diminishing the role of state intervention.

A critical turning point occurred in 2020 with the enactment of the Omnibus Law (Undang-Undang No 11 Tahun 2020 tentang Cipta Kerja), which introduced three fundamental changes to spatial planning, land provision, and housing development. First, it altered the 2007 Spatial Planning Act, replacing references to “government” with “central government”, consolidating authority at the national level. Second, it redefined national, regional, and municipal spatial planning to align explicitly with investment priorities. Third, it introduced new procedures for land acquisition, requiring public consultation and the involvement of asset management agencies. These shifts reflect a transition toward a centralized, investment-driven governance model. The Omnibus Law also restructured inclusionary housing policy through Government Regulation No 12 of 2021, which introduced a conversion fund. Developers unable to meet their housing obligations were now allowed to contribute financially instead of constructing affordable housing units. This transition merged

state and market logics, institutionalizing a public-private partnership model to enhance housing supply efficiency (Lowndes, 2001).

“Developers constructing projects on 5000m² of land were required to allocate 20% for affordable housing, yet many failed to comply” (Interview, 2021).

This governance transition reflects an evolution from state-controlled housing policy to a hybrid institutional framework where regulatory power is diffused across public and private actors. The government’s shift from direct enforcement to financial conversion mechanisms indicates a strategic response to market resistance and implementation failures. Figure 3.1 visually depicts this transition, illustrating how institutional logics evolved toward a partnership-based housing development model.



Figure 3.1 Trajectory shifting of institutional logics in the inclusionary housing policy of Indonesia
Source: own work

Figure 3.1 illustrates the trajectory of Indonesia’s inclusionary housing policy, shifting from state-led regulation to market-driven governance. The Decree of Three Ministers (1992) established a state-controlled framework, mandating developer participation in affordable housing for two decades. Policy modifications in 2012 and 2013 under the Minister of Housing regulation introduced market considerations, easing developer obligations and creating a hybrid governance model. The Job Creation Law (2020) and Government Regulation No 12 of 2021 marked a full transition to market logic, replacing direct mandates with a conversion fund mechanism, allowing developers to fulfill obligations through financial contributions. This shift reflects a broader move from state intervention to investment-driven governance, reinforcing market flexibility in housing policy.

Model of urban politics on public policy transformation

Building on the partnership development stages, we apply Sorensen’s (2018) four parameters: timing and sequencing, actors involved, power relations, and values/

configurations, to examine patterns of Indonesia's inclusionary housing policy transformation. Table 3.2 summarizes the shifts in urban political dynamics across these phases into a model.

Table 3.2 Model of Urban Politics on Indonesian inclusionary housing policy: institutional logics and partnership development shift

	Timing and Sequencing	Actors Involved	Power Relations	Values and Configurations of the new Urban Forms
Network	Joint Decree of Three Ministers of 1992	the national government + the private developers	Stronger government mandates (State logic)	Produce affordable housing to serve the lower-incomes
Hierarchical	Ministry of Housing Regulations of 2012 and 2013	the national government + the private developers + the municipalities	The property developers perspective of project's feasibility started to intervene as new concern (State & market logics)	Produce affordable housing according to different scales and locations
Program delivery	Job Creation Law of 2020	the national government + the private developers + the municipalities	Government adjustment to housing market situation (State & market logics)	Produce a more commercial purposes housing
Governance reassertion	Government Regulation of 2021	the national government + the private developers + the municipalities + housing acceleration agencies	Investment-driven governance (Market logic)	Adjustment or tradeoff of the affordable housing obligation

Source: own work

Initially, the “Network” phase reflected the policy’s intent to foster affordable housing production and social cohesion. However, during the “Program Delivery” and “Governance Reassertion” phases, deregulation increasingly aligned housing policy with market and commercial interests, weakening the state’s role in ensuring affordability. As a former Jakarta Deputy Governor noted:

“The contribution to social harmony is insignificant. Developers accumulate “debt” in affordable housing obligations, often disguising payments while expanding commercial projects. Instead of direct provision, a pooling system – where developers contribute funds – could be more effective” (Interview, 2021).

This trajectory mirrors broader deregulation trends, where policy reforms prioritize housing supply expansion over equity concerns. Rodríguez-Pose & Storper (2020) highlight similar patterns in U.S. upzoning policies, which boosted housing stock without mitigating segregation or affordability crises. In contrast, countries with stronger public housing interventions have maintained stricter zoning and regulatory controls. In Indonesia, financialization has reshaped housing production, prioritizing homeownership schemes facilitated by developers and housing banks (Rahmawati & Rukmana, 2022). While this model provides short-term affordability, it accelerates long-term price inflation, reinforcing market-driven housing dynamics.

Despite its redistributive intent, inclusionary housing policy hinges on government capacity to regulate and enforce developer compliance. Effective implementation requires budget allocations, policy consistency, and mechanisms ensuring community access to housing. However, in many developing countries, including Indonesia, inclusionary housing often unfolds at urban peripheries, where lower land values reduce acquisition costs (Bredenoord & Van Lindert, 2010). This spatial outcome highlights the interplay between political priorities, land valuation, and market forces in shaping urban housing development.

Housing policies, as reflections of urban political priorities, serve varying objectives, enhancing welfare, stimulating economic growth, or advancing political agendas. Government emphasizing social welfare may prioritize affordable housing, while those favoring economic expansion align policies with investor and developer interests. Broader political-economic structures, including fiscal, monetary, and social policies, further mediate these housing strategies. As Siagian et al. (2023) suggest, urban politics remains dynamic, yet the state ultimately retains control over defining its contours.

Conclusion

This study examined how the interplay between public and private sector actors has shaped the transformation of Indonesia's inclusionary housing policy. The findings show that the policy evolved from a state-driven mandate into market-responsive framework. This transformation is largely influenced by national deregulation, uneven municipal enforcement, and growing private-sector leverage. Initially designed as a public-sector mandate, the policy has gradually shifted toward investment-driven governance, exemplified by the 2020 Job Creation Law and the introduction of the conversion fund mechanism that allows developers to substitute housing delivery with financial contributions.

This study reinforces that housing policy is not a neutral or technical instrument, but a deeply political process. The central government has historically framed the policy direction, but municipalities have had uneven enforcement capacity which leading to fragmented implementation. Meanwhile, developers have played a decisive role in reshaping policy parameters in ways that align with market feasibility rather than affordability goals.

Theoretically, this study contributes to urban politics literature, particularly on neoliberal urbanism (Brenner & Theodore, 2005; Rolnik, 2013), institutional perspectives on urban governance (Lowndes, 2001; Sorensen, 2018; Bredenoord & Van Lindert, 2010), and housing policy transformation in the Global South (Roitman & Rukmana, 2022; Rahmawati & Rukmana, 2022; Siagian et al, 2023). It introduces a model of policy transformation that conceptualizes how urban politics dynamics shape shifts in inclusionary housing policy. By tracing the interplay between institutional logics and governance structures, the model provides a structured lens to examine how public mandates give way to market logic, with broader relevance to cities undergoing similar transitions.

This study has limitations. It focuses on a single national policy case, which may limit generalizability. Future research could apply the model to comparative contexts or integrate quantitative data on housing delivery outcomes. This study foregrounds the political drivers of policy evolution, but ongoing policy adjustments should be monitored to assess emerging trends.

Moving forward, Indonesia's housing policy will need a more balanced framework. One that leverages market efficiency while reinforcing regulatory oversight. As urban political configurations continue to evolve, ensuring affordability, inclusivity, and equitable access must remain central of future reforms.



Chapter 4

The Influence of Public Policy on Formal Housing Provision

From Policy to Practice: How Public Land Policies Shape Private-Sector Housing Development

Abstract

The interplay between land availability and the housing market highlights the importance of government intervention through land policies. Effective land policies ensure in-time land availability and facilitate private sector involvement in housing development. This study examines how public land policies influence formal housing development by the private sector, with a particular focus on land banking strategies—mechanisms involving the acquisition and holding of land for future use to ensure availability and capture value increases. While land banking policy aims to serve public benefits, private-sector land banking often prioritizes profit, creating governance challenges that shape housing development outcomes. This paper analyzes this phenomenon in the context of Indonesia by developing analytical framework of legitimacy, effectiveness, efficiency, and fairness. As a rapidly growing country with significant housing backlogs and a private-sector-dominated market, Indonesia's land regulations present a critical case for examining these dynamics. Our analysis shows that while regulatory framework regulations emphasize land consolidation, acquisition, and development as instruments to facilitate private sector involvement in housing development, weak enforcement and regulatory ambiguities often undermine their effectiveness. The findings indicate that private-sector land banking is largely speculative, driven by profit-maximization strategies rather than housing provision, and is reinforced by inconsistent policy enforcement at the municipal level. A municipal case study further illustrates how governance challenges and discretionary compliance allow private developers to prioritize profitability over the affordable housing needs outlined in public policies. While land policies in Indonesia are framed as comprehensive planning tools, their implementation often favors specific beneficiaries, limiting their broader social impact.

KEYWORDS: housing development, Indonesia, land banking, land policy, private sector.

Introduction

Land availability is critical to support the sustainability of housing provision as it directly affects housing supply, affordability, and accessibility. Traditionally, governments play a central role in ensuring land availability through land policies that regulate land use and support housing supply (Van der Krabben et al., 2022). The link between public land policies and the housing market is, therefore, essential, mainly because market mechanisms alone often fail to ensure equitable access to housings (Firman, 2004; Hartmann & Spit, 2015). This interplay between land availability, land policies, and housing markets is particularly critical in urban development contexts, where the dominance of the private sector in housing development raises concerns about the alignment between profit-driven objectives and broader societal need for affordable housing.

Despite the essential role of land policies to ensure land availability in housing markets, significant challenges persist. Public land banking, a policy tool designed to regulate land supply by allowing governments to acquire, manage, and release land strategically for housing development, ensure in-time land availability and capture value increases for public benefit (Alexander, 2015), often fails to align with private-sector interests. In practice, many private developers also frequently employ land banking by acquiring and holding land before development (Bao et al., 2012; Evans, 2004). The extent to which these land banking practices by the private sector impact housing provision and affordability remains a subject for further investigation (Van der Krabben et al., 2022; Adams & Tiesdell, 2012; Rahmawati & Rukmana, 2022). Understanding these practices and their dynamics is crucial for assessing how land policies can effectively regulate private-sector land use and housing development.

Despite the critical role of land banking in shaping housing development, existing research tends to examine public and private mechanisms in isolation, with limited attention to how they interact in practice. This study addresses this gap by investigating the relationship between public land policy and private-sector land banking strategies, focusing on how governance structures, regulations, and their enforcement mechanisms shape landholding behavior by the private sector to avoid their possible negative effects on housing availability and affordability. Rather than evaluating public land banking as a standalone instrument, this paper analyzes how public land policy, which also includes public land banking, and market behavior intersect and often conflict, in the context of private-sector-led housing development. By centering the analysis on this institutional interface, this study contributes to a more nuanced understanding of how land policies operate within

real-world governance environments, particularly in emerging urban contexts where the state's regulatory capacity is contested.

This study focuses on the case of Indonesia, especially Surabaya City. As the country's second-largest city and a major economic hub (Pamungkas et al., 2019), Surabaya represents a crucial case for understanding urban land development and housing development in the context of rapid economic growth and urbanization. With a significant private sector dominance in housing provision (Rahmawati & Rukmana, 2022), the city illustrates the complexity of land banking practices and regulatory enforcement in emerging markets. These dynamics would provide valuable insights for international scholars and policymakers seeking to address similar challenges.

The paper is structured as follows: Section 2 presents a literature review on land policy and land banking, serving as the theoretical foundation and introducing the analytical framework developed to evaluate public policy. Section 3 provides an overview of the Indonesian case context, offering background information relevant to the study. Section 4 outlines the materials and methods used to investigate and analyze how land policies in Indonesia regulate private-sector housing provision. Section 5 discusses the study's findings and provides an in-depth analysis. Finally, Section 6 concludes the paper, summarizing key insights and their implications.

Theoretical framework

Understanding how land policies shape private-sector housing development requires a theoretical approach that incorporates government intervention mechanisms, land policy instrument (i.e. land banking), and the dynamics of housing provision. This study builds on existing theories of land policy and land markets to assess how public and private land banking influence housing development. To strengthen the theoretical foundation, we incorporate insights from institutional economics, market dynamics, and regulatory frameworks, particularly drawing on recent literature that highlights the increasing relevance of private-sector land banking (Sasu et al., 2022).

Government Intervention in Land Market

Observing public policy as government intervention, and its intersection with land development strategies is complex. While scholars may not agree on a single, all-encompassing definition of public policy, it is generally understood as what governments decide to do or not to do concerning particular issues or problems (Steinberger, 1980). Governments intervene in land markets through various instruments aimed at

regulating land use, ensuring equitable access, and stabilizing land prices. Traditional approaches to government intervention in land markets can be categorized into active and passive land policy (Hartmann & Spit, 2015). Active land policy involves direct government intervention through land acquisition, development, and resale to ensure land availability for public purposes (Van der Krabben et al., 2022). In contrast, passive (or facilitating) land policy relies on regulatory mechanisms, such as zoning laws and development incentives, and grants building rights while leaving development to the private sector.

Active and passive land policies each have distinct advantages and limitations, shaping how governments intervene in land markets. Active land policy helps prevent speculation, control prices, and secure land for public purposes, such as affordable housing and infrastructure. However, it requires significant public funding, is often slow to implement, and may be vulnerable to bureaucratic inefficiencies (Buitelaar, 2010). In contrast, passive land policy allows private actors to drive land development. This approach reduces public financial burdens and increases market efficiency, but can also lead to speculation, land hoarding, and a lack of affordable housing. The choice between these policies depends on institutional capacity, economic conditions, and urban development needs. Countries with strong governance and financial resources often adopt active land policies to ensure long-term affordability. Meanwhile, countries favoring market-driven approaches rely on passive land policies to encourage private investment.

Indonesia, in general, has applied a passive land policy, relying on regulatory frameworks rather than direct land acquisition (see Section 5). While passive land policies have facilitated economic growth and investment, they have also contributed to some issues, especially those related to housing development. Recent policy discussions on agrarian reform and land banking indicate a growing recognition of these challenges, but meaningful change remains constrained by structural and institutional limitations (Rahmawati & Rukmana, 2022).

Governments also regulate land markets and encourage private-sector participation in affordable housing through strategies such as land subsidies, tax benefits, and inclusionary zoning (Van der Krabben et al., 2022). Land subsidies provide developers with land at below-market prices to ensure affordability but require strong oversight to prevent speculative misuse (Hartmann & Spit, 2015). Tax incentives, including property tax exemptions and VAT reductions, aim to reduce financial burdens and attract developers, though enforcement challenges can lead to profit-driven rather than affordability-focused projects (Krigsholm et al., 2022). Inclusionary zoning

mandates affordable housing units within private developments in exchange for incentives like increased density, but overly strict requirements can deter investment (Van der Krabben & Jacobs, 2013). Additionally, land value capture mechanisms, such as developer contributions to infrastructure, help align private and public interests. However, in developing economies like Indonesia, high land acquisition costs, weak tax incentives, and poor enforcement of inclusionary zoning create gaps between policy intent and market realities (Firman, 2004).

Public vs. Private Land Banking

Land banking, a widely recognized land management tool, has been used globally to secure land for future development and regulate land markets (Alexander, 2015; Sasu et al., 2022). Traditionally, public land banking has been employed to counteract land speculation, stabilize property values, and facilitate affordable housing projects (Sasu et al., 2022). However, the role of private-sector land banking has received increasing attention in recent literature.

Public and private land banking are integral components of active land policy in urban planning, while private land banking operates outside the public policy domain (Van der Krabben et al., 2022; Krigsholm et al., 2022). The concept originated in Amsterdam in the late 1890s and was later adopted by several Western countries, including Sweden (1904), Canada (1950s), and France (1958) (Bao et al., 2012). In the United States land banking emerged in the latter half of the 20th century as a planning instrument to create municipal land reserves for short- and long-term urban planning control (Van der Krabben et al., 2022). In some cases, it is also linked to land consolidation, facilitating land redistribution or relocation for public purposes (Damen, 2004; Van Dijk & Kopeva, 2006). Evans (2004) defines land banking as the legal advance acquisition of land, where land is secured before development and stored for future supply.

Public land banking refers to activities conducted by the public agencies or nonprofit entities, therefore it serves public benefit purposes. It has become a prevalent tool in public policy across some countries, primarily in the Global North. The main objective of land banking as public policy is to guarantee the future supply of land for development by mitigating ownership barriers that prevent in-time land provision for development (Alexander, 2015; Van der Krabben & Jacobs, 2013) and capture the increase in land value for public benefit through regulatory instruments (Smolka & Amborski, 2000). Generally, land banking addresses vacant or abandoned land by assembling, reserving, purchasing, developing, and improving it for future use or sale (Alexander, 2005; Lowe et al., 2022). At the same time, it is also a strategy to

reserve undeveloped land, converting it to productive use or holding it for long-term development (Francis, 1975; Fujii, 2016; Krigsholm et al., 2022).

Private-sector land banking refers to the practice of acquiring and holding land as a financial asset, often with the aim of capitalizing on future price increases (Sasu et al., 2022). This speculative behavior can significantly impact housing development by delaying housing supply, as developers may withhold land from the market to maximize profits rather than building homes in alignment with housing needs (Adams & Tiesdell, 2012; Huang et al., 2015; Van der Krabben et al., 2022). It can also lead to market concentration, where large real estate firms accumulate land reserves, reducing land availability, driving up housing prices (White, 1986). This contributes to a mismatch between supply and demand, as developers prioritize high-end housing projects over affordable housing, further exacerbating housing inequality (Zhang et al, 2012). A similar pattern is observed in Hong Kong, where, despite increased land availability, developers delayed housing delivery due to declining internal rates of return. As shown by (Huang et al., 2015), high land prices led developers to postpone construction and hold land assets longer, which suggests that speculative holding is often a rational market response. Similarly, in Ghana, the increasing role of private developers in land banking has raised concerns about equitable land access (Sasu et al., 2022).

Regulatory Challenges and Housing Market Outcomes

The interplay between government intervention and public policy in making land available for housing illustrates the complexity of regulatory governance in housing markets. Despite national-level regulations aim to structure land banking and improve housing supply (Van der Krabben & Jacobs, 2013), municipal enforcement mechanisms often remain weak, leading to a dominance of private-sector interests in housing development (Firman, 2004). The weak enforcement of public land policies stems from municipal governments lacking the capacity to implement land banking strategies effectively (Roestamy et al, 2022). Additionally, regulatory loopholes enable speculative behavior, as developers exploit ambiguities in land use regulations to maximize profitability, contributing to delayed housing production and rising land values (Huang et al., 2015). Furthermore, insufficient incentives for affordable housing development exacerbate the housing supply crisis, as policies such as inclusionary housing or price regulations are often poorly enforced (Zhang et al, 2012).

This study contributes to the literature on land policy and housing development by bridging the gap between land banking literature and housing market regulation. The findings align with recent calls to shift research attention beyond public land banking to incorporate private and semi-public land banking dynamics, acknowledging

that private-sector engagement in land banking is not just a market response but also shaped by regulatory structures and institutional frameworks (Sasu et al., 2022). This perspective enhances our understanding of how land policies interact with market incentives, influencing housing affordability and supply efficiency in various contexts.

Public Land Policy Assessment Framework and Conceptual Model

Developing a clear framework to assess and analyze how public land policies interact with and manage private-sector development is essential. Following Van der Krabben et al. (2022) and Muñoz-Gielen et al., (2017), we utilize Hartmann & Spit's (2015) framework to assess or evaluate land management policy, which encompasses four fundamental principles: legitimacy, effectiveness, efficiency, and fairness. The four criteria's principles are explained below.

Legitimacy is gauged by scrutinizing the input and output of policy processes associated with spatial planning. By examining stakeholder involvement and the alignment of outcomes with the public interest, we can evaluate the legitimacy of land policy as a tool. Effectiveness pertains to the capacity of land development strategies to accomplish planning goals within a reasonable timeframe. Through land banking, governments aim to secure land and facilitate its transition from passive to active ownership, enhancing the efficiency and efficacy of land use. Efficiency emphasizes the optimal utilization of scarce resources through the efficient allocation and utilization of land, minimizing waste and maximizing the benefits. Fairness refers to the extent to which a land strategy equitably redistributes land-based wealth among stakeholders.

We conducted an extensive literature review to develop these principles to be applied in the context of land policy, specifically land banking instrument, as part of active planning approach towards housing provision. Table 4.1 describes each principle's keyword indicators that is used for analyzing case study data in this study.

The key points from the literature review in Table 4.1 capture a deeper understanding of land policy practices despite most case studies in Global North countries. Legitimacy in land policy and land banking refers to integrating public land policy into spatial planning acts and municipal development programs with public interest to achieve public development goal (Evans, 2004; Francis, 1975; Krigsholm et al., 2022; Van der Krabben & Jacobs, 2013). It also involves institutions, such as land banks or municipalities, with the legitimate power to manage land as municipal assets (Adams & Tiesdell, 2012; Alexander, 2015; Lowe et al., 2022).

Table 4.1 Framework for an effective land policy implementation

	Key points in land policy literature	Authors
Legitimacy	Power to plan and control development, legitimized action, intervention through spatial planning and zoning regulations, input and output of policy processes, public instrument for public benefit, municipal authority to negotiate, land bank institutions	Adams & Tiesdell (2012), Alexander (2015), Evans (2004), Francis (1975), Krigsholm et al. (2022), Lowe et al. (2022), Van der Krabben & Jacobs (2013)
Effectiveness	Achieves the planning goals, able to provide land for designated uses in a reasonable period, facilitates land transactions, captures or boost capital value, guarantees public land profit	Alexander (2005), Bouwmeester et al., (2023), Van der Krabben (2022), Zhang et al (2012)
Efficiency	Guided by planning goals, efficient use of scarce resources, financial involvement and effort aligned with land strategy outcomes	Alexander (2005), Krigsholm et al (2022), Van der Krabben (2022)
Fairness	(Re)distributes land-based wealth in a fair way among landowners, land users, property developers, investors, and the public sector	Jonkman et al., (2022), Lowe et al (2022), Van der Krabben et al. (2022)

Source: own work

Effectiveness in public land policy is the ability to achieve broader planning goals and encourage municipalities and communities to realize public benefits through urban renewal, reducing housing shortages, increasing public capital value, state-owned investment, and neighborhood stabilization (Alexander, 2005; Bouwmeester et al., 2023; Zhang et al., 2012). Efficiency refers to the strategies used concerning financial involvement compared to land ownership or municipal investment, guided by planning goals for public benefit (Alexander, 2005; Krigsholm et al., 2022; Van der Krabben, 2022). Fairness pertains to the equitable sharing of benefits among landowners, users, developers, investors, and the public (Jonkman et al., 2022; Lowe et al., 2022; Van der Krabben et al., 2022).

Background of case study

Indonesia as a case study and its land banking strategies

Indonesia's economic growth has been accompanied by a rising demand for formal housing, with a housing backlog of 17 million units (The Ministry of Housing and Public Works, 2019). This crisis is driven by 1.7% annual population growth and the limited capacity of the formal sector, which delivers only 350,000 of the required 800,000 new houses annually (Setiawan, 2021). Rapid urbanization has led to large-scale conversion of agricultural land for residential use, particularly in Greater Jakarta, Surabaya, and

Bandung (Firman, 2004). However, private developers and land speculators frequently acquire large land areas without prompt development, indicating early private land banking practices (Firman, 2004; Candra & Khaidir, 2020).

Public land banking was formally introduced in 2020 through Law 11 of 2020, followed by Government Regulation 64 of 2021, which established the Land Bank Agency (Badan Bank Tanah). The recent establishment of Bank Tanah in 2021 underscores the significance of land banking institution for public benefit (Roestamy et al, 2022). However, land banking strategies had been informally recognized in earlier Indonesian land policies and practices. Some private-driven land banking has delayed housing provision and prioritized higher-end market segments (Noegroho, 2012). Given Indonesia's housing shortage, it is crucial to explore how national and local government land policies interplay with private-sector housing development and mitigate due to land banking practice.

Historical influence on Private-Sector Land Banking

The literature on land policy in Indonesia highlights long-standing challenges related to urban land development, land tenure security, and the regulatory frameworks shaping land use and management. Key issues include poorly coordinated urban land management, inflexible regulatory frameworks, lack of secure land tenure, ineffective taxation, and insufficient urban land data (Firman, 2004). Other research focuses on land tenure security, land rights in urban and rural settlements (Leaf, 1993; Rudiarto, 2014), the political evolution of land policies under different regimes (Guild, 2019; Hardiyanto, 2021), and land use integration in spatial planning (Siturus, 2006; Supriatna & Van der Molen, 2014).

Government intervention in land-use management has historically been weak, leading to greater reliance on private-sector developers in urban expansion (Firman, 2004). While private-sector involvement is encouraged, regulatory systems remain insufficient in guiding re-sponsible land development. In some cases, public authorities have misused the term 'public interest' to justify large land acquisitions for developers, facilitating speculative landholding rather than housing development (Meckelburg & Wardana, 2024). Rapid land conversion and deregulated land markets have enabled private actors to acquire and hold land strategically, resulting in stalled development and inflated land prices (Candra & Khaidir, 2020; Sanjaya & Djaja, 2021).

Indonesia's land taxation, development permits, and building permits are primarily used as revenue-generating instruments rather than tools for effective land-use control (Hardiyanto, 2021). The 1960 Basic Agrarian Law provided overarching land policy

principles, such as nationalism, legal certainty, anti-monopoly measures, redistribution, sustainability, and welfare. However, these principles have been inconsistently applied across different regimes for public benefit, often favoring private interests over equitable land distribution (Guild, 2019; Hardiyanto, 2021; Sumardjono, 2018).

Concerning land banking, research has predominantly focused on institutional frameworks and management (Candra & Khaidir, 2020; Roestamy et al., 2022; Sumardjono, 2018), its context in the Job Creation Law (Sanjaya & Djaja, 2021), and comparisons of land acquisition strategies under different political regimes (Guild, 2019). While some studies explore land banking's potential to support affordable housing (Alfansyuri et al, 2020; Noegroho, 2012), the role of private-sector land banking remains overlooked, despite its long-established practice. Private developers have historically engaged in land banking, acquiring land in advance of formal development which has contributed to housing delays and affordability challenges.

Although this study focuses on Indonesia, its findings have broader international relevance. As Sasu et al. (2022) highlight, research on land banking has largely focused on public land banking within formal land markets, while private and semi-public land banking remain underexplored. This study contributes to these debates by examining how private-sector land banking shapes housing provision. Furthermore, Indonesia's challenges, such as rapid urbanization, housing shortages, and decentralized governance, offer insights applicable to other emerging economies facing similar land policy dilemmas.

Methods and research materials

Structure of the analysis

This study examines how and under which conditions land policies, particularly the land banking instrument, influence formal housing development by the private sector. We adopt a case study approach, selecting Indonesia for national policy analysis, and Sura-baya for municipal-level regulation analysis, focusing on how land banking strategies facilitate housing provision. Our research follows a structured three-stage analytical framework:

Stage 1: Developing an analytical framework for land policy evaluation

The first stage involved a comprehensive literature review on land policy to establish an analytical framework (see Table 4.2). We developed Hartmann & Spit's (2015) framework to enhance its applicability in evaluating land policies, particularly for housing

development. Our review incorporated global literature to examine key principles of legitimacy, effectiveness, efficiency, and fairness; and forming the basis for evaluating land banking as a policy tool. The developed criteria guided subsequent analysis.

Table 4.2 The analytical framework developed for land policy analysis.

Principle	Criteria
Legitimacy	Regulation as public intervention to impose power and control Public benefit purpose (legitimation of securing value capture) Public entity authorized for issuing permit
Effectiveness	Planning goals of the housing provision Land asset and acquisition to support planning (housing) goals Stabilization through sanction or consequence
Efficiency	Good use of resources (in terms of time) Cost recovery or any additional cost needed
Fairness	Redistributes land-based wealth in a fair way Collaboration with wider stakeholder

Source: own work

Stage 2: Analysis of Indonesian Land Policy

In the second stage, we analyzed Indonesia's national land policies with a focus on their impact on private-sector housing provision. We examined key legal instruments, including:

- National laws (Undang-Undang)
- Government regulations (Peraturan Pemerintah)
- Presidential decrees and ministerial regulations (Keputusan Presiden/Keputusan Menteri)

These policies were assessed using the content analysis method, applying the evaluation criteria developed in Stage 1. The analysis aimed to understand how national policies shape land availability and influence private-sector participation in housing development.

Stage 3: Case Study of Surabaya Municipality

The third stage involved a case study to gain detailed insights into the local implementation of land policy. Surabaya was selected as a single-case study due to its

strategic role in Indonesia's urban development and its municipal efforts to regulate land availability for housing. Our approach combined policy document analysis with semi-structured interviews conducted with representatives from different stakeholders. These interviews provided insights into the challenges and strategies in providing land for housing provision, and the interactions between local authorities and private actors. By integrating regulatory analysis with stakeholder perspectives, this case study assessed both policy frameworks and their practical implications for formal housing provision.

Data Sources and Collection

Data were collected from three primary sources to ensure a comprehensive and triangulated analysis:

1. **Official Documents:**
National, provincial (East Java), and municipal (Surabaya City) laws and regulations, as along with corresponding government reports and policy documents related to land banking and housing development.
2. **Semi-Structured Interviews:**
Interviews were conducted with key stakeholders, including land agency officials, municipal planning and housing authorities, real estate associations, and housing developers. The participants were identified through purposive sampling to ensure a diversity of institutional and market perspectives. These interviews provided qualitative insights into land policy implementation, challenges, and interactions between public and private actors for housing provision, particularly at the municipal level. To ensure ethical research practices, all participants were in-formed about the study's purpose, and their participation was entirely voluntary. Confidentiality was maintained by anonymizing responses and ensuring that no personally identifiable information was disclosed. Ethical approval was obtained in accordance with institutional guidelines, and informed consent was secured from all interviewees before data collection.
3. **Field Observations:**
Direct observations were conducted at municipal offices and development sites to assess how land policies are implemented in practice. These observations provided first-hand insights into bureaucratic processes, land allocation mechanisms, and challenges in policy enforcement. Observations were used to cross-validate interview responses, identify discrepancies between policy intent and execution, and document any delays or inefficiencies in land banking strategies. This method also helped in assessing how municipal authorities

interact with private developers in land acquisition and housing provision, allowing a deeper understanding of regulatory constraints and governance issues affecting land availability.

Data Analysis

Data Analysis

The primary research method employed was content analysis, following Krippendorff (2022). The process involved data preparation, unitizing, coding, sensitizing, analysis and inference, sampling and reduction, and narrative analysis. To assess policy effectiveness, we developed criteria (see Table 4.2), based on Hartman & Spits (2015) analytical framework, focusing on:

- Legitimacy: The legal and institutional basis of land policies
- Effectiveness: The extent to which policies achieve intended housing outcomes
- Efficiency: The administrative and financial feasibility of land policies
- Fairness: The equitable distribution of land resources among stakeholders

Additionally, we identified and contextualized terminologies and instruments related to land banking and private-sector engagement. Through this systematic approach, our study aims to provide a nuanced understanding of how land policies shape private housing development in Indonesia.

Results and Discussions

Land policy in Indonesia for land banking strategy and housing development

As mentioned earlier, Indonesian land policy did not formally define land banking until the enactment of Law No. 11/2020 on Job Creation, followed by the establishment of the Land Bank Agency (Badan Bank Tanah) in 2021. Despite the absence of an explicit legal framework prior to this, various, similar practices of land banking such as land acquisition and land consolidation, have been addressed in various regulations over time. These policies were often implemented through sectoral laws and government decrees, aimed at facilitating infrastructure projects, urban expansion, and housing development. The gradual institutionalization of land banking reflects a shift in Indonesia's land governance, aligning more closely with stateled management practices observed in other countries. However, the extent to which these regulatory changes effectively address land supply constraints and promote private-sector engagement in formal housing development remains a key area for further examination.

The 1960 Basic Agrarian Law, Indonesia's fundamental legislation governing land issues, declares that the state, based on its right to control land, can determine various land rights to people, individually or collectively, or legal entities. Article 18 of that law declares that the state can also revoke those land rights, with proper compensation, for public purposes, which form the general legal basis for the public authority to acquire land. However, this law does not clearly mention that housing provision is part of public purposes. Only in 2005, through Presidential Decree (Keputusan Presiden) No. 36/2005, was housing development, especially for lower-income people, explicitly mentioned as part of public purposes.

The earliest regulation on housing provision in Indonesia was Law No. 1/1964, which was later replaced by Law No. 4/1992, and subsequently updated with Law No. 1/2011. These legal frameworks establish that the responsibility for housing provision is shared between the government, at both central and local levels, and the private sector. However, the law clearly defines the government's role as primarily focused on formulating housing policies and strategies, including setting standards, guidelines, and regulations to ensure the availability of affordable housing. This legal structure suggests that, rather than directly intervening in land acquisition and development, Indonesian public authorities predominantly adopt a passive land policy approach, where the private sector plays a central role in housing provision. This aligns with the facilitative rather than interventionist nature of land policy, as discussed by Hartman & Spits (2015) and Van der Krabben et al. (2013).

Land provision for housing development has been recognized in Indonesian housing law through land consolidation, a mechanism aimed at reorganizing land ownership to improve land use efficiency and housing availability. The law assigns local governments the responsibility of determining locations for land consolidation, which must be conducted through an agreement between landowners or, in cases where the land is state-owned, between the land users and the government. Although land consolidation was formally introduced in 1991 with the Regulation of the Head of the National Land Agency (Peraturan Kepala Badan Pertanahan Nasional) No. 4/1991, its primary objective was to enhance land use efficiency rather than facilitating housing development.

Over time, land provision mechanisms in Indonesia evolved to include land acquisition and land development, which were formally recognized in Government Regulation (Peraturan Pemerintah) No. 16/2004 and further detailed in Regulation of the Minister of Agrarian Affairs and Spatial Planning/Head of the National Land Agency No. 12/2019. Despite the establishment of a legal framework to facilitate

land availability, the implementation of land consolidation programs in Indonesia has largely been unsuccessful. Key challenges include unclear land rights, limited community participation, and weak regulations governing the technical aspects of the program (Indrawan & Utami, 2022). These issues have hindered the effectiveness of land consolidation as a tool for ensuring land supply for housing, raising concerns about the practicality of government-led land policy instruments in addressing housing needs.

At the local level, regional and municipal governments also play a role in establishing regulations to make land available for housing. For instance, in East Java province, the governor issued a regulation on Guidelines for Preparation of Land Acquisition for Development in the Public Interest, which includes housing provision as a key component. In Surabaya, as the provincial capital, this regulation is further specified through mayoral regulations to ensure that land acquisition and development processes align with municipal planning objectives.

Table 4.3 presents an overview of key policy terminologies in Indonesia, including land use management, land consolidation, land acquisition, land development, land provision, and land banking. These terms illustrate the introduction and gradual evolution of land banking in Indonesia's housing policy over the past six decades. The integration of these mechanisms reflects an ongoing shift in Indonesia's land governance approach.

Table 4.3 Key policy instruments in Indonesia's land regulations (national level)

Land Policy		Findings on the terminology used (Indonesian & English)		Rationale
Year	Level	Regulation		
1960	National	Law No. 5/1960 on Basic Agrarian Law	<i>Penguasaan dan pemanfaatan tanah</i> (land acquisition and land development)	To grant or revoke land rights to people or legal entities as a general legal basis for the public authority to acquire land
1964	National	Law No. 1/1964 on Housing	<i>Pemanfaatan lahan untuk perumahan</i> (Land development for housing)	To facilitate land acquisition for housing development
1991	National	Regulation of Head of the National Land Agency No 4/1991 on Land Consolidation	Konsolidasi Tanah	To improve land utilization and land use efficiency
1992	National	Law No. 4/1992 on Housing and Public Settlements	<i>Pemanfaatan dan Konsolidasi Tanah untuk permukiman</i> (Land Development and Land consolidation for housing)	To restructure the control, ownership, use, and utilization of land following spatial plan; To provide land for housing and settlement purposes
2004	National	Government Regulation No. 16/2004 on Land Use Management	Penatagunaan Tanah, Penguasaan tanah (Land Development & Consolidation)	To control, use, and utilize the land in the form of land consolidation through institutional arrangements
2005	National	Presidential Decree No. 36/2005 on Land Acquisition for Development Implementation for the Public Interest	<i>Pengadaan Tanah untuk kepentingan umum termasuk perumahan</i> (Land Acquisition for development in the public interest including housing)	To provide public infrastructure, facilities, and services including housing for low-income people.
2007	National	Law No. 26/2007 on Spatial Planning	<i>Pemanfaatan Ruang atas tanah</i> (Land Development)	To achieve spatial planning goals

Table 4.3 Continued

Land Policy			Findings on the terminology used (Indonesian & English)	Rationale
Year	Level	Regulation		
2011	National	Law No. 1/2011 on Housing and Public Settlements	<i>Pemanfaatan dan Konsolidasi Tanah untuk permukiman</i> (Land Development and Consolidation for Housing)	To restructure the control, ownership, use, and utilization of land following spatial plan; To provide land for housing and settlement, especially for low-income people (affordable housing)
2012	National	Law No. 2/2012 on Land Acquisition	<i>Pengadaan Tanah</i> (Land Acquisition)	To provide land by giving fair compensation for the development
2016	Regional	East Java Governor's Regulation No. 6 of 2016 on Guidelines for land Acquisition Preparation for Development in Public Interest	<i>Pengadaan Tanah</i> (Land Acquisition)	As the guideline for preparing land acquisition in the regions. To improve the administration of land acquisition in the regions.
2019	National	Regulation of the Minister of Agrarian Affairs and Spatial Planning/Head of the National Land Agency No. 12/2019 on Land Consolidation	<i>Konsolidasi Tanah</i> (Land Consolidation)	To synergize land acquisition in the regions. To restructure the control, ownership, use, and utilization of land following spatial plan. To provide land for the public purpose.
2020	National	Law No. 11/2020 on Job Creation	<i>Pengadaan Tanah untuk lokasi investasi ekonomi</i> (Land Acquisition for economic investment location) <i>Mandat pembentukan bank tanah</i> (Mandate to establish Land Bank)	To provide land for infrastructure development and to acquire land to support economic investment and growth.

Table 4.3 Continued

Land Policy		Findings on the terminology used (Indonesian & English)	
Year	Level	Regulation	Rationale
2021	National	Government Regulation No. 19/2021 on Implementation of Land Acquisition for Development in the Public Interest	To explain the implementation of land acquisition by land bank.
2021	National	Government Regulation No. 64/2021 on Land Bank Agency	To establish Land Bank Agency.
		<i>Badan Bank Tanah</i> (Land Bank Agency)	
		<i>Pengembangan Tanah</i> (Land Development)	To prepare land for infrastructure development in accordance with the spatial plan.
		<i>Penyediaan Tanah</i> (Land Provision)	To provide land for public, social, economic equality, development, and land consolidation needs.
2022	Local	Surabaya City Mayoral Regulation No. 89/2022	As the guideline to prepare small-scale land (max. 5 Ha) acquisition in the city area. To improve the administration of land acquisition in the city area. To synergize land acquisition in the city area.
		<i>Pengadaan Tanah</i> (Land Acquisition)	

Source: own work

The evolution of land provision regulations in Indonesia has primarily aimed to enhance community participation in supporting public-purpose development, including affordable housing initiatives. Recognizing the need for a more inclusive and transparent approach to land management, policymakers have introduced legal frameworks that encourage collaboration between landowners, local governments, and private developers. These regulations seek to streamline land acquisition processes, ensuring that land provision aligns with broader spatial planning objectives while addressing the growing demand for affordable housing.

At the regional and municipal levels, governments have developed detailed regulatory frameworks to complement national policies, providing localized guidelines for land acquisition and administration. These regulations aim to improve land governance, facilitate efficient land transactions, and integrate land banking mechanisms into urban development strategies. By embedding land provision within a structured spatial planning framework, these policies seek to balance public and private interests, promote land use efficiency, and support sustainable urban growth. However, the effectiveness of these regulations depends on their implementation, the capacity of local governments, and the willingness of landowners and developers to engage in the process. Thus, while regulatory advancements provide a formalized structure for land provision, challenges remain in ensuring equitable access to land, fostering effective public-private partnerships, and maintaining long-term affordability in housing markets.

In 2020, Indonesia experienced a significant political transformation that reshaped spatial planning and public land policy. The enactment of Law No. 11/ 2020 on Job Creation, known as the Omnibus Law, marked a critical juncture. This law aimed to attract investment across various sectors and led to a more centralized governance structure. Three fundamental changes illustrate this shift: First, the terminology in the Spatial Planning Act of 2007 was updated, with “government”, which may refer to local government, being replaced by “central government”, underscoring the full authority of the central government’s legitimacy over spatial planning at local levels. Second, the functions of National, Regional, Provincial, and Municipal Spatial Planning Regulations, as defined in the Spatial Planning Act, were further updated to ease investment location decisions. Third, additional procedures for public land availability was introduced, emphasizing the necessity of public consultation and the involvement of the State or Regional Asset Management Agency. Recent study regarding land acquisition in Indonesia from political economy perspective argued that public interest has been redefined to provide legitimacy for the national government’s actions to acquire land, and instead of benefiting all societal segments, the notion of development projects are more likely to serve the interests of politico-business elites (Meckelburg & Wardana, 2024).

Furthermore, the establishment of the national-level Land Bank Agency (Badan Bank Tanah) under the new law, also represents a significant development. It is considered important to accommodate the needs of lands in urban areas for a wide array of purposes, including affordable housing for lower income people (Roestamy et al., 2022). Bank Tanah's primary objective is to manage state-owned land assets through land tenure rights, known as Hak Penguasaan Lahan (HPL). The agency also plays a critical role in ensuring land availability for public purposes and advancing agrarian reform. Concurrently, municipalities have responded to the Job Creation Law's provisions by enacting local regulations that guide land procurement and acquisition by the private sector for public-purpose projects.

The legitimacy, effectiveness, efficiency and fairness of Indonesian public land policy in dealing with private-sector housing development

At this stage, we evaluated Indonesian land policies using four key principles: legitimacy, effectiveness, efficiency, and fairness. This assessment aimed to determine how well these policies facilitate private-sector engagement in housing development and whether they align with broader land governance objectives. Through content analysis, we examined the regulatory framework to identify patterns and trends that reflect the overall performance of land policies, particularly in their interactions with private housing developers.

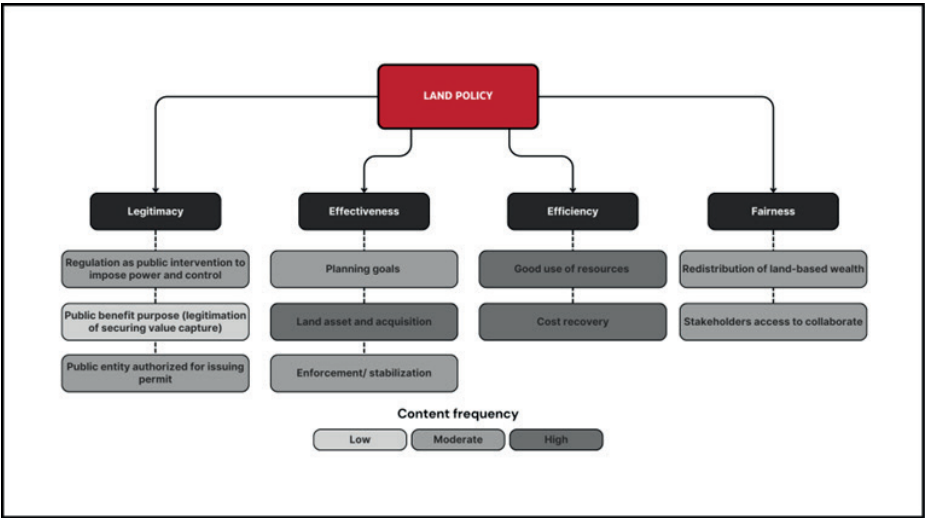


Figure 4.1 Visualized pattern recognition findings of Indonesian land policy

Source: own work

Our analysis focused on how regulations are structured, the extent of government intervention, and the level of regulatory clarity provided for private-sector participation. By recognizing recurring themes in policy implementation, administrative procedures, and enforcement mechanisms, we were able to assess whether these policies create an enabling environment for housing development or impose barriers that hinder private sector involvement. The results of this pattern recognition analysis are visualized in Figure 4.1, while a more detailed content analysis is presented in Appendix 1. These findings offer insights into the strengths and limitations of Indonesia's land policy framework, contributing to discussions on policy reform and institutional capacity for effective land governance.

The analysis reveals that legitimacy, effectiveness and efficiency principles are the most prevalent in Indonesian land policy, while fairness is relatively moderate. Legitimacy is emphasized in the political transformation of 2020, which leads to policy that gives the national government more power and control and gives the municipality authority to issue building permits. Effectiveness is frequently highlighted through policies that prioritize land provision for public development, including projects involving private sector investors and developers. Efficiency is similarly emphasized, particularly in the context of resource utilization and the promotion of public land ownership. These findings indicate that Indonesian land policies are primarily driven by effective land use and resource management goals.

However, the analysis also uncovers a notable gap in legitimacy, particularly concerning housing provision. Despite the mention of housing provision in Law No. 1/2011 and Government Regulation No. 64/2021, supporting regulations at the municipal level still need to be created to facilitate land banking or housing supply. This deficiency contrasts with the effectiveness principle, as municipal land ownership is crucial for ensuring the success of land policies—a practice well-established in other countries.

Prior studies on land policy have underscored the importance of institutional frameworks and the practice of land banking, which is recognized as an active governance tool for land development, influenced by institutional, financial, and environmental factors (Muñoz-Gielen et al., 2017; Van der Krabben & Jacobs, 2013). Additionally, research highlights the expanding role of the private sector due to new economic and housing policies. This sector includes private developers holding land banks; and independent private entities, including those in the informal housing sector. The evolving housing policies have encouraged the private sector to take on more prominent roles and responsibilities in housing development. These entities

have transitioned from traditional roles in construction to becoming key promoters of housing projects, including those targeting lower- and middle-income groups (Rahmawati & Rukmana, 2022).

Indonesian Public Land Policy in Practice: The case of Surabaya municipality

Municipal institutional capacity plays a critical role in the implementation of public policies, particularly in the housing sector, where it influences the provision of services and actions. Previous studies have established a correlation between a municipality's administrative and organizational efficiency and the reduction of housing deficits, highlighting that municipalities with stronger institutional frameworks are better positioned to enhance public service delivery in housing (Abulatif & Oliveira, 2024). This section analyzes land policies at the municipal level, focusing on how local governance facilitates private sector participation in housing development. The case of Surabaya, Indonesia's second-largest city with a population of 3.5 million, serves as a focal point. Surabaya is a prime location for private property developers, ranking alongside Jakarta as a top-tier area for the real estate business in Indonesia (Pamungkas et al., 2019).

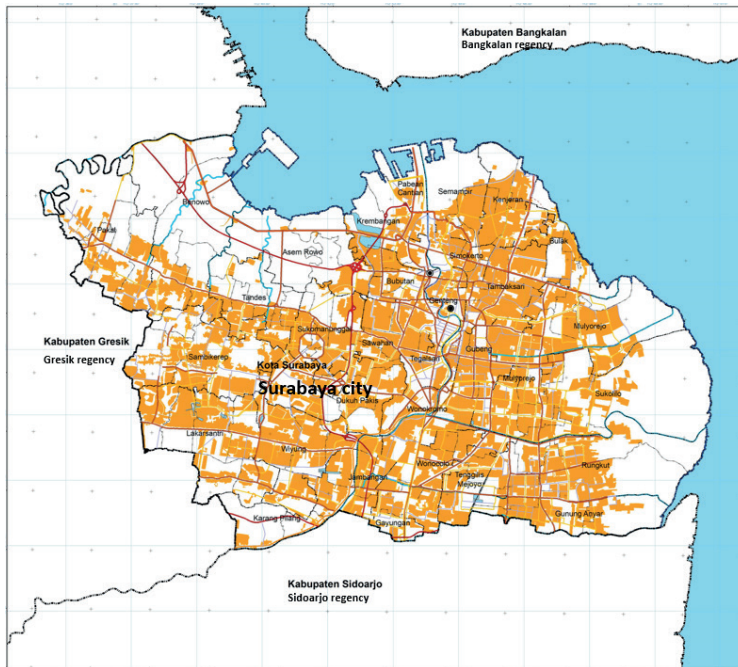


Figure 4.2 Map of Surabaya city highlighting the predominant housing area (in orange)

Source: Surabaya City Spatial and Regional Plan, 2022

An illustrative example of municipal facilitation of private-sector housing development can be seen in Surabaya's housing program initiated in 2016. This program, involved collaboration with private developers, aimed at addressing the city's housing needs. The municipality streamlined the permit issuance process for housing projects, enabling developers to acquire land, design masterplans, and carry out construction. Despite these efforts, the targeted number of housing units has yet to be achieved. Additionally, several completed housing projects have failed to comply with municipal regulations requiring developers to transfer land designated for public infrastructure and facilities (e.g., streets, parks, and sports facilities) to the municipality as public assets. This non-compliance has resulted in new residential areas lacking essential amenities.

At the municipal level, land policies are governed by Mayoral Regulations (Peraturan Walikota) and Municipal Regulations (Peraturan Daerah), which operationalize national and regional policies. These regulations primarily focus on procedures and guidelines for land provision, acquisition, and the issuance of development permits for housing and other public infrastructure. Table 4.4 provides the findings of selected municipal regulations pertinent to private sector facilitation in land and housing development.

Table 4.4 Overview on municipal regulations pertinent to private sector facilitation

Municipality level policies & regulations	Title	Content
Mayoral Regulation No. 89/2022	Small-scale Land Acquisition for Development of Public Interest	It elaborates the guideline of small-scale land acquisition in Surabaya for development. Small scale defines as the land is not more than five hectares. The land acquisition is carried out directly by the institution in need of the land in collaboration with eligible parties. They could be individuals, legal entities, social organizations, religious bodies, state-owned or regional-owned enterprises, land banks, or government agencies. They must abide by the spatial planning document, therefore checking whether their development plan is suitable is important.
Municipal Regulation No. 12/2014	Spatial Plan of Surabaya City 2014 – 2034	It elaborates the strategy and development of spatial planning in Surabaya for 20 years, including housing and settlements. The housing strategy consists of managing housing density, improving the quality of housing and its environments, developing vertical housing for social housing, developing new housing areas that are more integrated with the city infrastructure, and achieving balanced/ proportional ratio in providing housing between simple, medium, and luxury housing.
Municipal Regulation No. 8/2018	Detail Spatial Plan and Zoning Regulation of Surabaya City 2018 - 2038	It elaborates the spatial planning in Surabaya for 20 years in a more detail format (scale 1 : 5,000). It divides the city into 12 development units including land use plan, zoning regulations, and the activities allowed in each zone. This regulation has become the primary reference of decision-making for every development permit to be/ not to be issued by the municipality. This document also refers to location permits and building permits for housing provisions by private developers.
RP3KP 2016	Surabaya City Housing Provision Plan 2016 - 2036	It elaborates on the problems, strategic concept, and development plan of housing provision in Surabaya for 20 years. The Surabaya's development plan is divided into short-term, medium-term, and long-term periods. It includes the registered private developers and their housing units planned to be built as part of Surabaya City's housing provision.
Municipal Regulation No. 7/2010	Delivery of Infrastructure, Facilities, and Utilities in Industrial, Commercial, and Housing Areas	It elaborates on the obligation to hand over the infrastructure, facilities, and utilities built by private developers in industrial, commercial, and housing areas to the municipality. This regulation guides private developers in determining the land size to be developed to provide infrastructure, facilities, and utilities, which are then given to the municipality as part of public assets and management.

Municipality level policies & regulations	Title	Content
Mayoral Regulation No. 14/2016	Procedure for Delivering the Infrastructure, Facilities, and Utilities in Industrial, Commercial, and Housing Areas	It elaborates on the operational procedure of the handover obligation stipulated in Municipality Regulation No. 7 of 2010. Private sectors or housing developers will receive sanctions if they do not abide by the regulation. The sanctions are given in stages: warning, delay in the approval of development/building permits, penalty, being published in the mass media, and blacklisted.
Municipal Regulation No. 7/2009	Buildings	It elaborates on building requirements for the developers according to the municipality system, such as management, utilization, preservation, demolition, inventory and registration, numbering, community involvement, supervision, and control.
Mayoral Regulation No. 34/2023	Procedures of sanctions for violations of Municipal Regulation No. 7/2009	It elaborates on sanctions given to developers that do not comply with Municipality Regulation No. 7 of 2009. This regulation manages the private developers from activities that do not comply with the established regulation, such as building housing without a building permit on owned land and/or municipality land, building housing that is not suitable with the building requirement, and uncertified technically through Sertifikat Laik Fungsi (SLF) – Fit of Use.
Municipal Regulation No. 54/2022	Surabaya Development Plan 2023	It elaborates city development objectives into performance indicators, followed by quarterly realization. This document also presents the achievements of Surabaya municipality-certified assets, resolved land cases, issued building permits, buildings subject to sanctions, and housing, including apartment use in the previous years.
Mayoral Regulation No. 52/2017	Technical Guidance on Development Control	Private housing developers will receive sanctions by forbidding them to continue ongoing or future construction if they do not hand over the obligation (infrastructure, facility, and utility in the housing area) to the municipality.

Source: own work

To gain deeper insights into the implementation and impact of land policies, we conducted interviews with key stakeholders, including a representative from the National Land Agency, a municipal official from the land and housing department, and representatives from the private developers' association. These interviews provided valuable perspectives on the practical challenges faced by both public authorities and private-sector actors in navigating land regulations for housing development.

In addition to stakeholder interviews, we analyzed media articles to corroborate our findings and capture broader public discourse on land governance issues. This multi-source approach helped identify three critical phases where challenges emerge in municipal land regulations affecting private-sector housing development: pre-development, development, and post-development. Each phase presents distinct regulatory, administrative, and market-related obstacles that influence the efficiency of land acquisition, project implementation, and long-term sustainability of housing developments. These findings highlight key policy gaps and institutional constraints, providing a more comprehensive understanding of the barriers and opportunities within Indonesia's land governance framework.

Pre-development phase: private developers and their effort to consolidate land for housing

The rapid escalation in land prices within Surabaya is closely tied to spatial planning policies, particularly following the enactment of Municipal Regulation 8 of 2018, which outlined detailed spatial arrangements within the city. While this regulation could provide planning certainty, it may also inadvertently contribute to speculative landholding, as private developers may strategically acquire and consolidate land in areas projected for urban development. For instance, by designating specific areas for residential, commercial, and infrastructure development, the regulation signaled potential high-return investment zones, prompting private developers and land speculators to acquire land in anticipation of rising demand. The absence of price control mechanisms and the weak enforcement of development obligations further enabled speculative behavior, allowing investors to hold land indefinitely while waiting for higher profits. As a result, artificial scarcity was created in key development areas, significantly inflating land prices and making housing provision increasingly unaffordable.

Land prices in Surabaya are notably high and influenced by market dynamics with minimal regulatory intervention. The disparity between property values determined by municipal assessments and market prices is ranging from 300% to 700% with average deviation. This significant discrepancy underscores the influence of private developers in establishing market prices that substantially exceed municipal

standards. The regulatory focus primarily on determining the Tax Object Sales Value (NJOP), as outlined in Surabaya's Mayoral Regulation 1 of 2024, which is the basis for levying urban land and building taxes. This phenomenon aligns with findings from previous studies, which suggest that land acquisition and restructuring as part of territorial policies can exacerbate land price surges and contribute to worsening land inequality (Gemeda et al., 2024; Huang, 2015; White, 1986).

The absence of regulatory control over land prices has created significant opportunities for private developers, who actively engage in land acquisition and speculation, holding land for future development. This practice has contributed to land value appreciation, but it also raises concerns about housing affordability and equitable access to land. Without adequate policy intervention, speculative landholding can lead to land scarcity, inflate housing costs, and undermine efforts to provide affordable housing. In this regard, Mayoral Regulation No. 89/2022 provides a relevant planning instrument, particularly in guiding small-scale land acquisition and ensuring spatial compliance during the pre-development phase. This trend was further emphasized by one of the interviewees (confidential), who stated:

"Providing houses in cities in Indonesia, especially in Surabaya, is intensively carried out by private developers. They play the biggest role in providing housing in the formal sector with a mechanism entirely dependent on the market without government intervention. Private developers start independently from the land acquisition, planning, and construction phases. The role of government, especially in the municipality, is to provide permits and intervene in certain cases. Planning (housing targets) is pragmatically unconsidered (as a benchmark for the private sector in constructing houses) even though the government has the authority to provide houses. Housing should be a mandatory matter for the central government and municipalities, but municipalities tend to support the commercialization of housing"

Government Regulation No. 64/2021 has, in fact, assigned the responsibility of land development and residential area expansion to the Land Bank Agency. However, in practice, the Surabaya local government does not directly engage in land provision for housing projects, nor does it collaborate with the Land Bank Agency to facilitate such efforts. Some developers express concerns that government-managed land banking might conflict with the profit-driven nature of their activities given the government's role in land banking, as outlined in the regulation, that emphasizes transparency, accountability, and a nonprofit approach. However, in practice, as also shown by Meckelburg & Wardana (2024) in other cases, public authority in Surabaya

still facilitate the profit-driven private developers in housing provision which serve the interest of business actor instead of the public or local communities. Political considerations, including competing governmental priorities, landowner resistance, and private-sector lobbying, complicate the involvement of governmental bodies in land banking. Rather than being solely an issue of corruption, these governance dynamics shape how land regulations are enforced, often leading to delays and inefficiencies in executing place-based programs.

The phenomena mentioned above illustrate a misalignment between public land policy and private land banking practices, where the lack of direct municipal intervention in land provision has allowed speculative private-sector behavior to shape housing development. While national regulations, including the establishment of the Land Bank Agency, aim to ensure land availability for public purposes, Surabaya's local government does not actively engage in land acquisition for housing or collaborate with the agency to implement land banking strategies. This regulatory gap enables private developers to dominate land markets, acquiring and holding land primarily for financial gain rather than for meeting housing needs. Without effective municipal oversight, public land policy remains largely aspirational. Meanwhile, private land banking practices continue to influence land availability and housing prices in ways that challenge the realization of affordability and equity-oriented planning goals.

Development phase: private developers and their unwillingness to build affordable housing in urban areas

The private sector housing provision reliance on market mechanisms has led to a lack of regulatory controls over land and property prices, resulting in the misalignment between price and the purchasing power of most of Surabaya's residents. The significant housing backlog in the city evidences this mismatch between housing supply and demand. According to real estate associations and experts in Surabaya, most housing demand focuses on housing that remains below 1 billion rupiahs (approximately US\$63,000). In comparison, the minimum price for available housing supply is around 1.5 billion rupiahs (approximately US\$95,000), often for properties located on the urban fringe. In contrast, the average price for apartments in Surabaya is significantly lower, ranging between 500 to 600 million rupiah (approximately US\$38,000). These properties have yet to see high demand, as the Surabaya market clearly prefers landed residential properties (see Figure 4.3) over non-landed alternatives. This situation highlights the unequal housing provision within the urban areas of Surabaya, where private developers still need to adjust their offers to meet the needs and financial capabilities of all societal levels. The focus of the

housing market remains on upper-middle-class consumers, leaving low-income groups underserved. It is explained in the interview with one of the interviewees (confidential) as follows:

"Housing policies such as balanced housing (a proportion to build three affordable houses for every luxury house), subsidized housing, and FLPP (housing financial program), imposed on private developers to build affordable housing, are still challenging to implement in Greater Surabaya. Subsidized housing, for example, is difficult to implement because the rules set by the government do not match reality. For a housing unit of 60 square meters, the selling price is set at around 145 million rupiahs (approximately USD 10,000); we calculate that developers must find land for 200 thousand rupiahs (approximately USD 15) per square meter. How can we realize this? Surabaya's land market price is already 3 million rupiahs (approximately USD 200) per square meter, even in the suburbs. There is a gap of up to 15 times between the cost of land on the market and the rules set. Developers' motivation to build housing is to gain profit, so if the rules do not match our profit calculations, how can we build affordable housing? It's not even affordable for us to build."



Figure 4.3 Typical landed houses developed by private developers in Surabaya

Source: own work

From a public policy perspective, national instruments have been introduced to regulate the maximum selling price of subsidized housing. For instance, PUPR Ministerial Decree No. 689/KPTS/M/2023 sets the maximum price for subsidized houses in Java, including Surabaya, at IDR 166 million (approximately US\$10,500). However, implementing this policy at the municipal level presents significant challenges, as these regulated prices do not reflect the housing market in Surabaya.

Moreover, private developers, who dominate the housing market, perceive such regulations as financially unviable and lacking incentives, particularly in profit margins and streamlined permit processes. This conflict of values as an unfair outcome of policy implementation, as observed by Jonkman et al. (2022) in the case of land provision for housing in the Netherlands, has also rendered urban housing policies in Indonesia to address the need for affordable housing.

Post-development phase: Failure of private developers to abide by the policy of infrastructure handover to the municipality for public benefit

In housing development, private developers must establish Infrastructure, Facilities, and Utilities (PSU) for public benefit (see Figure 4.4), as mandated by Surabaya's Municipal Regulation No. 7/2010 and further detailed in Mayoral Regulation No. 14/2016. These regulations obligate developers to allocate 30% to 41%, depending on specific criteria, of the development land area for PSU. Despite these precise requirements, many developers fail to meet their obligations. To enforce compliance, the Surabaya City government imposes administrative sanctions as outlined in Mayoral Regulation No. 14/2016, including written warnings, permit suspensions, and fines.



Figure 4.4 Paved roads, parks, and sports facilities in private residential areas in Surabaya developed by private developers to be municipal assets

Source: own work

However, the effectiveness of these regulations appears to vary significantly based on the size of the developers involved. Interview findings with municipal officials and representatives from private developers' associations indicate that smaller and medium-sized developers generally comply with only the minimum regulatory requirements, often due to limited financial and legal resources to challenge or

negotiate policy constraints. In contrast, larger developers, with greater capital and legal expertise, are more likely to resist stricter regulatory measures or negotiate exemptions, leveraging their influence to navigate policy restrictions in ways that benefit their financial interests, as below:

“We had to blacklist 20 developers who failed to hand over their PSU obligations, despite multiple warnings, permit suspensions, and public notices. These firms continued to ignore the requirements set out in the regulations. We’ve taken every step but enforcement remains difficult, especially with larger developers”

This observation aligns with findings from a study by Zhang et al. (2024), which examined policy implementation by private developers in Singapore and found that smaller developers were more likely to comply with regulatory requirements, albeit minimally. This disparity highlights a regulatory gap where enforcement mechanisms struggle to ensure consistent compliance across different developer scales, ultimately affecting land availability and housing affordability.

This pattern of non-compliance is also reflected in broader studies on land policies. Bouwmeester et al. (2023) note that non-compliance can be the result of inconsistency between the intention of public authority to implement stricter rules and the financial and personnel resources available to enforce them. Koroso & Zevenbergen (2024) note that weak policy enforcement hinders effective urban land management and leads to inefficient land use. Limited human and technical capacity, combined with unrealistic spatial planning and land use regulations, undermines policy implementation. The study also highlights that without a strong commitment to enforcement, policies are rendered ineffective, even if they are well-designed. The gaps between policy formulation and implementation are significant in these failures. While regulations are in place, the lack of rigorous enforcement and the variability in developer compliance undermine the intended outcomes, resulting in missed opportunities to ensure that housing developments contribute to the broader public good.

In Indonesia, as shown earlier, the land policy framework does include regulatory mechanisms intended to guide private-sector behavior, such as mandatory land allocations for public use, affordable housing requirements, and infrastructure contributions from developers. However, these regulations often fail to deliver their intended outcomes due to weak municipal oversight, regulatory loopholes, and discretionary enforcement practices. In the case of Surabaya, private developers frequently delay compliance with land transfer obligations or negotiate exemptions, leading to uneven policy enforcement. Furthermore, local governments’ capacity

to monitor and enforce land policies varies across municipalities, contributing to fragmented policy outcomes and reinforcing speculative land banking practices.

Rather than an outright lack of policy tools, the key issue in Indonesia lies in governance challenges and enforcement inconsistencies, which allow private-sector interests to dominate land markets. Strengthening institutional capacity, increasing transparency in regulatory enforcement, and improving mechanisms to monitor developer compliance are crucial steps toward ensuring that land policies achieve their intended objectives in shaping more equitable and sustainable urban development.

Conclusions

This study examines how public land policies influence private-sector housing development, with particular attention to the role of land banking strategies in shaping access, availability, and affordability. Public land banking is intended to regulate supply and promote equity, whereas private land banking is driven by speculative motives, dominates housing markets, often restricting supply and increasing prices. These dynamics highlight the limitations of public land policy in contexts where enforcement capacity is weak, intergovernmental coordination is limited, and municipal authorities remain institutionally sidelined. The result is a policy environment in which affordability goals remain aspirational, while land remains controlled by profit-oriented actors.

To explore these dynamics, we developed an analytical framework based on the principles of legitimacy, efficiency, effectiveness, and fairness to evaluate Indonesia's evolving land policy system and the case of Surabaya. Findings reveal that, despite a progressively integrated land policy system, housing provision continues to be shaped more by speculative landholding and market-driven behavior than by coordinated planning. The limited enforcement of infrastructure handover obligations, price regulations, and affordable housing mandates illustrates how public policy objectives can be undermined by discretionary governance and uneven compliance.

The 2021 establishment of the Land Bank Agency is a significant policy step toward expanding land availability and regulating private-sector participation. However, its success depends on effective enforcement and stronger collaboration with local governments. Although instruments such as sanctions, development permits, and zoning controls are commonly known in theory and formally in place to manage land

hoarding, their implementation remains limited in practice. As a result, speculative behavior will continue to persist and undermine housing affordability goals.

This study has limitations inherent to single-case research, particularly in its generalizability beyond the Indonesian context. However, the issues explored—speculative landholding, institutional fragmentation, and weak regulatory enforcement—are increasingly common across cities in emerging economies. In many rapidly urbanizing regions, private land markets operate alongside under-resourced public institutions, leading to similar tensions between policy ambition and implementation. The analytical framework and findings presented here offer a lens through which to understand and compare governance gaps in land policy elsewhere.

Ultimately, this research contributes to the debates on land policy and housing markets by highlighting the critical interplay between public policy objectives and private-sector land acquisition practices, particularly through the lens of land banking. It emphasizes the need for stronger enforcement, transparent regulations, and inclusive governance to ensure that land policies effectively manage private-sector activities and improve housing affordability. Addressing these challenges will be crucial in bridging the gap between policy intent and housing outcomes, offering insights applicable to emerging economies and rapidly urbanizing



Chapter 5

Provision Structure on Housing

Development:

Private Speculation and Public Inefficiency on
Housing Delays

Abstract

Housing supply in urban areas is often delayed due to various factors, which leads to persistent backlogs. While theories on development delay, such as regulatory inefficiencies and speculative developer strategies, have been extensively examined in Global North contexts, their relevance in rapidly urbanising environments remains underexplored. This study investigates how project characteristics and market conditions influence development timelines. Drawing on a dataset of 214 housing projects in a major Indonesian city, we examine the influence of land area, number of built units, building size, housing location, house price, and land price increases on the time taken for permit issuance and project completion. Our findings indicate that project characteristics exert a stronger influence than market dynamics. The analysis also reveals a distinctive sequencing inversion in which construction frequently precedes permit issuance. This finding highlights how discretionary enforcement and informal practices reconfigure conventional models of development timing. Overall, the study contributes to a more situated understanding of housing supply processes, emphasising the need to adapt theoretical frameworks to emerging Southern contexts.

KEYWORDS: development time, housing supply, planning delay, speculative development, Indonesia

Introduction

Development delay is a critical issue in urban housing provision. It occurs due to various factors which resulting in the accumulation of housing backlog. Housing is often produced speculatively by the market and exchanged through market principles. Previous study in the rapidly urbanizing Global South countries, for example, showed that mechanisms for housing provision are often complex, and a high degree of social and individual engagement co-exists side by side with market-provided and state-provided forms or combinations of these (Jenkins et al., 2007). It has previously been observed that many countries have implemented public policies to intervene in the housing market. These instruments hold the potential to ensure the supply of suitable land for housing, thereby improving the effectiveness of housing provision itself (Caesar, 2016; Setiawan, 2021). However, it is important to acknowledge that failure may occur in the policy implementation, leading to delayed or unresponsive housing supply (Ball, 2011; Bramley, 1998). Therefore, contextual understanding of the complexity of housing systems that operate in particular country and urban area should be recognized better in its public policy.

The literature on housing development delays highlights contrasting perspectives from the public and private sectors. There is a growing body of literature on the public sector perspective where delays in housing development are often attributed to legal and planning processes. Ball (2011) found that project characteristics influence permit issuance delays in the municipalities, which in turn significantly impact housing supply in the UK, while Bramley (1998, 2013) emphasized that political factors in planning process can hinder new developments. Additionally, Turner (1972) argued that the evolving nature of housing regulations necessitates constant adjustments, adding complexity to the development process. Caesar (2016) discusses how deviations in land allocation policies to private developers contribute to delays, while Dang et al. (2014) note that municipalities may hesitate to allocate land for affordable housing due to lower financial returns, reflecting a tension between private profit motives and public social objectives. In the other side, private sector perspective highlights the speculative housebuilding which significantly influence the pace of development, with market circumstances like market capacity, land availability, and land price playing a larger role than construction speed or planning regulations (Adams et al., 2009).

As one of the global south countries, Indonesia struggles with a housing crisis characterized by a significant and growing shortage of affordable housing (Agus & Hermanto, 2013; Rukmana, 2018). Spatial planning and land development in Indonesia face numerous issues, particularly related to the inflexible land regulatory

framework, lack of secure land tenure and land provision, including for housing development (Firman, 2004; Sadyohutomo, 2016). The country's housing demand is estimated at 820,000 to 920,000 units per year, with informal self-built housing as the dominant form of housing production in the country, accounting for over 70% of houses built in 2013 (Rukmana, 2018). Despite various government programs and incentives, the development of new housing units has met only 20% of the annual demand, leading to a persistent housing shortage, and reaching 13,6 million housing backlog (Agus & Hermanto, 2013; Langit et al., 2022).

Given the different landscapes of public planning processes private development in a rapidly growing country like Indonesia, we believe that the combination of delay factors noted in global literature may contribute to the backlog in different ways. Development time is used as an indicator of delay occurrence and help us explore how public planning and private construction processes interact to shape overall delivery timelines. Therefore, this study aims to identify insights into the causes of housing development delays in by analysing two different timeframes: the time required for public planning processes, and the time taken for private housing development completion. We examine the influence of project characteristics and market conditions on both phases with the following question: "To what extent do project characteristics and market conditions explain delays in housing development in Indonesia?"

Theoretical Framework

Public planning perspective on housing delay

Ball (2011) identified planning delays as a major constraint on the responsiveness of UK housing supply, showing that development control processes significantly affect timelines. Based on empirical research in southern England, the study found that delays in obtaining planning permission were influenced by project characteristics such as developer type and development scale. Notably, housing associations experienced faster approvals than private developers, while small sites faced disproportionately longer delays. The research also revealed discrepancies between official timelines and actual approval durations, as well as considerable variation across local authorities. In a more recent study, Ball et al. (2024) demonstrate that fully relaxing the planning system could accelerate construction timelines by up to 24%, further underscoring the regulatory system's substantial influence on delivery speed.

Bramley (1998) argues that it is important to understand the impact of planning control because it has a potentially significant effect on the supply of land for

new housing development, and in turn, influences the performance of housing markets, particularly its supply elasticity. If supply is inelastic due to tight planning restrictions, it can lead to rapid price increases and exacerbate housing affordability issues. Therefore, Bramley concludes that to better understand the impact of planning controls on housing land supply and housing market, we need interpretable measures of planning policy restraints such as the amount of land granted for planning permission for housing, new housebuilding, and house prices. Bramley also finds that planning does not just affect the quantity of housing supplied; it also positively affects the quality of the environment and the efficiency of the urban infrastructure and services (Bramley, 2013). However, he highlights the challenges due to the politicized nature of the local planning process, sometimes delaying new housing developments if the plan is unpopular for local residents (Bramley, 2013). While not explicitly addressing "delayed housing supply" as a singular phenomenon, (Jenkins et al., 2007), highlight contributing factors within rapidly urbanizing contexts. Bureaucratic processes, especially in rapidly changing urban environments, can often lead to delays in planning approvals, land allocation, and ultimately, housing construction. This is compounded by potential resource constraints and capacity limitations faced by authorities in rapidly changing urban environments. Therefore, the good practice of governance in public institutions is crucial on providing housing through access to land, financing, and technical assistance. These provisions help people, both groups and individuals, to be empowered to build, manage, and own houses (Turner, 1972).

Private sector perspective on housing delay

Private developers play a crucial role in shaping the pace of housing delivery. In market-driven systems, construction timelines are often guided less by regulatory restrictions than by strategic business decisions. Adams et al. (2009), examining British housebuilders, argue that developers prioritize profitability over rapid build-out, releasing homes gradually to match demand and protect land acquisition costs. Land scarcity and intense bidding competition further reinforce this cautious approach, particularly among speculative builders who purchase land before securing buyers.

Caesar (2016) examines Sweden's public land allocation system, notes that non-transparent selection processes and subjective criteria in municipal land distribution can delay housing delivery, especially when developers face uncertainty about project approvals. Dang et al. (2014) highlight that municipalities may resist allocating land for affordable housing due to lower expected returns, creating tension between public objectives and private-sector profit motives. These mismatches can distort development incentives and indirectly delay delivery.

More recent literature builds on this by conceptualizing housing development as a staged and strategic process. Somerville (2001) frames the development timelines as a real options decision: developers adjust the pace of building in response to evolving market signals, financial constraints, and regulatory costs. Permit fees, holding risks, and cash flow pressures may encourage delay, especially under high uncertainty. This framing is particularly relevant in contexts marked by regulatory ambiguity and uncertain demand, where developers may intentionally defer or advance projects to manage risk and optimize returns.

Ball et al. (2024) reinforce this view, showing that developers may deliberately control build-out rates to optimize sales absorption and maintain price stability. Their findings suggest that construction delays stem not only from regulatory constraints but also from market dynamics and developer market power, reducing each by one standard deviation could shorten build-out duration by 18%. Murray (2020) further demonstrates that landbanking is not a byproduct of planning delay but a strategic behavior: many approved subdivisions remain undeveloped as developers wait to maximize capital returns. In his analysis of Australian housing markets, Murray finds that developer hold planning approvals for up to 13 years of supply, not due to regulatory barriers but to manage risk, time asset realization, and sustain profit margins.

While these studies emerge from the Global North, their insights are increasingly relevant to rapidly urbanizing and emerging economy countries. Gandhi et al. (2021) highlights how litigation can significantly extend real estate project timelines in Mumbai, India. Litigated projects in Mumbai take approximately 20% longer to complete compared to non-litigated ones. This is particularly relevant considering the stringent urban land regulations and high financing costs faced by developers in India. In Indonesia, developers may initiate early phases without waiting for permit approval in anticipation of future price gains (Jakarta Property Institute, 2024). These practices operate in a more fragmented regulatory environment, where limited enforcement, institutional bias, and informal practices also shape outcomes (Nurhayati & Haryati, 2013; Panggoa, 2012).

Building on these theoretical insights, our study investigates regarding the patterns of development delay in a Global South context. While most of the literature on housing development delays has focused on markets in the Global North, particularly the UK, this study aims to test whether the explanatory frameworks proposed by Adams et al. (2009) and Ball (2011, 2024) are also empirically observable in a Global South context with different institutional setting and market conditions.

Indonesia: Planning context and housing market characteristic

This section provides institutional and market context necessary to interpret the empirical findings through the lens of development delay theories, particularly those proposed by Adams et al. (2009) and Ball (2011, 2024). Rather than descriptive background, this context functions to test whether the interaction of speculative developer behaviour and regulatory inefficiencies similarly shape delays in a Global South setting such as Indonesia.

Planning permission system: framework, process, and challenges

Legal and Regulatory Framework

Indonesia's land development permit system is designed to regulate urban growth, yet it often constrains efficient development due to ambiguous regulations and institutional fragmentation (Firman, 2004). Under National Law No. 28 of 2002, all construction activities require an Izin Mendirikan Bangunan (IMB) or Building Permit. This permit is issued by the mayor after all administrative and technical requirements are fulfilled, including proof of land ownership, tax clearance, architectural blueprints, and conformity with spatial plan and zoning regulations.

In Surabaya, as well as in other cities in Indonesia, the planning application process is guided by the Municipal Spatial Plan (Rencana Tata Ruang Wilayah or RTRW) and its derivative Detailed Spatial Plan and Zoning Regulations (Rencana Detail Tata Ruang dan Peraturan Zonasi or RDTR-PZ). These statutory plans serve as the reference point for assessing land use compatibility. Applications are evaluated based on criteria including zoning alignment, road access, infrastructure capacity, and technical building standards. This framework provides clear regulatory parameters, but its interpretation and implementation often vary in practice.

Different types of IMBs are issued depending on the nature of the construction. For example, a new house permit requires a preliminary house plan, land ownership documents, property tax clearance, and the applicant's identification. A renovation permit includes these, plus pre- and post- renovation blueprints. These requirements are essential not only for legal compliance but also for ensuring building safety, design feasibility, and urban integration (Rifda, 2024).

Procedural Workflow and Delay

The IMB approval process involves multiple stages managed by various administrative departments. As illustrated in Figure 5.1, the workflow includes initial submission, document verification, technical assessment, and final approval. These steps span front-office reception to back-office screening, publication units, technical licensing authorities, and sign-off by the head of the municipal licensing office. Rejections or revisions may be required at several points due to incomplete or non-compliant submissions, leading to repeated reviews and resubmissions.

Municipal Regulation No. 7 of 2010 sets a benchmark of 14-21 working days for permit processing. However, this benchmark is rarely met, particularly for medium- and large-scale developments. Field evidence and interviews with developers suggest actual processing times often stretch from several months to multiple years. These delays result from a combination of bureaucratic discretion in interpreting zoning compliance, limited institutional capacity, and fragmented inter-agency coordination. Based on these factors, this study interprets the time interval between project initiation (To) and permit issuance (T1) as a reasonable proxy for measuring planning delays.

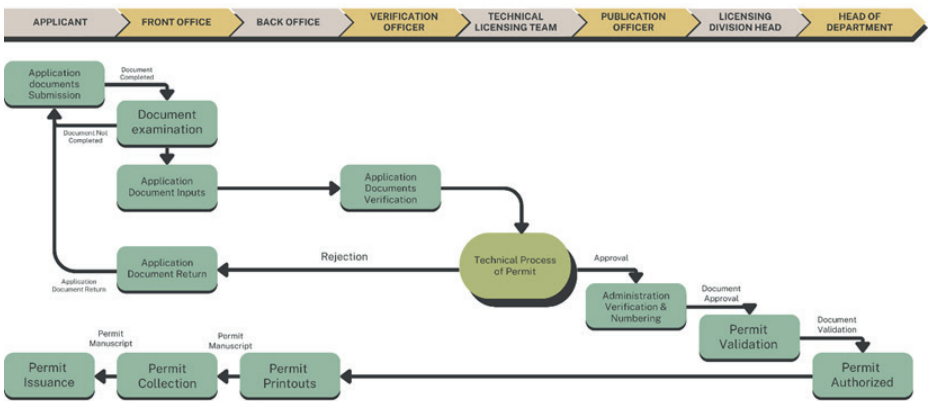


Figure 5.1 System, Mechanism, and Procedure of Building Permit in Indonesia

Source: own work

Implementation Gaps and Legal Ambiguity

Despite having a comprehensive legal structure, the implementation of planning regulation varies across municipalities. Local enforcement of national policies often suffers from inconsistency which leading to legal ambiguity and regulatory overlap (Widarti, 2019; Arieffiani, 2014). These problems are intensified by non-compliant construction practices (Anjani, 2022). It refers to developers or individual are

building without full permits or deviating from approved plans, which may trigger inspection, sanctions, or stop-work orders that delay projects.

Local governments are responsible for housing regulation and permit issuance, yet their authority is frequently undermined by limited coordination and conflicting interpretations of national policy. Developers often face unclear guidance on procedural requirements and misalignment between national policies and local planning decisions. This undermines the credibility of the IMB system as a regulatory tool and opens the door to informal construction practices and legal uncertainty which affecting both developers and homebuyers.

Market Consequences and Policy Implications

Slow and inconsistent permit processing has significant implications for the housing market. According to Muzakir & Hidayat (2022), these delays impair developers' ability to adjust prices, disrupt cash flows, and reduce buyer eligibility for subsidies. Consequently, developers may shift away from subsidized housing to non-subsidized segments or pass regulatory costs onto customers which contributing to affordability pressures. In many cases, permit delays also result in unlicensed construction, problematic land titles, and reduced access to mortgages or bank financing. This undermines confidence in formal housing delivery and complicates the implementation of national initiatives such as the One Million Houses Program (Grahadyarini, 2023).

However, the building permit remains essential for ensuring legal and physical compliance. It serves as a form of legal protection for both the state and building owners, ensuring compliance with construction and zoning regulations, as outlined in Ministerial Regulation No.05/PRT/M/2016 (Sari, 2018). Further, it also enables the conversion of Building Use Rights (HGB, a leasehold-type title) into Freehold Title (SHM). Costs and processing times vary based on property status. For example, obtaining an IMB for an older house is more expensive than for a renovation, with price differences ranging from 2 to 4 million IDR, depending on land value. The process ideally takes up to 30 days, though delays are frequently reported (Simbolon, 2019). Between 2009 and 2010, many post-sale housing issues involved missing permits or invalid certificates (Putri, 2011). Ultimately, slow and uncertain permit processes hinder the government's ability to meet its housing goals and discourage developer participation, especially in subsidized housing schemes (Muzakir & Hidayat, 2022).

Housing market characteristics of the case study (2015 to 2022)

The housing market in Indonesia has been shaped by a combination of economic growth, demographic trends, real estate investment, and regulatory factors (Igamo et al., 2023;

Njo et al., 2019; Nugroho et al., 2018, 2020). In recent years, it has experienced both challenges and growth opportunities driven by urbanization, population growth, and government policies aimed at encouraging home ownership, especially among the middle and lower-income segments. As the world's fourth most populous country, Indonesia has a large and rapidly growing urban population, leading to increased demand for housing, particularly in major cities like Jakarta, Surabaya, and Bandung. However, the Indonesian housing market is characterized by a significant supply-demand gap, especially in affordable housing. Estimates suggest that the housing backlog may have reached 13.6 million units (Agus & Hermanto, 2013; Langit et al., 2022). While demand in the affordable segment is high, there is also growth in the middle-class and luxury housing markets, driven by urbanization, rising incomes, and increased foreign investment (Nugroho et al., 2018, 2020). Major challenges in the Indonesian housing market include land acquisition issues, complex regulations, regional disparities and a lack of financing options for low-income groups (Firman, 2004; Rukmana, 2018).

The case of Surabaya, Indonesia's second-largest city with a population of 3.5 million, serves as a focal point. Surabaya is a prime location for private property developers, ranking alongside Jakarta as a top-tier area for the real estate sector in Indonesia (Pamungkas et al., 2019). Surabaya has stable economic growth and conducive security conditions. In addition, Surabaya was also selected as one of five cities in Asia including Colombo, Sri Lanka; Faisalabad, Pakistan; Irbid; Chittagong, Bangladesh as the most favoured for property development by international investors (Njo et al., 2019). Surabaya has the highest GDP where it can be an indicator for the prosperity of a region. As one of trade center, Surabaya not only serves as a trade center for East Java region, but also facilitates other area in Central Java, Borneo, and East Indonesia region. Surabaya and its surrounding area is the region with fastest economic development in East Java and one of the most advanced in Indonesia. Moreover, Surabaya also one of the most important city that support Indonesia's economy. Most of its citizens work in service, industrial, and trading sector.

The projected housing demand in Surabaya from 2020 to 2035 for large, medium, and small categories shows significant growth, from 101,824 units in 2020 to 165,065 units by 2035—an increase of over 60%. This rise highlights the urgency for efficient housing development strategies, as delays may worsen unmet demand, leading to higher prices, homelessness, or inadequate housing, particularly for small and medium units. Surabaya saw a 2.01% rise in house prices in early 2022 and is predicted to have the highest annual increase at 2.95% (Bank Indonesia, 2025). Nugroho et al. (2020) lists Surabaya among rapidly growing housing markets, though shrinking land may reduce future price growth.

Figure 5.4 illustrates the distribution of housing projects in Surabaya which are chosen as research units in this study, represented in red spots. The majority of these units are concentrated in the western (44%) and eastern (30%) regions of Surabaya, where significant greenfield areas are available, making them prime locations for development. In contrast, the central and southern parts of Surabaya are densely populated with colonial houses and informal settlements, making them less attractive to developers due to the challenges of building on brownfields. Additionally, 8% of the housing projects are located in the northern part of Surabaya, while 18% are situated in the southern region.

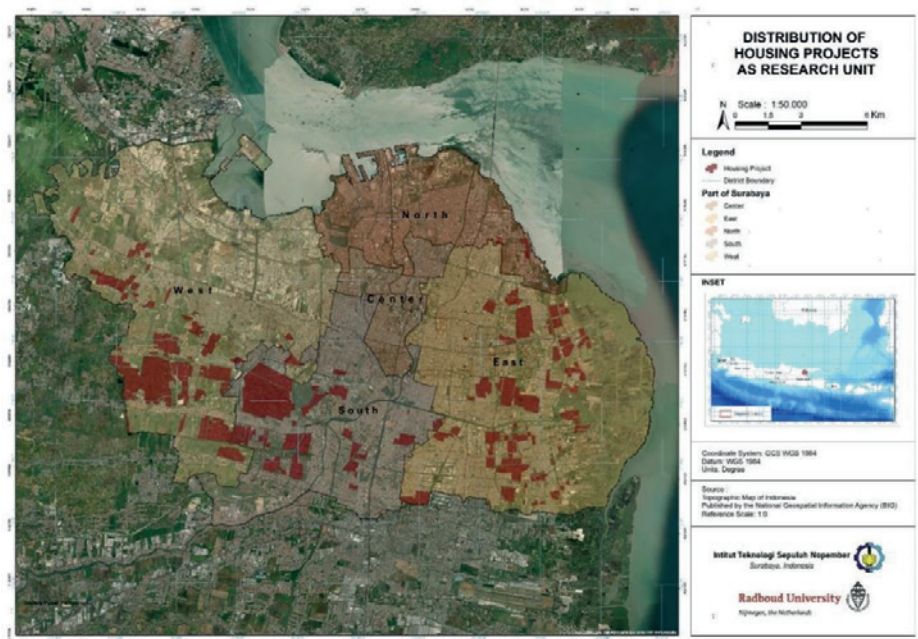


Figure 5.4 Housing projects distribution in Surabaya city as research units (in red spots)
Source: own work

Material and methods

In this article, we use a unique dataset consisting of different sources of data. Table 5.1 provides an overview of data collected for this research. The data were gathered between 2020 and 2022 throughout Surabaya city, both primary survey to more than 300 private housing developers and document survey in the municipality. Additional to building permit data (collected from the municipal public works and housing

department) and annual land price (collected from the municipal tax and revenue department); we collected data with regard to the time when a housing project's masterplan is launched and a project's construction completed, as well as project characteristics i.e. land area owned by the developers, built unit in a project and the building size units, and houses selling price from the private housing developers. Satellite imagery was used to inventory housing project's location and to complete the unavailable data of housing project completion. In total, our dataset consists of 214 housing projects with an anticipated total of 71.408 new houses to be developed.

Development time

This study aims to identify the causes of possible delays in housing development by examining two different timeframes: (1) the time required for the public planning process to decide on a housing project, and (2) the time needed for private developers to complete housing construction once a plan has been initiated. These two dimensions allow us to assess the relative time efficiency of regulatory versus development stages in housing delivery, rather than treating them as functionally comparable processes.

We define three temporal measures to operationalize development time. To refers to the year a housing project's masterplan was first introduced, through formal submission to the planning authority and public launch by the developers. This stage represents initiation of the formal development process. T1 marks the year the building permit was issued by the municipal authority, and T2 indicates the year the housing project was completed. These definitions are summarised in Table 1. We interpret the period between To and T1 as an indicative proxy for planning delay, reflecting the observable gap between project initiation and formal permit issuance. This approach is supported by qualitative insights from local planning documents and verified through triangulated fieldwork. Accordingly, we define three development timeframes for analysis:

- Development Time 1 (Y_1) = $T_1 - T_0$; time to obtain a building permit;
- Development Time 2 (Y_2) = $T_2 - T_0$; total time from initial planning to completion;
- Development Time 3 (Y_3) = $T_2 - T_1$; time from permit issuance to completion.

However, Development Time 3 was excluded from regression analysis due to statistical invalidity. A considerable number of projects had T2 earlier than T1, resulting in negative or inconsistent values for Y_3 . This irregularity provide useful descriptive insights into informal or speculative development practices that precede formal permit acquisition although problematic for modelling.

Table 5.1 Datasets for analysis

Variable	Variable name	Details	Format	Data Source
Housing Project	HOUSPRJ	Real estate clusters in Surabaya (permit issued in 2015-2020)	Research Unit	Primary survey & municipality
Starting Year (To)	STARTYR	The year of housing masterplan was launched by the developers	Year	Private developers
End Year (T1)	BLDPERMIT	The year municipality issued building permit	Year	Municipality
End Year (T2)	BLDCOMPL	The year of project completion according to developers	Year	Private developers
T1-To (Y1)	DEVTIME1	Time needed until permit issued	Year	Research analysis
T2-To (Y2)	DEVTIME2	Time needed until project is completed	Year	Private developers
Land area (X1)	LDAREA	Land area for housing projects owned by the developers	Number	Private developers
Built unit (X2)	BUNIT	The number of housing built on the land area owned by the developers	Number	Private developers
Building size (X3)	BSIZE	The size of houses built by the developers and categorized according to the standard of housing policy (m2)	Number	Private developers
Housing price (X4)	HOUSPRC	The selling price of houses offered from the developers (rupiah)	Number	Private developers
Land price increase (X5)	LDPRCIN	Percentage of land price increase in average between 2015-2020	Number	Municipality and research analysis
Project's Location (X6)	HOUSLOC	Housing cluster's location within Surabaya (North/South/East/West)	Dummy	Satellite Imagery

Source: own work

Project characteristics

Project characteristics include land area, built units, and building unit size. Market conditions include housing location, house price, and land price increase. Land area refers to the total area owned by the developers (measured in hectares) for which a building permit has been issued by the municipality. The size of the land may be correlated with the time required to complete the housing project, with larger areas typically needing longer development times. The term built units in this study refers to the total number of housing units constructed on the land owned by the private developers. Building unit size in this context refers to the size of houses constructed on the developers' land positions. With regard to housing location we distinguish

five main parts of the city. House price in this study refers to the selling price set by developers for the market (measured in rupiahs). Location and house price is a strong indicator of market conditions. Land price increase refers to the percentage rise in land prices in Surabaya, as another indicator for market conditions.

To examine the role of project scale in development time, we also disaggregated the housing project dataset into three categories based on the number of housing units constructed. While Indonesia's Regulation of the Minister of Public Works and Housing No. 7 of 2022 defines Large-Scale Housing (Perumahan Skala Besar) as developments with at least 3,000 units, our dataset contains only 1 project of that size. We therefore adopted a classification commonly used in urban development practice to better reflect the characteristics of the housing projects: small-scale (≤ 100 units), medium-scale (101-500 units), and large-scale (> 500 units). Based on this categorisation, the sample comprises 55 small, 117 medium, and 42 large projects.

We employed a multiple regression analysis to examine the relationship between development time and a number of variables: housing location, land area, built unit, building size, house price, and land price increase. The goal was to identify the extent to which these factors affect the variation in development time, thereby taking into account the dynamics involved in property development over time. The multiple regression model can be expressed as follows:

$$\text{Development Time} = \beta_0 + \beta_1 (\text{Land Area}) + \beta_2 (\text{Built Units}) + \beta_3 (\text{Building Unit Size}) + \beta_4 (\text{House Price}) + \beta_5 (\text{Land Price Increase}) + \beta_6 (\text{Housing Location}) + \epsilon$$

Where, Y_x or Development Time is the time taken, both in planning process (Y_1) and market circumstances (Y_2); β_0 is the intercept; $\beta_1, \beta_2, \dots, \beta_6$ are the coefficients for the respective independent variables; and ϵ is an error term.

Results

Project heterogeneity and its implications for development timelines

Understanding the characteristics of the projects included in the study is essential for interpreting the determinants of development delays. Given the diverse market conditions in case study area, housing projects vary widely in scale and financial attributes. Descriptive statistics help situate the analysis by showing how these differences manifest across the housing project as unit analysis and influence both permit issuance and project completion.

The summary statistics in Table 5.2 reveal substantial variation and pronounced skewness in several variables, particularly land area, number of units, and house price. For example, while the median land area is 9.9 hectares, the maximum exceeds 1,800 hectares, reflecting the inclusion of large-scale developments and strategic landholdings. Similarly, house prices range from modest-scale housing to high-end projects with units priced over 20 billion IDR. Rather than exclude these extreme observations, we retained them in the analysis because they represent empirically valid projects within the Surabaya market as the case study. This approach acknowledges the heterogeneous nature of housing development and preserves the integrity of the sample. To account for potential skewness effects, we report both mean and median values and include size-based disaggregation in subsequent analyses.

Table 5.2 Statistics summary of housing project characteristics

Variable	Mean	Median	Std. Dev.	Min	Max
Land Area (Ha)	45.63	9.92	146.61	0.2	1,800.58
Number of Units	333.68	199.0	442.31	4.0	4,000.0
Building Size per Unit (m ²)	182.01	140.0	157.49	36.0	1,075.0
House Price (in million IDR)	2,904	2,000	3,427	122	22,000
Land Price Increase (%)	38.07	34.57	36.49	3.0	295.91

Source: Authors

The descriptive statistics further illustrate the diverse scale and market dynamics that shape housing delivery in Surabaya. The coexistence of small projects alongside large developments underscores the relevance of examining how project characteristics interact with regulatory processes and market pressures. High variability in land price increases suggests that speculative incentives are present, aligning with findings from prior research on developer behaviour and real options strategies (Somerville, 2001; Murray, 2020). Moreover, the wide range in building size and price reinforces the argument that housing development is not uniform but segmented by developer capacity, target market, and land access.

Housing Projects Development Preceding Building Permits Issuance

The distribution of time (in years) required from initial plan launched by the developers to the building permits issuance for 214 housing projects in Surabaya ($T_0 - T_1$). It highlights the variation in the time taken for housing projects to receive building permits which might suggest inefficiencies or varying levels of bureaucratic hurdles in the permitting process. As shown in Figure 5.5, The majority of the housing projects received their building permits within a span of 0 to 20 years, with a significant

concentration between 1 to 10 years. The highest peak is observed at 17 years, where 23 housing projects were issued permits, indicating a possible backlog or bottleneck during that period. After the 17-year mark, there is a noticeable decline in the number of projects receiving permits, with sporadic instances beyond 20 years. Beyond 20 years, the number of projects receiving permits significantly drops, with the maximum reaching only 5 projects, indicating that delays of this magnitude are less common. There are outlier points, such as the 35-year mark, where 2 projects received permits. These cases might represent extreme delays due to specific administrative, legal, or project-related challenges. While most projects are processed within a reasonable timeframe, the data reveals that some projects experience significant delays, which could have implications for urban development strategies and policy improvements.

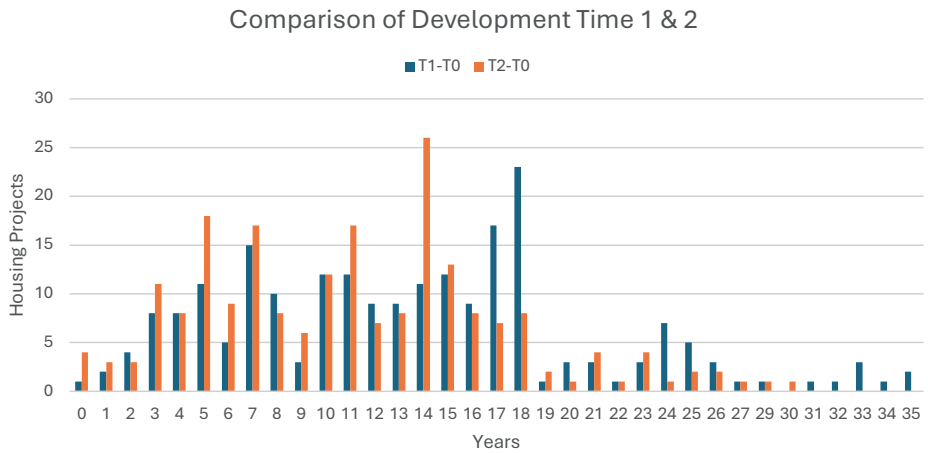


Figure 5.5 Comparison of time taken for building permit release (blue bars) and development completion (orange bars) of 214 housing projects in Surabaya

Source: own work

Figure 5.5 also shows the distribution of time (in years) required from initial plan launched by the developers to the completion of 215 housing projects developed by the private sector in Surabaya (To – T2). It demonstrates the variation in the time required to complete housing projects. The completion times show a wide variation, with peaks at 5, 10, 13, and 14 years. The most significant peak occurs at 14 years, where 26 housing projects were completed, suggesting a common trend or standard development cycle around this duration. Beyond 18 years, the number of completed projects decreases significantly, with only a few projects (1-4) being completed per year in this extended timeframe. The presence of projects taking up to 30 years indicates that while most projects are completed within 14 years, there are outliers that experience significant delays due to various factors such as financial, regulatory,

or logistical challenges. The peaks at 5 and 14 years indicate common industry practices, project types, or external factors that lead to project completion at these times. The extended timeline for some projects suggests that a subset of projects may face unique challenges that prolong development, indicating the need for further investigation into the causes of delays and the potential for improving project timelines. Understanding these patterns can help inform better planning, resource allocation, and policy development in urban housing initiatives.

Figure 5.5 compares two key stages in the development of 214 housing projects: the time taken to receive a building permit refers to the public planning process, and the time needed to complete the housing projects refers to actual development. It highlights the different timeframes involved in between these activities. There is a notable concentration of both permit issuance and project completions within this timeframe. The peak at 17 years for permits and 14 years for completions suggests that these are critical points in the development process. Projects that take longer than 20 years to receive permits or be completed are relatively rare but still present.

Interestingly, there are more instances of projects taking an extended time to obtain permits (up to 35 years) compared to project completions, which generally taper off after 20 years. . In other words, those projects have actually been completed before a building permit has been issued. The disparity in peaks between the permit issuance and project completion times indicates that while some projects move quickly from permitting to completion, others experience delays either in the permitting process or during construction. The extended duration for some projects to obtain permits or reach completion suggests potential inefficiencies or complexities in the regulatory environment, project management challenges, or financial constraints. The observed variation and peaks at certain intervals suggest potential bottlenecks or milestones common in the housing development process in Surabaya. Based on the graph analysis above, we conclude that the observed trend of housing development often preceding the issuance of building permits in the case study area reflects a common practice in Indonesia. This strategy is employed by developers to mitigate delays and manage the uncertainty associated with the approval process by public authorities.

Modelling Development Time For Housing Projects: Planning Process Vs. Market Circumstances

The Normal P-P Plot of the regression standardized residuals indicates that the residuals are normally distributed, both for Development Time 1 and Development Time 2. This suggests that the normality assumption of the regression model is met, supporting the validity of the model's statistical inferences.

The scatter plot of the regression residuals versus the standardized predicted values shows no clear pattern or systematic deviation from randomness. This is indicating that the assumptions of homoscedasticity and linearity are reasonably satisfied, further supporting the validity of the regression model for the Development Time 1 and the Development Time 2.

Table 5.2 Regression coefficient table for the dependent variable Development Time 1 (Y1)

Coefficients ^a								
	Unstandardized Coefficients		Standardized Coefficients				Collinearity Statistics	
Model	B	Std. Error	Beta		t	Sig.	Tolerance	VIF
1 (Constant)	12.018	.613			19.599	.000		
LDAREA	.011	.002	.385		6.139	.000	.848	1.179
BUNIT	.002	.001	.248		4.096	.000	.915	1.093
BSIZE	.011	.004	.420		2.733	.007	.142	7.049
HOUSPRC	-4.633E-10	.000	-.376		-2.485	.014	.146	6.853
LDPRCIN	-.010	.007	-.082		-1.395	.165	.963	1.039
HOUSLOC	-.033	.223	-.009		-.150	.881	.841	1.190
a. Dependent Variable: DEVTIME1								

Source: own work

Table 5.3 Regression coefficient table for the dependent variable Development Time 2 (Y2)

Coefficients ^a								
Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Tolerance	VIF
1 (Constant)	10.046	.495			20.283	.000		
LDAREA	.012	.001	.467		8.072	.000	.848	1.179
BUNIT	.002	.000	.225		4.048	.000	.915	1.093
BSIZE	.005	.003	.216		1.526	.129	.142	7.050
HOUSPRC	-1.093E-10	.000	-.101		-.726	.469	.146	6.854
LDPRCIN	-.011	.006	-.110		-2.020	.045	.963	1.039
HOUSLOC	-.297	.180	-.096		-1.649	.101	.841	1.190
a. Dependent Variable: DEVTIME2								

Source: own work

Table 5.2 indicates that four variables—Land Area ($B = 0.011$, $p < 0.001$), Built Unit ($B = 0.002$, $p < 0.001$), Building Unit Size ($B = 0.011$, $p = 0.007$), and House Price ($B = -4.633E-10$, $p = 0.014$)—significantly predict Development Time 1. Notably, Land Area and Built Unit show a positive and significant association with Development Time 1, suggesting that increases in the size of the development area and the number of housing units are associated with longer development times. Building Unit Size also positively influences Development Time 1; however, its Variance Inflation Factor ($VIF = 7.049$) suggests a potential issue with multicollinearity. Conversely, House Price demonstrates a small but significant negative relationship with Development Time 1, although its VIF value (6.853) similarly indicates possible multicollinearity concerns.

Overall, land area and built unit variables are highly significant; building unit size and house price variables are significant; land price increase and housing location variables are not significant on the time taken for building permit issuance by the municipality.

Table 5.3 indicates that Land Area ($B = 0.012$, $p < 0.001$) and Built Unit ($B = 0.002$, $p < 0.001$) are significant positive predictors of Development Time 2, indicating that increases in these variables are associated with longer development times. Land Price Increase ($B = -0.011$, $p = 0.045$) also significantly predicts Development Time 2, but with a negative effect, suggesting that higher levels of Land Price Increase are associated with shorter development times. In contrast, Building Size ($B = 0.005$, $p = 0.129$), House Price ($B = -1.093E-10$, $p = 0.469$), and Housing Location ($B = -0.297$, $p = 0.101$) did not significantly predict Development Time 2. While Building Size exhibited a positive association and House Price and Housing Location displayed negative associations, these relationships were not statistically significant. Overall, the analysis identifies land area, build unit, and land price increase as robust predictors of time taken for housing project completion by the private developers.

Table 5.4 Model summary for the dependent variable DEVTIME1 (Y1)

Model Summary ^a				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.555 ^a	.308	.288	3.56329
a. Predictors: (Constant), HOUSLOC, BUNIT, LDPRCIN, HOUSPRC, LDAREA, BSIZE				
b. Dependent Variable: DEVTIME1				

Source: own work

Table 5.5 Model summary for the dependent variable DEVTIME2 (Y2)

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.643 ^a	.413	.396	2.87872
a. Predictors: (Constant), HOUSLOC, BUNIT, LDPRCIN, HOUSPRC, LDAREA, BSIZE				
b. Dependent Variable: DEVTIME2				

Source: own work

Model 1 demonstrated in Table 5.4 shows a moderate positive correlation ($R = 0.555$) between the predictor variables and Development Time 1. The coefficient of determination ($R^2 = 0.308$) indicates that 30.8% of the variability in Development Time 1 is explained by the independent variables in the model, suggesting that the model has a moderate explanatory power. Model 2 demonstrated in Table 5.5 demonstrated a moderate to strong positive correlation ($R = 0.643$) between the independent variables and Development Time 2, indicating a substantial relationship between the predictors and the dependent variable. The model explains 41.3% of the variance in Development Time 2, as indicated by the R^2 value. This suggests that the included variables account for a substantial portion of the variation in Development Time 2. The adjusted R^2 value of 0.396 is slightly lower than the R^2 , implying that while the model remains robust, not all predictors contribute equally to explaining the variance in the dependent variable.

To examine how project scale interacts with development delays, we also disaggregated the dataset into small (≤ 100 units), medium (101-500 units), and large (> 500 units) projects. Regression results show distinct patterns across size categories. For small projects, only the number of built units significantly influenced overall development time 2, suggesting that even modest increases in housing volume can extend completion timelines. Permit delay (development time 1) in this category showed no significant predictors, although the model explains a moderate portion of variance. For medium-sized projects, only land area was found to significantly influence overall development time 2, while all variables were non-significant for permit delay (development time 1). The model fit was relatively low in both cases, indicating weaker explanatory power at this project scale. In large projects, land area emerged as the only significant factor for both permit delay and total development time. This likely reflects the administrative and technical complexity associated with larger plots, such as infrastructure coordination and land servicing. Among all categories, large projects had the highest model fit for development time 2, underscoring the pronounced role of land-related constraints at this scale.

Discussions

This study focuses on a metropolitan city characterized by intense competition of land uses, analysing housing development sites that obtained full regulatory permission to build between 2015-2020, a six-year period. This timeframe capture all potential delays, as it includes possibility where developers may have withdrawn and resubmitted their permit application especially for larger housing projects. The central research question: how project characteristics and market conditions influence the public planning process (Model 1) and housing project completion (Model 2), was addressed through the results presented in the previous section. The findings reveal that development control in public planning process usually are lengthy with a considerable degree of variation and uncertainty regarding the duration of approval. Nonetheless, the prolonged delays observed in this study are likely indicative of broader trends across Indonesia, as the regulatory processes have become increasingly standardized nationwide.

In the first model, project characteristics such as land area, the number of units built, and building size had a significant impact on the time required to receive permits. Larger projects, both in terms of land area and the number of dwellings, generally took longer to receive approval, particularly for large developers. Other factors, such as whether the site was greenfield or brownfield seen from project locations variable, did not show a significant effect on permit timing. This finding emphasizes the process of planning as a constraint in itself on housing development. Delays, even if permission is eventually granted, add cost and uncertainty, deterring development. It support Ball's (2011) assertion that delays in the public planning process are influenced by the characteristics of the project, including applicant variations such as developer type and project scale based on the land area of the site.

Additionally, market conditions, particularly housing price, show a significant negative relationship with permit issuance time. This relationship refers to a statistically significant association between housing price and permit issuance time, whereas housing price increases permit issuance time tends to decrease. Higher-priced housing projects were approved more quickly than lower-priced ones. Previous literature found that efficiencies in issuing permit could be attributed to technical reason such as limited municipal resources or staff availability (Ball, 2011). However, since price attribute is involved in the decision making, it is also possible that local authorities may engage in strategic behaviour of not prioritizing affordable housing projects. This finding emphasizes on the strategic interventions of the municipality in the housing market, which influencing the spatial distribution of housing projects.

Dang et al. (2014) highlighted municipalities' reluctance to allocate land for affordable housing due to lower financial returns, reflecting a broader conflict between private profit motives and public social objectives.

From a policy perspective, a more responsive housing supply could be achieved by improving the efficiency of planning authorities. However, broader reforms to the development control as part of public planning process itself are necessary, as it underpins the uncertainties and delays characteristic of Indonesia's planning system. The overall time spent on planning approval is substantial, with considerable variation in how efficiently planning authorities manage the development control. Notably, we found that 10 percent of major projects took up to 17 years for receiving approval. The assumption of withdrawal and resubmission of application is also involved here. As the results indicate, planning delays play a crucial role in the slow and uncertain process of obtaining building approval, even when projects comply with existing planning guidelines. These delays ultimately contribute to the poor responsiveness of housing supply in the country. On the research and monitoring front, it would be beneficial if planning authorities made detailed data on housing project evaluation timelines publicly available.

In the second model, project characteristics such as land area and the number of built units similarly influence the time required for private developers to complete housing projects. This aligns with the broader context and common practice, where larger developments with more homes result in higher construction costs and extended timelines. Additionally, land price increase, which represents market circumstances, have a significant negative effect on project completion time—indicating that as land prices increase, the pace of housing development accelerates. This finding emphasize on microeconomic principles and market dynamics where the developer's decisions are influenced by land availability, competition among developers, and buyer behaviour; which in turn affects the interplay of supply and demand in the housing market. It supports the idea that competition for land, as evidenced by increasing land prices, is a critical factor in developers' decisions regarding project timelines, as suggested by Adams et al (2009).

Importantly, inefficiencies in the public planning process, particularly long delays in issuing building permits, may reinforce speculative housebuilding. To reduce time-to-market, developers sometimes begin construction before obtaining full approval. In this context, proceeding without a valid permit is a calculated risk taken to secure a market position early. The lack of procedural transparency and uneven regulatory enforcement creates room for such practices. As Firman (2004) noted,

this discretionary and unequal system tends to favour certain actors, perpetuating land speculation, price escalation, and an uneven development landscape.

Our data show that in several cases, projects were completed before their building permits were formally issued. To illustrate these findings more concretely, we draw on two project cases from the dataset that reflect different planning outcomes and development behaviors. These cases enrich the interpretation of our models by highlighting how project timelines diverge in practice due to regulatory inefficiencies or market-driven strategies.

The first case (Project ID 70) presents an illustrative example of how regulatory delays and market responsiveness intersect in shaping development trajectories. Located in western Surabaya, the project began as early as 1980, yet the building permit was not granted until 2015. Interestingly, the housing units were already completed by 2002, thirteen years prior to formal approval. This sequence unfolded gradually, with the developer adjusting plans and construction pace in response to changing market conditions. Over time, shifts in demand and housing preferences prompted several design revisions, each requiring renewed coordination with local authorities. In this process, construction continued in stages even as permit formalities lagged behind. Rather than a singular violation, the case reflects a broader pattern of informal accommodation, where regulatory processes adapt slowly, and development moves ahead incrementally to meet housing demand. It reveals how uncertainty and institutional lag in planning approvals can lead developers to pursue pragmatic workarounds in the absence of timely administrative support.

In contrast, the second case (Project ID 02) presents a model efficient and synchronized development. Situated in northern Surabaya, the project was launched in 2017, obtained its building permit, and completed construction within a single year (2018) which indicating a streamlined process. With a modest land area and house size (60m² units), this case likely benefited from its manageable scale as well as possibly favorable administrative or locational factors. It serves as a useful counterpoint in the dataset, highlighting that timely and formal development is possible, even rare, within the current planning framework.

We confirmed the phenomenon with both the real estate association representing private developers in Surabaya and with officials from the Surabaya municipality in order to present a balanced perspective. The association acknowledged that it is a common practice for developers to begin construction before obtaining formal building permit approval. However, this does not necessarily mean that no permits

are secured at all. Prior to launching their housing masterplans, most developers already possess two key preliminary permits: a location permit and an environmental permit from the central government. Given the time consuming and costly nature of acquiring these initial permits, developers often proceed to construction while awaiting the building permit rather than facing further delays.

From the municipal side, officials stated that the building permit process can be completed quickly if the submitted documents meet all technical and administrative requirements. In practice, however, many applications require revisions and developers often either delay or fail to complete the necessary corrections. As a result, the process becomes prolonged due to repeated back-and-forth submissions. Municipal officers admitted that unauthorized construction is a known issue, but limited institutional capacity for development control has made systematic monitoring difficult. Only recently has the municipality begun to actively track unpermitted construction and impose sanctions. Beyond these measures, enforcement remains constrained.

This finding prompted further inquiry into what occurs in such situations. Technically, construction without a permit violates regulation. However, enforcement is inconsistent. Municipal responses vary, from formal warnings and fines to delays in connecting utilities or processing ownership certificates. Some cases also shows building demolitions. Despite these risks, homes are often still sold. In many cases, titles can be regularized post-construction, but this introduces legal uncertainty for buyers, especially concerning mortgage access or title conversion. These cases reveal an institutional gap in protecting both consumers and the state's regulatory objectives.

Together, the two models analyzed in this study demonstrate interrelated dynamics. Delays in the public permitting process can indirectly encourage premature private construction, while speculative responses to market signals can undermine the effectiveness of planning regulation. The interaction between public inefficiency and private strategy shapes how development timelines unfold, particularly in rapidly urbanizing contexts.

Conclusion

This study demonstrates that housing development timelines in Indonesia are shaped by both regulatory constraints and market dynamics, but with distinctive features compared to Global North contexts. Using a dataset of 214 housing projects in Surabaya, we find that project characteristics exert a stronger influence than market dynamics. Land area, built units, building size, and house price significantly influence the time needed for permit issuance, while land area, built units, and land price increase significantly affect the duration of project completion.

A key contribution of this study is the identification of a sequencing inversion, where housing construction often precedes the formal issuance of building permits. This pattern reflects developers' adaptive strategies to manage both bureaucratic uncertainty and fluctuating demand. It challenges the linearity assumed in conventional development timing models rooted in Global North contexts and underscores the need to re-theorize housing development logics in settings marked by discretionary enforcement and informal institutional arrangements.

By confirming and extending theories of housing delays (Adams et al., 2009; Ball, 2011), our findings contribute to a more contextualised understanding of housing supply dynamics. To reduce delays and improve delivery, policymakers in Indonesia must address institutional fragmentation, enforce regulatory coherence, and promote more transparent and timely permitting. Strengthening planning institutions and aligning public-private incentives will be essential to managing urban growth and alleviating persistent housing backlogs in rapidly urbanising settings.



Chapter 6

Housing the Gap: Discussion and Conclusion

Main Findings

This dissertation aims to explore the dynamics of housing supply in a developing market economy, focusing on the interplay between key actors: government as enabler and regulator, and private sector as the primary housing providers. It seeks to understand how public policies and private sector practices influence housing development and address (or fail to address) the growing housing gap, particularly in the context of affordability, inclusivity, and responsiveness to demand (Smets & Van Lindert, 2016; Turner, 1972). This research is driven by the critical need to address housing challenges such as shortages, unaffordable prices, unfeasible locations, and inadequate infrastructure, which have been identified as global concerns in Habitat Agenda of 1996, Millenium Development Goals of 2000, Sustainable Development Goals of 2015, and Habitat III of 2016 (Jenkins et al., 2007; Smets & Van Lindert, 2016). By adopting a housing supply perspective, this research examines the role of public policies and market dynamics in shaping housing outcomes and contributing to the persistent housing gap.

This dissertation is to answer the overarching research question of to what extent does the interplay between the structure of housing provision and public policy influence housing development in Indonesia's evolving market? The dissertation was guided by four sub-questions, addressed in the empirical chapters with the main findings as follows.

Who are the key actors in Indonesia's housing production, and what roles do they play in the development process? (RQ1)

Chapter 2 addresses RQ1 by investigating the transformation of Indonesia's housing provision structure over the past three decades, with a particular focus on the financialization of housing. It identifies four key actor groups: public sector, private developers, financial institutions, and households; and examines how their roles have evolved especially following the political transition after 1998. Drawing on interviews, policy analysis, and fieldwork in Jakarta and Surabaya, this chapter demonstrates the role of each actor and how they orchestrate housing provision through financialization. The public sector's role is to provide adequate housing provision, therefore state developers (Perumnas) and specialized housing bank (BTN) were established to responsible on this role in post-independence era. Over time, started in New Order era, the government collaborated with state-owned banks and private commercial banks to transform the housing budget into investment allocations, and mandated private investors and developers to provide affordable housing. Mortgage agency also plays role in encouraging the people as end-users to

financially access housing by loans. This transformation has created an environment of the policy-making process with multi-actors, and the government's role became indirect to the housing end-users (see Figure 6.1).

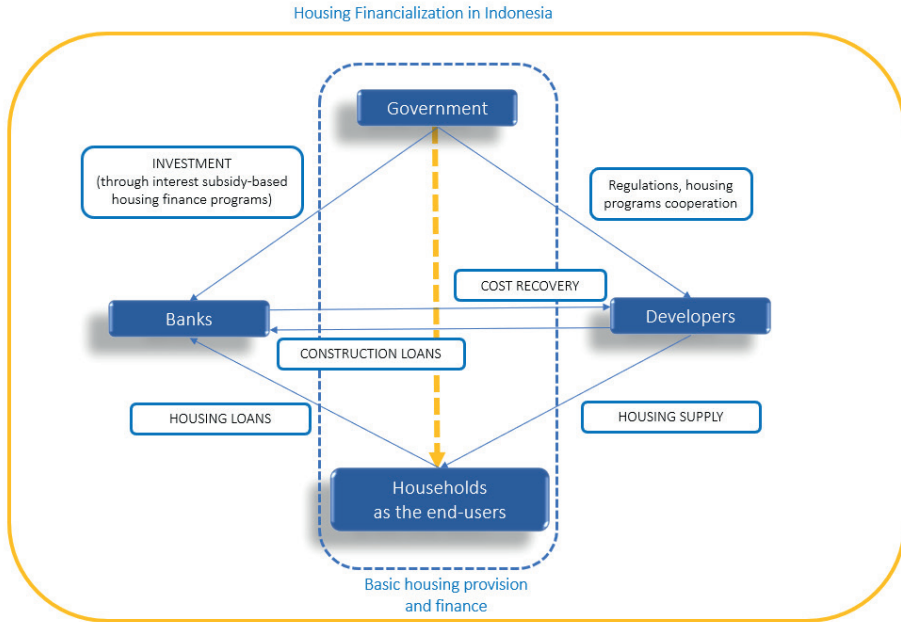


Figure 6.1 Key Actors and Roles in Indonesia's Housing Production and Financialization

Source: own work

Housing financialization explains on how housing units transform from a social-based needs into economic commodities through trading assets and investments. One way to identify is by observing the origin of capital invested, and the flow between the actors (Romainville, 2017). What we found in Indonesia's housing production, certain actors play roles in enabling policies (public sector) and conducting practices (financial actor & private sector) in housing supply. These actors had successfully orchestrated the origin of capital for housing shifted from state subsidies and saving schemes toward mortgage-based finance, reshaping both housing policy and production practices. These findings demonstrate that the economic transformation is influenced not only by financial actors but also non-financial actors, including public sector and private developers.

Another finding taken from this chapter is that the interplay of the public sectors, the private sector, and the financial actors in creating financialization programs that centered on homeownership has negative impact on the housing price and

affordability. The regulation and program were established to promote housing production by means of optimizing the roles of financial actors to manage the state budget for a housing investment program, connecting the program to the developers or homebuilders and the end-user. This finding is similar to previous arguments of Lima (2020) and Van Heerden et al. (2020) about the housing policy framework. This policy framework focuses on increasing the commitment of financial actors and taking advantage of the weak regulation of the housing market, to reproduce patterns of inequality and reshape the role of the state, impacting negatively the affordability of housing. Thus, the chapter extends the financialization literature by highlighting the active role of non-financial actors in enabling financialization and situates Indonesia's experience within broader global patterns observed across both rapidly urbanizing and more institutionally mature housing markets.

To what extent does public-private interplay influence public policy, in terms of affordable housing provision, in Indonesia? (RQ2)

Chapter 3 addresses RQ2 by explaining how public-private interplay shapes public policy regarding affordable housing provision in Indonesia. Focusing on the case of the *Lingkungan Hunian Berimbang* (LHB) regulation, Indonesia's long-standing inclusionary housing policy, we argue that the policy has undergone noticeable transformations over 30 years influenced by the urban political dynamics. Based on interviews with key stakeholders and content analysis of legal and policy documents, it can be concluded that affordable housing provision has transitioned from a state-mandated obligation to a more flexible, market-oriented framework. This transformation can be read as a shift in institutional logic (Thornton et al., 2012), transitioning from mandatory logic to market logic which reflected in the policy transformations. This shift is exemplified by the introduction of the conversion fund under the 2020 Job Creation Law, which allows developers to substitute affordable unit provision with financial contributions.

The chapter highlights how the central government, municipal authorities, and private developers interact to shape policy outcomes, with developers increasingly influencing regulatory modifications. It argues that this transformation reflects broader patterns of neoliberal urbanism (Taruvunga & Mooya, 2018), in which the public sector delegates responsibility to the private sector, often weakening regulatory oversight and exacerbating affordability challenges. The chapter concludes by proposing a model of urban political interplay to explain how institutional and governance shifts reconfigure affordable housing policy in Indonesia and other urban contexts undergoing similar market and governance transitions (see Table 6.1). It explains the public-private interplay in a partnership development's four phases:

network, hierarchy, program delivery, and governance reassertion (Lowndes, 2001) on public policy of affordable housing development. Each phase is indicated through its sequence, actors involved, power relations between the actors, and values and their configuration on affordable housing provision in the urban form.

Table 6.1 Public-Private Interplay in Affordable Housing Policy Transformation

	Timing and Sequencing	Actors Involved	Power Relations	Values in the urban forms
Network	New Order era (Joint Decree of Three Ministers of 1992)	central government, private developers	Mandatory logic (stronger government mandates)	Produce affordable housing to serve the lower-incomes
Hierarchy	Post-reform era (Ministry of Housing Regulations of 2012 and 2013)	central government, private developers, municipality	Mandatory & market logics (private developers' perspective on project's feasibility accepted as a concern)	Produce affordable housing according to scales and locations
Program delivery	Post-reform era (Job Creation Law of 2020)	central government, private developers, municipality	Mandatory & market logics (public policy adjustment to the housing market situation)	Produce affordable housing with commercial motivated
Governance reassertion	Post-reform era (Government Regulation of 2021)	central government, private developers, municipality, central government's housing agencies	Market logic (investment-driven governance)	Financial contribution to tradeoff the affordable housing obligation

Source: own work

How do public land policies shape housing development practices by the private sector in Indonesia? (RQ3)

Chapter 4 addresses RQ3 by discussing the extent to which and under what conditions public land policy shapes private-sector driven housing development. It focuses on the role of land banking strategies, comparing public and private approaches, to land acquisition and control in providing housing. Developing Hartmann and Spit's (2015) analytical framework of legitimacy, effectiveness, efficiency, and fairness (see Table 6.2), the chapter analyzes how Indonesia's land policy system aims to support private-sector participation in housing provision through instruments like land consolidation, land acquisition, and the 2021 establishment of the Land Bank Agency.

While these policies are formally integrated, their implementation is undermined by weak enforcement, fragmented coordination, and speculative practices. Private developers often acquire and hold land with limited oversight, prioritizing profit over public interest.

The findings highlight that without stronger regulatory mechanisms and more equitable governance, public land policies are limited in their ability to counteract speculative private land banking and address affordability challenges. A municipal case study further illustrates how discretionary enforcement enables land inequality and undermines policy intent. The chapter contributes to land policy debates in rapidly urbanizing and institutionally evolving contexts by demonstrating how the interplay between public regulation and private speculation can shape housing market outcomes in rapidly urbanizing economies.

Table 6.2 Analytical Framework For Public Policy on Land Availability

Framework	
Legitimacy	Regulation as public intervention to impose power and control
	Public benefit purpose (legitimation of securing value capture)
	Public entity authorized for issuing permit
Effectiveness	Planning goals of the housing provision
	Land asset and acquisition to support planning (housing) goals
	Stabilization through sanction or consequence
Efficiency	Good use of resources (in terms of time)
	Cost recovery or any additional cost needed
Fairness	Redistributes land-based wealth in a fair way
	Collaboration with wider stakeholder

To what extent does the structure of housing provision influence the formal housing development outcomes? (RQ4)

Chapter 5 addresses RQ4 by discussing the extent to which market circumstances and public planning processes determine housing development time through measuring the time taken for local planning process and housing project completion. Drawing from two contrasting perspectives explaining the main cause of housing development delay, speculative housebuilding (Adams et al., 2009) and public planning process (Ball, 2011), we argue that both market circumstances (indicated with project characteristics) and public planning process (indicated with building

permit issuance) play a significant role in determining development time in both two frameworks with different extent. Evidence on 215 successfully approved sites was gathered and analyzed to understand development time of each housing project, and the results show that building permit issuance is a lengthy process with a considerable degree of variability and uncertainty over how long it will take.

This chapter analyzed the level of influence of six independent variables: housing location, land area, built unit, building size, house price, and land price increase on the time required for both getting a building permit and to develop housing. The findings suggest that land area, built units, building size and house price significantly effect on time needed for public planning process by the municipality. In the meantime, land area, built units, and land price increase significantly effect on housing development time by the private developers.

This chapter also explains another important finding, that is the phenomenon of informal practices in formal housing development. Private developers tend to precede the development even before the issuance of building permits, representing the common strategies to cope with the delay due to the uncertain approval process by the public authorities. This strategy reflects the informality as the survival mechanism to mitigate delays and manage the uncertainty related with the approval process by public authorities where at the same time they have to deal with the market demands.

Theoretical Contributions

This dissertation revisits and critically extends Turner's (1972) foundational concept of *housing as a verb* by shifting its analytical view from user-led practices to the institutional dynamics of housing provision. Turner argued that housing problems often arise when policymakers misunderstand "the game they regulate with the rules they institute." While this critique remains relevant, Turner's work paid less attention to the institutional arena itself: the structured field where public authorities, private developers, financial institutions, and regulatory systems interact. Over recent decades, housing has also shifted from being primarily driven by social needs to being increasingly framed as a market-oriented commodity. As Jenkins et al. (2007) note, this reflects a broader transformation away from collective action and state-led provision toward commodified systems governed by market mechanisms. D'Arcy and Keogh (1998) similarly emphasise that housing markets are not neutral arenas but institutional constructs shaped by political, legal, and economic power relations. Seen

through Turner's lens, this dominance of *housing-as-noun* thinking highlights the rise of commodification, whereas his call for *housing-as-verb* underscores the importance of process and practice. Extending this insight, this dissertation argues that in contemporary contexts of pronounced commodification, it is not enough to analyse user-led housing practices. A critical understanding of supply processes, involving the negotiations, institutional dynamics, and strategic maneuvers that shape provision, is essential for explaining the persistent housing gap. By repositioning *housing as a verb* within the supply side, this dissertation demonstrates that housing provision is not a linear process of policy delivery or market exchange, but a dynamic governance process shaped by negotiation, contestation, and adaptation among multiple actors. Persistent housing gaps, therefore, should not be interpreted as anomalies or technical malfunctions, but as actively (re)produced outcomes of institutional structures, actor strategies, and policy frameworks operating within wider market circumstances.

As outlined in Chapter 1, this study applied a structure and agency perspective (Giddens, 1976; Hay, 1995; Healey & Barrett, 1990) to conceptualise housing provision as the recursive outcome of institutions and actor practices. Structures both constrained and enabled actors, while actors in turn adapted, resisted, and reshaped these structures, and manifested through public policy and housing outcomes. The empirical chapters confirmed this dynamic. For example, developers' pre-permit construction illustrates how market actors strategically navigated regulatory uncertainty, thereby reshaping governance practices themselves. Similarly, financial actors transformed public subsidies into new investment streams, embedding financialisation within local housing provision. These cases illustrate that institutions are not static backdrops but evolving terrains of practice, continuously remade through social action (Allmendinger, 2017). By empirically grounding the mutual constitution of structure and agency, this dissertation extends Turner's insight. Where Turner highlighted misalignments between regulatory norms and housing needs on the user side, this study shows that such misalignments are equally pronounced on the supply side, where policy, market logics, and developer strategies intersect.

Building on the three analytical dimensions introduced in Chapter 1: provision structures, public policy, and housing supply outcomes, this dissertation advances three interrelated contributions to housing studies.

Contribution 1: Provision Structures and Financialization

This dissertation repositions the discourse on financialization within negotiated governance contexts. Whereas mainstream analyses (e.g. Romainville, 2017) often

present financialization as a top-down diffusion of global market logics, the Indonesian case demonstrates that it is actively orchestrated by both financial and non-financial actors. Developers and state agencies reconfigured public budgets into investment streams and transformed household savings into mortgage-backed access to housing. Financialization in Indonesia thus emerges not as an external imposition but as a governance outcome which enacted and reconfigured through institutional arrangements, policy incentives, and actor strategies within a hybrid governance landscape. This reframing extends provision-structure debates by showing that financial actors are not merely background enablers of development, but co-constitutive agents shaping the very structure of housing provision.

Contribution 2: Public Policy and Public-Private Partnership

The second contribution concerns the institutional configurations of public-private interplay. While existing literature (Lima, 2020; Van Heerden et al., 2020) often treats public-private partnerships (PPPs) as either functional tools or structural failures, this study demonstrates their evolving and contested nature. Drawing on Lowndes' (2001) four-phase model, the Indonesian case shows that PPPs move through phases of network formation, hierarchical control, program delivery, and governance reassertion. Far from being static arrangements, PPPs in Indonesia reflect negotiated power dynamics that redefine both the role of the state and the boundaries of inclusion in housing provision. This analysis underscores that public policy does not simply "steer" markets, but is itself reinterpreted, resisted, and reshaped by actors in hybrid governance settings.

Contribution 3: Supply Outcomes, Speculation, and Inefficiency.

The third contribution examines the dual narratives of speculative housebuilding and public inefficiency in explaining housing development delays. Evidence from 214 approved housing projects confirms that both speculative behaviour and bureaucratic constraints jointly influence development timelines (Adams et al., 2009; Ball, 2011). Yet this research goes further by documenting the widespread practice of pre-permit development: a strategic adaptation to governance uncertainty. This finding reframes speculation not merely as opportunistic behaviour but as a rational response to fragmented institutions and unpredictable regulations. In doing so, it extends Turner's (1972) observations on informal practices, showing that even formal developers adopt informal strategies when regulatory systems fail to deliver predictability.

These contributions validate the conceptual model presented in Chapter 1 (Figure 1.6) and correspond to the outcomes illustrated in Figure 6.2. Housing supply emerges as a negotiated outcome of three interrelated dimensions:

- Provision structures, defined by the roles, resources, and strategies of key actors;
- Public policy, as both a structuring force and an object of contestation; and
- Housing supply as outcomes of this interplay, observed in terms of time (delays), price (affordability), and amount (supply–demand mismatch).

By revisiting this model in light of empirical findings, this dissertation underscores that housing gaps in Indonesia are not simply the failure of markets or policies in isolation, but the patterned results of their interaction.

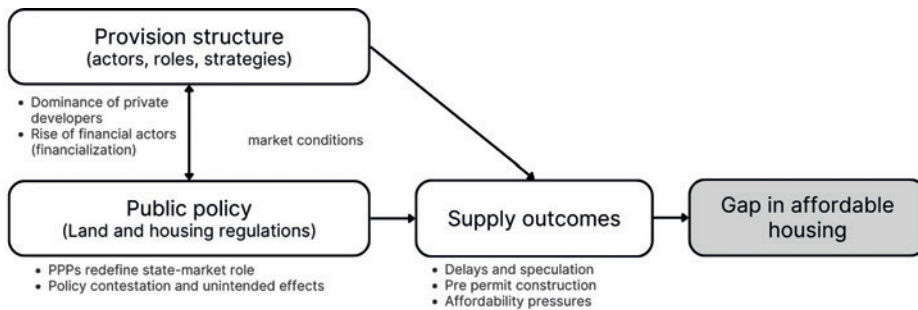


Figure 6.2 Commodified housing provision: ctors, strategies, and the emergence of the housing gap
Source: own work

The research questions introduced in Chapter 1 can now be summarised:

- RQ1 (Who builds what?): Indonesia's housing provision is dominated by private developers, whose roles have expanded alongside financial institutions, while the state has shifted toward facilitating finance and infrastructure.
- RQ2 (How does structure shape and get shaped by policy?): Policy frameworks such as inclusionary housing policy both structured and were reshaped by actor strategies, particularly through PPPs that redefined state–market relations.
- RQ3 (How does public policy shape housing supply outcomes?): Policies intended to stimulate supply such as land banking policy often generated unintended consequences: subsidies inflating land prices, planning rules fostering delays, and weak enforcement enabling speculative practices.
- RQ4 (How does the structure of provision shape housing supply outcomes?): Developer strategies, including deliberate delays and pre-permit construction, directly affected time, quantity, and affordability. These practices show that provision structures actively reproduce the housing gap.

Broader Implications

Policy Implications

The findings call for a firmer regulatory framework in Indonesia, to address the unintended consequences of financialization, particularly the affordability crisis. Policymakers must ensure that the public sector's role does not diminish into mere facilitation but actively safeguards housing inclusivity.

Methodological Contribution

The dissertation combines institutional and political-economic analysis with empirical case studies and a quantitative assessment of development timelines to offer a multi-scalar approach in understanding housing delivery. It introduces an evaluative framework for land policy, a model of urban political interplay in inclusionary housing, and applies project-level data to quantify bottlenecks in housing supply. The adaptation of Hartmann & Spit (2015) framework and Lowndes (2001) model also offers transferable tools for evaluating public land policies and public-private partnerships across different contexts.

Global Relevance

Although rooted in the Indonesian context, the insights resonate with broader debates in rapidly urbanizing regions globally, where formal and informal systems intersect, state capacity is fragmented, and housing remains a profoundly political, contested terrain. This dissertation offers a roadmap for more inclusive, accountable, and sustainable housing development by bridging empirical research with theoretical insight.

Research Limitations

Formal vs. informal housing constraints

This study primarily focuses on the formal housing market in Indonesia, particularly the speculative practices and performance of market-driven housing development. While informal housing plays a significant roles in meeting housing demand as a survival mechanism for many households, the formal sector is increasingly critical on the supply side, driven by rapid market growth and evolving public policies. However, this focus limits the study's ability to fully account for the interconnected dynamics between formal and informal housing sectors, which together shape the broader housing ecosystem. Therefore, the findings are most applicable to understanding

formal market mechanisms and may not adequately address the nuanced socio-economic realities of informal housing.

Data constraints

The availability and quality of data posed significant challenges throughout the research process. Publicly accessible data on housing development and speculative practices were often incomplete and outdated, necessitating reliance on case studies, interviews, and secondary data. The COVID-19 pandemic in the early years of the PhD made it harder to collect data in person, limiting site visits, face-to-face interviews, and direct engagement with stakeholders. Although we ultimately collected data from around 250 private housing projects, the process was slow and required multiple follow-ups with different individuals, which may have reduced the depth and contextual richness of the insights. These constraints may have impacted the comprehensiveness and precision of the analyses, particularly in capturing real-time developments in the housing sector.

Policy context and temporal constraints

This research examines the housing market in Indonesia within a specific timeframe, reflecting policies, practices, and trends relevant during that period. While this approach provides a detailed analysis of the evolving market and its interactions with public policies, it may limit the applicability of the findings to rapidly changing conditions or different governance structures in other regions or countries. public land and housing policies in Indonesia with a focus on specific policies and regulations.

Advancing the Research Agenda

Specific agenda to this research

Building on the foundation of this thesis, we aim to extend our research by leveraging the dataset developed during this study and to further explore housing performance. Specifically, two research agendas are proposed:

1. **Analyzing Housing Price Determinants**

The first agenda focuses on understanding how the private sector makes decisions regarding project characteristics and public planning processes In relation to trends in housing prices. We plan to apply the hedonic price model to quantify the relationship between various attributes – such as location, project scale, infrastructure provisions, and regulatory factors – and their

impact on housing prices. This analysis will offer insights into how market-driven dynamics intersect with public policy in shaping housing affordability and accessibility.

2. Exploring Land Banking and Development Decisions

The second agenda examines the decision-making process of private developers regarding land utilization. Specifically, it investigates whether developers choose to build new houses or hold land as a speculative asset to gain higher profits by delaying construction. This research will employ real options theory to model the economic trade-offs and strategic considerations involved in such decisions. By analyzing this behaviours, the study aims to explain how speculative practices influence housing supply timelines and overall market efficiency.

General suggestions for future research

To further generalize findings, future studies could conduct comparative analysis of housing development practices in Indonesia and other countries, especially in the Global South, undergoing similar transitions of their housing markets. By examining different regulatory frameworks, market behaviors, and public-private partnerships, such research could identify best practices and transferable strategies for improving housing market outcomes.



References

- Aalbers, M. B. (2008). The financialization of home and the mortgage market crisis. *Competition & Change*, 12(2), 148–166. <https://doi.org/10.1179/102452908X289802>
- Aalbers, M. B. (2017). The variegated financialization of housing. *International Journal of Urban and Regional Research*, 41(4), 542–554. <https://doi.org/10.1111/1468-2427.12522>
- Aalbers, M. B., Van Loon, J., & Fernandez, R. (2017). The financialization of a social housing provider. *International Journal of Urban and Regional Research*, 41(4), 572–587. <https://doi.org/10.1111/1468-2427.12520>
- Abulatif, L. I., & Oliveira, C. C. (2024). Municipal institutional capacity for the implementation of housing public policies, in the context of metropolitan regions in Brazil. *Cities*, 148, 104869. <https://doi.org/10.1016/j.cities.2024.104869>
- Adams, C. D., Baum, A. E., & MacGregor, B. D. (1988). The availability of land for inner city development: A case study of inner Manchester. *Urban Studies*, 25(1), 62–76. <https://doi.org/10.1080/00420988820080061>
- Adams, D. (1994). *Urban planning and the development process*. University College London Press.
- Adams, D., Disberry, A., Hutchison, N., & Munjoma, T. (2002). Vacant urban land: Exploring ownership strategies and actions. *Town Planning Review*, 73(4), 395–416. <https://doi.org/10.3828/tpr.73.4.2>
- Adams, D., & Watkins, C. (2008). *Greenfields, brownfields and housing development*. Wiley-Blackwell.
- Adams, D., Leishman, C., & Moore, C. (2009). Why not build faster? Explaining the speed at which British house-builders develop new homes for owner-occupation. *Town Planning Review*, 80(3), 291–314. <https://doi.org/10.3828/tpr.80.3.4>
- Adams, D., & Tiesdell, S. (2012). *Shaping places: Urban planning, design and development*. Taylor & Francis.
- Agus, A. A., & Hermanto, B. (2013). Finding supply-demand gap on people housing fulfillment in Indonesia—An exploratory approach. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2296693>
- Alexander, F. S. (2005). Land bank strategies for renewing urban land. *Journal of Affordable Housing & Community Development Law*, 14(2), 140–169.
- Alexander, F. S. (2015). *Land banks and land banking* (2nd ed.). Center for Community Progress.
- Alfansyuri, E., Amri, S., & Farni, I. (2020). Analisa ketersediaan tanah (land banking) untuk perumahan dan pemukiman dengan sistem informasi geografis di Kabupaten Tanah Datar. *Jurnal Ilmiah Rekayasa Sipil*, 17(2), 96–105.
- Alterman, R. (2012). *Land use regulations and property values: The “windfalls capture” idea revisited*. SSRN. <https://ssrn.com/abstract=2309571>
- Anjani, A. O. (2022, October 19). Masalah izin mendirikan bangunan paling banyak diadukan warga ke meja aduan. *Kompas.id*. <https://www.kompas.id/baca/metro/2022/10/19/masyarakat-jakarta-adukan-masalah-izin-mendirikan-bangunan>
- ANTARA News. (2019, July 22). *SMF akan implementasikan KPR berbasis komunitas*. <https://www.antaranews.com/berita/969604/smf-akan-implementasikan-kpr-berbasis-komunitas>
- Ariefiani, D. (2014). Kebijakan pembangunan perumahan pemerintah Kota Surabaya dan konsistensi terhadap pemanfaatan lahan. *Jurnal Sosial Humaniora*, 7(1). <https://doi.org/10.12962/j24433527.v7i1.595>
- Arnowo, H. (2022). Konsolidasi tanah untuk optimalisasi tanah pertanian berskala kecil. *Jurnal Tunas Agraria*, 5(1), 1–16.
- August, M. (2020). The financialization of Canadian multi-family rental housing: From trailer to tower. *Journal of Urban Affairs*, 42(7), 975–997. <https://doi.org/10.1080/07352166.2019.1705846>
- Aveline-Dubach, N. (2020). The financialization of rental housing in Tokyo. *Land Use Policy*, 99, 104463. <https://doi.org/10.1016/j.landusepol.2020.104463>

- Badan Pusat Statistik. (2020). *Statistik perumahan dan permukiman 2019* (No. Publikasi 04230.2002). BPS-Statistics Indonesia.
- Ball, M. (2011). Planning delay and the responsiveness of English housing supply. *Urban Studies*, 48(2), 349–362. <https://doi.org/10.1177/0042098010363499>
- Ball, M. (2016). Housing provision in 21st century Europe. *Habitat International*, 54, 182–188. <https://doi.org/10.1016/j.habitatint.2015.11.024>
- Ball, M., Cheshire, P., Hilber, C. A., & Yu, X. (2024). Why delay? Understanding the construction lag, aka the build-out rate. *Journal of Housing Economics*, 64, 102–139. <https://doi.org/10.1016/j.jhe.2023.102139>
- Bank Indonesia. (2022). *Laporan survei harga properti residensial triwulan IV 2022* [Residential Property Price Survey Report Q4 2022]. <https://www.bi.go.id/id/publikasi/survei/harga-properti/Default.aspx>
- Bao, H., Chong, A. Y. L., Wang, H., Wang, L., & Huang, Y. (2012). Quantitative decision making in land banking: A Monte Carlo simulation for China's real estate developers. *International Journal of Strategic Property Management*, 16(4), 355–369. <https://doi.org/10.3846/1648715X.2012.735272>
- Batley, R. (1996). Public–private relationships and performance in service provision. *Urban Studies*, 33(4–5), 723–751. <https://doi.org/10.1080/00420989650011807>
- Bouwmeester, J., Gerber, J. D., Hartmann, T., & Ay, D. (2023). Non-compliance and non-enforcement: An unexpected outcome of flexible soft densification policy in the Netherlands. *Land Use Policy*, 126, 106525. <https://doi.org/10.1016/j.landusepol.2022.106525>
- Bramley, G. (1998). Measuring planning: Indicators of planning restraint and its impact on housing land supply. *Environment and Planning B: Urban Analytics and City Science*, 25(1), 31–55. <https://doi.org/10.1068/b250031>
- Bramley, G. (2013). Housing market models and planning. *Town Planning Review*, 84(1), 11–34. <https://doi.org/10.3828/tp.2013.2>
- Bredenoord, J., & van Lindert, P. (2010). Pro-poor housing policies: Rethinking the potential of assisted self-help housing. *Habitat International*, 34(3), 278–287. <https://doi.org/10.1016/j.habitatint.2009.12.001>
- Brenner, N., & Theodore, N. (2005). Neoliberalism and the urban condition. *City*, 9(1), 101–107. <https://doi.org/10.1080/13604810500092106>
- Buhaerah, P. (2019). Pengaruh KPR terhadap keterjangkauan harga properti residensial. *Kajian Ekonomi dan Keuangan*, 3(3), 182–197. <https://doi.org/10.31685/kek.v3i3.527>
- Buitelaar, E. (2010). Window on the Netherlands: Cracks in the myth—Challenges to land policy in the Netherlands. *Tijdschrift voor Economische en Sociale Geografie*, 101(3), 349–356. <https://doi.org/10.1111/j.1467-9663.2010.00604.x>
- Bureau of Economic Analysis. (2022). *Value Added by Industry as a Percentage of Gross Domestic Product [Percent]*. https://apps.bea.gov/iTable/iTable.cfm?reqid=150&step=3&isuri=1&categories=gdpind&table_list=5
- Caesar, C. (2016). Municipal land allocations: Integrating planning and selection of developers while transferring public land for housing in Sweden. *Journal of Housing and the Built Environment*, 31(2), 257–275. <https://doi.org/10.1007/s10901-015-9457-2>
- Calavita, N., & Mallach, A. (2009). Inclusionary housing, incentives, and land value recapture. *Land Lines*, 21(1), 15–21.
- Canada, S. (2022). *Table 36-10-0434-01 gross domestic product (GDP) at basic prices, by industry, monthly (x 1,000,000)*. <https://doi.org/10.25318/3610043401-eng>
- Candra, H., & Khaidir, A. (2020). Peluang dan tantangan bank tanah menuju pemukiman berwawasan lingkungan di Indonesia. *Jurnal Ekonomi dan Bisnis Islam*, 5(2), 1–20.

- Carr, J. H., & Anacker, K. B. (2014). The past and current politics of housing finance and the future of Fannie Mae, Freddie Mac, and homeownership in the United States. *Banking & Financial Services Policy Report*, 33(7), 1–10.
- Cobban, J. L. (1993). Government housing policy in Indonesia, 1900–1940. *GeoJournal*, 29(2), 143–154. <https://doi.org/10.1007/BF00812811>
- Colombijn, F. (2011). Public housing in post-colonial Indonesia: The revolution of rising expectations. *Bijdragen tot de Taal-, Land- en Volkenkunde*, 167(4), 437–458. <https://doi.org/10.1163/22134379-90003579>
- Crane, R., Daniere, A., & Harwood, S. (1997). The contribution of environmental amenities to low-income housing: A comparative study of Bangkok and Jakarta. *Urban Studies*, 34(9), 1495–1512. <https://doi.org/10.1080/0042098975538>
- D'Arcy, E., & Keogh, G. (1998). Territorial competition and property market process: An exploratory analysis. *Urban Studies*, 35(8), 1215–1230. <https://doi.org/10.1080/0042098984330>
- Damen, J. (2004). Land banking in the Netherlands in the context of land consolidation. In *Proceedings of the International Workshop: Land Banking/Land Funds as an Instrument for Improved Land Management for CEEC and CIS* (p. 254). Tønder, Denmark.
- Dang, Y., Liu, Z., & Zhang, W. (2014). Land-based interests and the spatial distribution of affordable housing development: The case of Beijing, China. *Habitat International*, 44, 137–145. <https://doi.org/10.1016/j.habitatint.2014.05.012>
- De Souza, F. F., Ochi, T., & Hosono, A. (Eds.). (2018). *Land readjustment: Solving urban problems through innovative approach* (1st ed.). Japan International Cooperation Agency Research Institute.
- Engelen, E. (2008). The case for financialization. *Competition & Change*, 12(2), 111–119. <https://doi.org/10.1179/102452908X289776>
- Erawati, D., Santosa, H. R., Kisanarini, R., & Septanti, D. (2018). Housing improvement based on gender role in urban *kampung* of Surabaya. *The International Journal of Engineering and Science (IJES)*, 7(6), 23–42. <https://doi.org/10.9790/1813-0706031118>
- Evans, A. W. (2004). *Economics, real estate, and the supply of land*. Blackwell Publishing.
- Fauveaud, G. (2020). The new frontiers of housing financialization in Phnom Penh, Cambodia: The condominium boom and the foreignization of housing markets in the Global South. *Housing Policy Debate*, 30(4), 661–679. <https://doi.org/10.1080/10511482.2020.1714692>
- Febriaty, H. (2017). Pengaruh suku bunga kredit properti dan inflasi terhadap NPL sektor properti di Indonesia. *Kajian Ekonomi dan Kebijakan Publik*, 2(2), 1–6. <https://jurnal.pancabudi.ac.id/index.php/jepa/article/view/67/51>
- Fernandez, R., & Aalbers, M. B. (2016). Financialization and housing: Between globalization and varieties of capitalism. *Competition & Change*, 20(2), 71–88. <https://doi.org/10.1177/1024529415623916>
- Fernandez, R., & Aalbers, M. B. (2019). Housing financialization in the Global South: In search of a comparative framework. *Housing Policy Debate*, 30(4), 680–701. <https://doi.org/10.1080/10511482.2019.1681491>
- Fields, D. (2017). Unwilling subjects of financialization. *International Journal of Urban and Regional Research*, 41(4), 588–603. <https://doi.org/10.1111/1468-2427.12519>
- Fields, D., & Uffer, S. (2014). The financialisation of rental housing: A comparative analysis of New York City and Berlin. *Urban Studies*, 53(7), 1486–1502. <https://doi.org/10.1177/0042098014543704>
- Firman, T. (2004). Major issues in Indonesia's urban land development. *Land Use Policy*, 21(4), 347–355. <https://doi.org/10.1016/j.landusepol.2003.04.002>
- Francis, A. D. (1975). Land banking: Development control through public acquisition and marketing. *Environmental Law*, 6(1), 191–216.

- Freire, M., & Stren, R. (Eds.). (2001). *The challenge of urban government: Policies and practices*. World Bank Institute. <http://documents.worldbank.org/curated/en/712251468769300611>
- Friedland, R., & Alford, R. R. (1991). Bringing society back in: Symbols, practices, and institutional contradictions. In W. W. Powell & P. J. DiMaggio (Eds.), *The new institutionalism in organizational analysis* (pp. 232–266). University of Chicago Press.
- Fuenfschilling, L., & Truffer, B. (2014). The structuration of socio-technical regimes: Conceptual foundations from institutional theory. *Research Policy*, 43(4), 772–791. <https://doi.org/10.1016/j.respol.2013.10.010>
- Fujii, Y. (2016). Putting the pieces together: How collaboration between land banks and community land trusts can promote affordable housing in distressed neighborhoods. *Cities*, 56, 1–8. <https://doi.org/10.1016/j.cities.2016.02.007>
- Gemeda, B. S., Cirella, G. T., Abebe, B. G., & Gemeda, F. T. (2024). Exploring land acquisition and restructuring policy in Addis Ababa. *Cities*, 153, 105266. <https://doi.org/10.1016/j.cities.2024.105266>
- Gandhi, S., Tandel, V., Tabarrok, A., & Ravi, S. (2021). Too slow for the urban march: Litigations and the real estate market in Mumbai, India. *Journal of Urban Economics*, 123, 103330. <https://doi.org/10.1016/j.jue.2021.103330>
- Gilbert, A. (2004). Helping the poor through housing subsidies: Lessons from Chile, Colombia and South Africa. *Habitat International*, 28(1), 13–40. [https://doi.org/10.1016/S0197-3975\(02\)00070-X](https://doi.org/10.1016/S0197-3975(02)00070-X)
- Grahadyarini, L. (2023, April 15). Mengurai hambatan rumah subsidi. *Kompas.id*. <https://www.kompas.id/baca/ekonomi/2023/04/15/mengurai-hambatan-rumah-subsidi>
- Guild, J. (2019). *Land acquisition in Indonesia and Law No. 2 of 2012*. Asian Development Bank. <https://www.adb.org/publications/land-acquisition-indonesia-and-law-no-2-2012>
- Hadler, M. (2015). Institutionalism and neo-institutionalism: History of the concepts. In J. D. Wright (Ed.), *International encyclopedia of the social & behavioral sciences* (2nd ed., pp. 186–189). Elsevier. <https://doi.org/10.1016/B978-0-08-097086-8.03187-1>
- Hardiyanto, B. (2021). Politics of land policies in Indonesia in the era of President Susilo Bambang Yudhoyono. *Land Use Policy*, 101, 105134. <https://doi.org/10.1016/j.landusepol.2020.105134>
- Hartmann, T., & Spit, T. (2015). Dilemmas of involvement in land management—Comparing an active (Dutch) and a passive (German) approach. *Land Use Policy*, 42, 729–737. <https://doi.org/10.1016/j.landusepol.2014.10.004>
- Herawati, E., Hutagalung, A. S., Sujadi, S., & Lestari, R. (2021). Regulation of private land banking during the agrarian reform in Indonesia. In *Proceedings of the 1st UMGESHIC International Seminar on Health, Social Science and Humanities (UMGESHIC-ISHSSH 2020)* (Vol. 585, pp. 262–266). Atlantis Press. <https://doi.org/10.2991/assehr.k.211020.039>
- Hoek-Smit, M. C. (2005). *The housing finance sector in Indonesia*. World Bank.
- Hoek-Smit, M. C. (2006). *Expanding housing finance for low-income housing in Indonesia*. UN-Habitat, Urban Economics and Finance Branch.
- Høiland, G. C. L., & Klemsdal, L. (2022). Organizing professional work and services through institutional complexity: How institutional logics and differences in organizational roles matter. *Human Relations*, 75(2), 240–272. <https://doi.org/10.1177/0018726720970274>
- Huang, J., Shen, G. Q., & Zheng, H. W. (2015). Is insufficient land supply the root cause of housing shortage? Empirical evidence from Hong Kong. *Habitat International*, 49, 538–546. <https://doi.org/10.1016/j.habitatint.2015.07.006>
- Hunt, D. B., & DeVries, J. (2019). *Planning Chicago*. Routledge. <https://doi.org/10.4324/9780429317101>

- Igamo, A. M., Azwardi, A., Saputra, A., Ismail, R. G., Gustriani, G., & Melliny, V. D. (2023). Monetary policy and demographics: Empirical evidence for housing prices in Indonesia. *Sriwijaya International Journal of Dynamic Economics and Business*, 6(4), 371–384. <https://doi.org/10.29259/sijdeb.v6i4.371-384>
- Ihlanfeldt, K. R., & Shaughnessy, T. M. (2004). An empirical investigation of the effects of impact fees on housing and land markets. *Regional Science and Urban Economics*, 34(6), 639–661. <https://doi.org/10.1016/j.regsciurbeco.2003.11.001>
- Jenkins, P., Smith, H., & Wang, Y. P. (2007). *Planning and housing in the rapidly urbanising world*. Routledge.
- Jonkman, A., Meijer, R., & Hartmann, T. (2022). Land for housing: Quantitative targets and qualitative ambitions in Dutch housing development. *Land Use Policy*, 114, 105957. <https://doi.org/10.1016/j.landusepol.2021.105957>
- Jorge, S. (2020). The financialization of the margins of Maputo, Mozambique. *Housing Policy Debate*, 30(4), 606–622. <https://doi.org/10.1080/10511482.2020.1714690>
- Kohl, S. (2018). More mortgages, more homes? The effect of housing financialization on homeownership in historical perspective. *Politics & Society*, 46(2), 177–203. <https://doi.org/10.1177/0032329218755750>
- Koroso, N. H., & Zevenbergen, J. A. (2024). Urban land management under rapid urbanization: Exploring the link between urban land policies and urban land use efficiency in Ethiopia. *Cities*, 153, 105269. <https://doi.org/10.1016/j.cities.2024.105269>
- Kresse, K., & Van der Krabben, E. (2021). Housing supply limitations, land readjustment and the ecological performance of the urban landscape. *Sustainability*, 13(17), 9774. <https://doi.org/10.3390/sui13179774>
- Krigsholm, P., Puustinen, T., & Falkenbach, H. (2022). Understanding variation in municipal land policy strategies: An empirical typology. *Cities*, 126, 103710. <https://doi.org/10.1016/j.cities.2022.103710>
- Krippendorff, K. (2022). *Content analysis: An introduction to its methodology* (4th ed.). SAGE Publications. <https://doi.org/10.4135/9781071878781>
- Krippner, G. R. (2005). The financialization of the American economy. *Socio-Economic Review*, 3(2), 173–208. <https://doi.org/10.1093/ser/mwio08>
- Kusno, A. (2012). Housing the margin: *Perumahan rakyat* and the future urban form of Jakarta. *Indonesia*, 94, 23–56. <https://doi.org/10.5728/indonesia.94.0023>
- Langit, S. S. S., Yuspin, W., Pamuncak, A. W., & Budiono, A. (2022). Juridical overview of under hand lease agreement. In *Proceedings of the International Conference on Community Empowerment and Engagement (ICCEE 2021)*, Surakarta, Indonesia. Atlantis Press. <https://doi.org/10.2991/assehr.k.220501.033>
- Langley, P. (2007). Uncertain subjects of Anglo-American financialization. *Cultural Critique*, 65, 67–91. <https://doi.org/10.1353/cul.2007.0009>
- Leaf, M. (1993). Land rights for residential development in Jakarta, Indonesia: The colonial roots of contemporary urban dualism. *International Journal of Urban and Regional Research*, 17(4), 477–491. <https://doi.org/10.1111/j.1468-2427.1993.tb00236.x>
- Lee, M. (1996). The evolution of housing finance in Indonesia: Innovative responses to opportunities. *Habitat International*, 20(4), 583–594.
- Lima, V. (2020). The financialization of rental housing: Evictions and rent regulation. *Cities*, 105, 102787. <https://doi.org/10.1016/j.cities.2020.102787>
- Lowe, J. S., Prochaska, N., & Keating, W. D. (2022). Bringing permanent affordable housing and community control to scale: The potential of community land trust and land bank collaboration. *Cities*, 126, 103718. <https://doi.org/10.1016/j.cities.2022.103718>
- Lowndes, V. (2001). Rescuing Aunt Sally: Taking institutional theory seriously in urban politics. *Urban Studies*, 38(11), 1953–1971. <https://doi.org/10.1080/00420980120080871>

- Mangeswuri, D. R. (2016). Kebijakan pembiayaan melalui Fasilitas Likuiditas Pembiayaan Perumahan (FLPP). *Jurnal Ekonomi & Kebijakan Publik*, 7(1), 83–95. <https://doi.org/10.22212/jekp.v7i1.410>
- Marcuse, P. (2020). Wealth accumulation through home ownership. *City*, 24(1–2), 130–136. <https://doi.org/10.1080/13604813.2020.1739908>
- Mayo, S. K., & Sheppard, S. (1996). Housing supply under rapid economic growth and varying regulatory stringency: An international comparison. *Journal of Housing Economics*, 5(3), 274–289. <https://doi.org/10.1006/jhec.1996.0014>
- McGinnis, M. D. (2011). An introduction to IAD and the language of the Ostrom Workshop: A simple guide to a complex framework. *Policy Studies Journal*, 39(1), 169–183. <https://doi.org/10.1111/j.1541-0072.2010.00401.x>
- Meckelburg, R., & Wardana, A. (2024). The political economy of land acquisition for development in the public interest: The case of Indonesia. *Land Use Policy*, 137, 107017. <https://doi.org/10.1016/j.landusepol.2023.107017>
- Ministry of Investment. (2021). Foreign direct investment (FDI) realization based on sector: October - December (Quarter IV) 2021. https://www.bkpm.go.id/images/uploads/investasi_indonesia/file/FDI_TW_IV_Sector.pdf
- Monkkonen, P. (2013). Urban land-use regulations and housing markets in developing countries: Evidence from Indonesia on the importance of enforcement. *Land Use Policy*, 34, 255–264. <https://doi.org/10.1016/j.landusepol.2013.03.015>
- Moochtar, R. (1980). Urban housing in Indonesia. *Habitat International*, 4(3), 325–339.
- Murray, C. K. (2020). Time is money: How landbanking constrains housing supply. *Journal of Housing Economics*, 49, 101708. <https://doi.org/10.1016/j.jhe.2020.101708>
- Mungkasa, O. (2013). Catatan kritis tentang hunian berimbang. *HUD Magazine*, July, 18–21.
- Muñoz-Gielen, D., Salas, I. M., & Cuadrado, J. B. (2017). International comparison of the changing dynamics of governance approaches to land development and their results for public value capture. *Cities*, 71, 123–134. <https://doi.org/10.1016/j.cities.2017.05.012>
- Muzakir, I., & Hidayat, F. A. (2022, November 3). Apersi Banten: Perda PBG jadi kendala pembangunan rumah subsidi. *BeritaSatu*. <https://www.beritasatu.com/ekonomi/901197/apersi-banten-perda-pbg-jadi-kendala-pembangunan-rumah-subsidi>
- Njo, A., Made, N. I., & Irwanto, A. (2019). Dual process of dual motives in real estate market Indonesia. *International Journal of Housing Markets and Analysis*, 12(1), 25–42. <https://doi.org/10.1108/IJHMA-05-2017-0049>
- Noegroho, N. (2012). Penerapan konsep land banking di Indonesia untuk pembangunan perumahan MBR di kawasan perkotaan. *ComTech: Computer, Mathematics and Engineering Applications*, 3(2), 961–965.
- Nugroho, A. A., Purnama, M. Y. I., & Fauzia, L. R. (2018). Monetary policy and the housing market in Indonesia: Evidence from selected regions. *Jurnal Keuangan dan Perbankan*, 22(4). <https://doi.org/10.26905/jkdp.v22i4.2515>
- Nugroho, A. A., Purnama, M. Y. I., & Fauzia, L. R. (2020). Clustering and regional growth in the housing market: Evidence from Indonesia. *Jurnal Keuangan dan Perbankan*, 24(1), 83–94. <https://doi.org/10.26905/jkdp.v24i1.3565>
- Obeng-Odoom, F. (2017). Urban governance in Africa today: Reframing, experiences, and lessons. *Growth and Change*, 48(1), 4–21. <https://doi.org/10.1111/grow.12164>
- Obermayr, C., & Astuti, W. (2016). Paradigm shifts in the international housing debate and its local implications for Surakarta's approaches on housing the poor. In R. Rachmawati, G. Pomeroy, & D. Mookherjee (Eds.), *Rapid urbanization and sustainable development in Asia: The 13th International Asian*

- Urbanization Conference proceedings (pp. 571–580). Badan Penerbit Fakultas Geografi, Universitas Gadjah Mada.
- Ostrom, E. (2005). Doing institutional analysis: Digging deeper than markets and hierarchies. In C. Ménard & M. M. Shirley (Eds.), *Handbook of new institutional economics* (pp. 819–848). Springer. https://doi.org/10.1007/0-387-25092-1_31
- Ostrom, E. (2010). Beyond markets and states: Polycentric governance of complex economic systems. *American Economic Review*, 100(3), 641–672. <https://doi.org/10.1257/aer.100.3.641>
- Pamungkas, A., Iranata, D., Yuwono, J., & Jaelani, L. M. (2019). An insight on Surabaya development: Pre-colonial, colonial, post-colonial and current era. *IOP Conference Series: Earth and Environmental Science*, 340, 012002. <https://doi.org/10.1088/1755-1315/340/1/012002>
- Pereira, A. L. D. S. (2017). Financialization of housing in Brazil: New frontiers. *International Journal of Urban and Regional Research*, 41(4), 604–622. <https://doi.org/10.1111/1468-2427.12518>
- Pugh, C. (2001). The theory and practice of housing sector development for developing countries, 1950–99. *Housing Studies*, 16(4), 399–423. <https://doi.org/10.1080/02673030120066527>
- Putri, Y. A. (2011, October 1). Segudang masalah konsumen perumahan. *Yayasan Lembaga Konsumen Indonesia (YLKI)*. <https://ylki.or.id/2011/10/segudang-masalah-konsumen-perumahan/>
- Rahmawati, D., Samsura, D. A. A., Van der Krabben, E. (2025). *From policy to practice: How public land policies shape private-sector housing development—An Indonesian case*. *Land*, 14(5), 916. <https://doi.org/10.3390/land14050916>
- Rahmawati, D., Rukmana, D. (2022). The financialization of housing in Indonesia: Actors and their roles in the transformation of housing production. *Cities*, 131, 103918. <https://doi.org/10.1016/j.cities.2022.103918>
- Rifda. (2024, March 14). Segala hal yang perlu diketahui tentang IMB: Persyaratan, tujuan, dan dampaknya. *IZIN.co.id*. <https://izin.co.id/indonesia-business-tips/2024/03/14/imb-adalah-izin-mendirikan-bangunan/>
- Rodríguez-Pose, A., Storper, M. (2020). Housing, urban growth and inequalities: The limits to deregulation and upzoning in reducing economic and spatial inequality. *Urban Studies*, 57(2), 223–248. <https://doi.org/10.1177/0042098019859458>
- Roestamy, M., Martin, A. Y., Rusli, R. K., Fulazzaky, M. A. (2022). A review of the reliability of land bank institution in Indonesia for effective land management of public interest. *Land Use Policy*, 120, 106275. <https://doi.org/10.1016/j.landusepol.2022.106275>
- Rolnik, R. (2013). Late neoliberalism: The financialization of homeownership and housing rights. *International Journal of Urban and Regional Research*, 37(3), 1058–1066. <https://doi.org/10.1111/1468-2427.12062>
- Romainville, A. (2017). The financialization of housing production in Brussels. *International Journal of Urban and Regional Research*, 41(4), 623–641. <https://doi.org/10.1111/1468-2427.12517>
- Roitman, S., & Rukmana, D. (Eds.). (2022). *Routledge Handbook of Urban Indonesia* (1st ed.). Routledge. <https://doi.org/10.4324/9781003318170>
- Rudiarto, I. (2014). *Land tenure security in selected countries: Synthesis report*. <https://www.foncier-developpement.fr/publication/land-tenure-security-in-selected-countries-synthesis-report/>
- Rukmana, D. (2015). The change and transformation of Indonesian spatial planning after Suharto's New Order regime: The case of the Jakarta metropolitan area. *International Planning Studies*, 20(4), 350–370. <https://doi.org/10.1080/13563475.2015.1008723>
- Rukmana, D. (2018). Upgrading housing settlement for the urban poor in Indonesia: An analysis of the Kampung Deret program. In T. M. Kauko (Ed.), *Metropolitan governance in Asia and the Pacific Rim* (pp. 213–230). Springer. <https://doi.org/10.1007/978-981-13-0206-0>

- Rukmana, D. (2019). *Jejak langkah hunian layak Indonesia [Milestones of Indonesian affordable housing]*. Ministry of Housing and Public Works, Republic of Indonesia.
- Sadyohutomo, M. (2016). *Tata guna tanah dan penyerasian tata ruang*. Pustaka Pelajar.
- Sanga, N. (2021). Low-income housing development in India: Strategies for income mixing and inclusive urban planning. *Journal of Urban Affairs*. Advance online publication. <https://doi.org/10.1080/07352166.2021.1969244>
- Sanjaya, D., & Djaja, B. (2021). Pengaturan bank tanah dalam Undang-Undang Cipta Kerja dan implikasi keberadaan bank tanah terhadap hukum pertanahan di Indonesia. *Jurnal Muara Ilmu Sosial, Humaniora, dan Seni*, 5(2), 462–474. <http://dx.doi.org/10.24912/jmishumsen.v5i2.11387.2021>
- Sari, E. K. (2018). Perlunya izin mendirikan bangunan (IMB) pada bangunan gedung. In *Proceedings of the 4th National Scholars Seminar 2018: Law, Politics, Management, Economics, Accounting, Counseling, Design, and Fine Arts* (pp. 1015–1020).
- Sasu, A., Squires, G., & Javed, A. (2022). Land banking and land markets: A literature review. *Habitat International*, 130, 102698. <https://doi.org/10.1016/j.habitatint.2022.102698>
- Setiawan, B. (2021). *Transformasi perkotaan di Indonesia [Urban transformation in Indonesia]*. Deepublish.
- Shin, Y. (2014). Reconstructing urban politics with a Bourdieusian framework: The case of local low-income housing policy. *International Journal of Urban and Regional Research*, 38(5), 1833–1848. <https://doi.org/10.1111/1468-2427.12174>
- Siagian, C., Utomo, A., Kamil, M. I., & Cook, B. (2023). Unravelled homes: Forced evictions and home remaking in Jakarta. *International Journal of Urban and Regional Research*, 47(3), 386–404. <https://doi.org/10.1111/1468-2427.13170>
- Silas, J. (2016). *Perumahan dalam jejak paradoks*. Laboratorium Perumahan dan Permukiman, Jurusan Arsitektur-FTSP, Institut Teknologi Sepuluh Nopember.
- Sitorus, O. (2006). Aspek hukum konsolidasi tanah di Indonesia [Legal aspects of land consolidation in Indonesia]. *Mimbar Hukum*, 18(1), 1–158.
- Smets, P., & van Lindert, P. (2016). Sustainable housing and the urban poor. *International Journal of Urban Sustainable Development*, 8(1), 1–9. <https://doi.org/10.1080/19463138.2016.1168825>
- Smolka, M. O., & Amborski, D. (2000). *Value capture for urban development: An inter-American comparison*. Lincoln Institute of Land Policy.
- Socoloff, I. (2019). Subordinate financialization and housing finance: The case of indexed mortgage loans' coalition in Argentina. *Housing Policy Debate*, 30(4), 585–605. <https://doi.org/10.1080/10511482.2019.1676810>
- Somerville, C. T. (2001). Permits, starts, and completions: Structural relationships versus real options. *Real Estate Economics*, 29 (1), 161–190. <https://doi.org/10.1111/1080-8620.00012>
- Sorensen, A. (2018). Institutions and urban space: Land, infrastructure, and governance in the production of urban property. *Planning Theory and Practice*, 19(1), 21–38. <https://doi.org/10.1080/14649357.2017.1408136>
- Stabrowski, F. (2015). Inclusionary zoning and exclusionary development: The politics of “affordable housing” in North Brooklyn. *International Journal of Urban and Regional Research*, 39(6), 1120–1136. <https://doi.org/10.1111/1468-2427.12297>
- Steinberger, P. J. (1980). Typologies of public policy: Meaning construction and the policy process. *Social Science Quarterly*, 61(2), 185–197.
- Struyk, R. J., Hoffman, M. L., & Katsura, H. M. (1990). *The market for shelter in Indonesian cities*. Urban Institute Press.

- Sukarno, & Indarto. (2010). Analisis pengukuran kinerja Perum Perumnas Regional IV Bandung dengan pendekatan balanced scorecard dan Keputusan Menteri BUMN Nomor 100 Tahun 2002. *Jurnal Riset Ekonomi dan Bisnis*, 7, 45–67.
- Sumardjono, M. S. W. (2018). *Regulasi pertanahan dan semangat keadilan agraria* [Land regulation and the spirit of agrarian justice]. STPN Press.
- Supriatna, A., & Van der Molen, P. (2014). Land readjustment for upgrading Indonesian kampung: A proposal. *South East Asia Research*, 22(3), 379–397. <https://doi.org/10.5367/sear.2014.0218>
- Sutianingsih. (2010). Keputusan konsumen dalam membeli perumahan. *Riset Manajemen dan Akuntansi*, 1(2), 97–111.
- Taruvinga, B. G., & Mooya, M. M. (2018). Neo-liberalism in low-income housing policy – Problem or panacea? *Development Southern Africa*, 35(1), 126–140. <https://doi.org/10.1080/0376835X.2017.1412298>
- The Ministry of Housing and Public Works. (2019). *Bunga rampai penyelenggaraan perumahan di Indonesia* [Anthology of housing provision in Indonesia]. The Ministry of Housing and Public Works Republic of Indonesia.
- Thornton, P. H., & Ocasio, W. (1999). Institutional logics and the historical contingency of power in organizations: Executive succession in the higher education publishing industry, 1958–1990. *American Journal of Sociology*, 105(3), 801–843. <https://doi.org/10.1086/210361>
- Thornton, P. H., Ocasio, W., & Lounsbury, M. (2012). *The institutional logics perspective: A new approach to culture, structure and process*. Oxford University Press.
- Tomlinson, M. R. (1999). From rejection to resignation: Beneficiaries' views on the South African government's new housing subsidy system. *Urban Studies*, 36(8), 1349–1359. <https://doi.org/10.1080/0042098993024>
- Tomlinson, M. R. (2006). From 'quantity' to 'quality': Restructuring South Africa's housing policy ten years after. *International Development Planning Review*, 28(1), 85–103. <https://doi.org/10.3828/idpr.28.1.4>
- Tomlinson, M. R. (2011). Managing the risk in housing delivery: Local government in South Africa. *Habitat International*, 35(3), 419–425. <https://doi.org/10.1016/j.habitatint.2010.11.003>
- Turner, J. F. C. (1972). Housing as a verb. In J. F. C. Turner & R. Fichter (Eds.), *Freedom to build: Dweller control of the housing process* (pp. 148–175). MacMillan.
- United Nations Human Rights Council. (2013). *Report of the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and on the right to non-discrimination in this context*, Raquel Rolnik (A/HRC/25/5).
- Van der Krabben, E., & Needham, B. (2008). Land readjustment for value capturing: A new planning tool for urban redevelopment. *Town Planning Review*, 79(6), 651–672. <https://doi.org/10.3828/tpr.79.6.4>
- Van der Krabben, E., & Jacobs, H. M. (2013). Public land development as a strategic tool for redevelopment: Reflections on the Dutch experience. *Land Use Policy*, 30, 774–783. <https://doi.org/10.1016/j.landusepol.2012.06.002>
- Van der Krabben, E., Tiwari, P., & Shukla, J. (2022). A review of land development strategies for urban development: Technical function and rationales. *Town Planning Review*, 94(2), 125–148. <https://doi.org/10.3828/tpr.2021.52>
- Van der Krabben, E. (2022). De versnelling van de woningbouwproductie: De rol van grondbeleid. *Bestuurskunde*, 31(1), 34–46. <https://doi.org/10.5553/bk/092733872022031001003>
- Van Dijk, T., & Kopeva, D. (2006). Land banking and Central Europe: Future relevance, current initiatives, Western European past experience. *Land Use Policy*, 23(3), 286–301. <https://doi.org/10.1016/j.landusepol.2004.07.005>

- Van Genabeek, J., & Rietbergen, L. (1991). *De S.D.A.P. en de volkshuisvesting: Inhoud en resultaten van het sociaaldemocratische volkshuisvestingsbeleid in Nederland (1894–1940)*. Utrecht: J. van Genabeek & L. Rietbergen.
- Van Heerden, S. (2020). Is urban housing becoming a commodity? Reflections on housing financialisation in EU cities. *Regions eZine*, (7). <https://doi.org/10.1080/13673882.2020.00001075>
- Wainwright, T., & Manville, G. (2016). Financialization and the third sector: Innovation in social housing bond markets. *Environment and Planning A: Economy and Space*, 49(4), 819–838. <https://doi.org/10.1177/0308518X16684140>
- White, P. (1986). Land availability, land banking and the price of land for housing: A review of recent debates. *Land Development Studies*, 3(2), 101–111. <https://doi.org/10.1080/02640828608723904>
- Widarti, P. (2019, May 2). Pengembangan rumah murah MBR terganjal 3 masalah ini. *Bisnis.com*. <https://ekonomi.bisnis.com/read/20190502/47/917981/pengembangan-rumah-murah-mbr-terganjal-3-masalah-ini>
- Widoyoko, D. (2007). *Good governance and provision of affordable housing in DKI Jakarta, Indonesia: Case study*. Loughborough: WEDC, Loughborough University.
- Wijburg, G., & Aalbers, M. B. (2017). The alternative financialization of the German housing market. *Housing Studies*, 32(7), 968–989. <https://doi.org/10.1080/02673037.2017.1291917>
- Wu, Y. (2009). New institutionalism politics: Integration of old institutionalism and other methodologies. *Asian Social Science*, 5(9), 105–105. <https://doi.org/10.5539/ass.v5n9p105>
- Yuniati, V. (2013). *Inclusionary housing in Indonesia: The role of balanced residential ratio 1:3:6 in Makassar*. Institute for Housing and Urban Development Studies, Erasmus University Rotterdam.
- Zhang, D., Tu, Y., & He, Y. (2024). How a mandate of minimum green building standards influences green building adoption in the private housing sector: Evidence from Singapore during 2005–2019. *Cities*, 148, 104893. <https://doi.org/10.1016/j.cities.2024.104893>
- Zhang, Q., Zhang, W., Li, M., Huang, Q., & Li, F. (2012). Land banking: A mechanism for urban sustainable development in China. *AMBIO*, 41(8), 904–906. <https://doi.org/10.1007/s13280-012-0297-y>



Appendices

Acknowledgements

In December 2016, during a cold winter in Gangwon, South Korea, I attended a UN-Habitat workshop where a professor from the Netherlands gave a lecture on land readjustment in urban planning. That lecture sparked my interest, and I seized the chance to speak with him. It was during that conversation that I first heard the name of a city called Nijmegen. Little did I know it would later become the backdrop to one of the most transformative chapters of my life. I thank Professor Barry Needham for planting the seed of curiosity that eventually shaped my PhD journey.

Several years later, at an international conference hosted by my university in Surabaya, I met another professor from the Netherlands. Our conversation about research collaboration was deeply inspiring. I later discovered that he also teaches at Radboud University, where Professor Needham once worked, and whom he succeeded in the field. What a small world. He was Professor Erwin van der Krabben, my PhD supervisor. I thank him deeply for opening the door that made this PhD journey possible and for his trust and guidance throughout the process.

I am also sincerely grateful to my co-supervisor, Dr. Ir. Datuk Ary Adrian Samsura, for his active collaboration with Indonesian universities, including mine. His guidance and insightful contributions, often through our many constructive debates, have been influential in shaping my research.

I would like to thank the IMR Doctoral School: Professor Kristina Lauche and Dr. Daan van Bel for their dedication to upholding the high standards of the doctoral programme, through both helpful workshops and personal guidance.

I extend my gratitude to Professor Deden Rukmana (University of Texas at Arlington, USA) for mentoring me in my academic development through the Indonesian Ministry of Higher Education programme. His encouragement to sharpen my writing and publishing skills has been inspiring and invaluable to my doctoral research.

I thank the manuscript committee: Professor Sander Meijerink, Professor Tuna Taşan-Kok (Universiteit van Amsterdam), and Professor Tejo Spit (Utrecht University) for their constructive input and approval on my dissertation. I also wish to thank the other members of the Doctorate Examination Board for their kind support in my defence: Professor Adjie Pamungkas, Professor Rachelle Alterman, and Dr. Klaas Kresse.

I also wish to thank the other members of the Doctorate Examination Board for their kind support in my defence: Prof. dr. A. Pamungkas, Prof. dr. R. Alterman, and Dr. K. Kresse.

I acknowledge my paranymphs, Dr. Corinne Vitale, Luuk Winkelmolen, and Satya Budi Nugraha, for standing by me during this important milestone.

I am grateful to my colleagues in office EOS 02.210: Ainul, Luuk, Susan, Gerben, Satya, and Sem for turning a workspace into a hub of support and warm memories. I also thank Corinne, Catherina, Ira, Sarif, Aris, Maarten, Iris, Simone, Esther, and Sousan for the many moments we shared.

I thank my Atjehstraat neighbours: Ingrid, Julie, and Freek (with little Gijs) for their warmth and friendship, which gave me a sense of acceptance and comfort beyond the academic sphere.

I am grateful to my colleagues at home institution in Surabaya, the Department of Urban and Regional Planning, Faculty of Civil, Planning, and Geo-Engineering, Institut Teknologi Sepuluh Nopember (ITS).

I acknowledge my research team in Surabaya: Rifka, Eika, Hema, and Ikhfad for their invaluable support to my research.

I dedicate this work to my dearest family: my late father, Dr. M. Nadir Abdullah, SpOG, who passed away during the second year of my PhD journey. Losing him while being far from home was the hardest part of my life. To my mother, Rosita, whose endless prayers and resilience have been a constant source of strength. To my husband, Delsy, and my children, Dea and Daafi as my greatest pillars of support and constant reminder of what truly matters. To my brothers, Dion and Deni, thank you for always being there.

Lastly, I thank myself for believing, persevering, and never giving up.

Above all, I offer my deepest gratitude to The Most Gracious and Merciful, who granted me the resilience to remain grounded throughout this journey.

Nijmegen, December 2025

About the author

Dian Rahmawati is a lecturer at the Department of Urban and Regional Planning, Institut Teknologi Sepuluh Nopember (ITS), Surabaya, one of Indonesia's leading state universities. She holds both a Bachelor's and a Master's degree in Architecture from ITS, with a specialization in Urban Settlement and Environment. Dian began her PhD journey in 2020 under the supervision of Prof. Dr. Erwin van der Krabben and Dr. Ing. Ary Samsura, focusing on housing research. Her dissertation explores the intersection of land governance, housing markets, and public policy in Indonesia, drawing on institutional housing theory and planning perspectives to understand the performance of speculative formal housing development in a rapidly evolving urban context.

Before starting her academic career, Dian worked as an architect on the supervision team for the Surabaya International Airport Construction Project. She also gained professional experience at architecture and urban design firms in Osaka, Japan, and Melbourne, Australia. Her return to academia as a lecturer and researcher was the realization of a long-held aspiration. Beyond academia, Dian actively contributes to urban planning research and education in Indonesia. She engages in policy dialogues with the Ministry of Spatial Planning and local municipalities and serves on both regional and national committees of the Indonesian Planning School Association (ASPI). She once managed the World Planning School Congress (WPSC) 2022 in Bali as a Program Manager.

Her contributions have been recognized through several awards, including a National Award in 2009 from the Indonesian Ministry of Public Works for her community engagement on river conservation in urban area, and the *Satyalancana Karyasatya* in 2019 from the President of the Republic of Indonesia for ten years of dedicated service in public higher education. She was also selected by the U.S. Department of State to participate in the International Visitor Leadership Program, where she visited Washington D.C., New York, Austin, and Chicago to learn about financing sustainable infrastructure.

List of scientific publications (2020 – 2025)

- Rahmawati, D.**, Samsura, D.A.A., Van der Krabben, E. (2025). Private speculation versus public inefficiency: Which delays housing development more?. *Journal of Property Research*. <https://doi.org/10.1080/09599916.2025.2542209>
- Rahmawati, D** & Rukmana, D. (2025). Urban Politics on Housing Policy Transformation in Indonesia: An Institutional Perspective. *Housing Studies*, 41. <https://doi.org/10.1080/02673037.2025.2552404>
- Rahmawati, D.**, Samsura, D. A. A., & Van der Krabben, E. (2025). From Policy to Practice: How Public Land Policies Shape Private-Sector Housing Development—An Indonesian Case. *Land*, 14(5), 916. <https://doi.org/10.3390/land14050916>
- Pamungkas, A., Elysiyah, I., Mahardhika, G. R., Mauludya, Y. E. J., **Rahmawati, D.**, & Wahyuni, S. (2024). *Rapid assessment for emergency infrastructures in responding flood related to mining activity: Case study of Banjarasri and Kedungbanteng flood, Sidoarjo, Indonesia*. *BIO Web of Conferences*, 89, 08001. <https://doi.org/10.1051/bioconf/20248908001>
- Nisa', R. Q., Umilia, E., **Rahmawati, D.**, & Samsura, D. A. A. (2023). How do public policies impact housing provision? An empirical study of housing in Surabaya, Indonesia. *IOP Conference Series: Earth and Environmental Science*, 1186, 012012. <https://doi.org/10.1088/1755-1315/1186/1/012012>
- Rahmawati, D.**, Rukmana, D. (2022). The financialization of housing in Indonesia: Actors and their roles in the transformation of housing production. *Cities*, 131, 103918. <https://doi.org/10.1016/j.cities.2022.103918>
- Rahmawati, D.**, Kurnia, I., & Sadyohutomo, M. (2022). Econometric Integration in Planning Effectiveness toward Sustainable Housing Provision. *Journal of Regional and Rural Development Planning*, 6(2), 136-145. <https://doi.org/10.29244/jp2wd.2022.6.2.136-145>
- Rahmawati, D.**, Tucunan, K. P., Irsyad, F. R. N., & Budiani, J. R. (2022). Planning and policy effectiveness toward sustainable housing provision in Indonesia through econometric approach. *IOP Conference Series: Earth and Environmental Science*, 1015(1), 012018. <https://doi.org/10.1088/1755-1315/1015/1/012018>
- Rahmawati, D.**, Umilia, E., Idajati, H., & Fortuna, S. (2021). Rumah Sebagai Garda Depan Pertahanan Masyarakat Selama Pandemi Covid-19: Pengukuran Resiliensi Kawasan Permukiman di Indonesia. *Jurnal Pembangunan Wilayah dan Kota*, 17(1), 94-107. <https://doi.org/10.14710/pwk.v17i1.36529>
- Rahmawati, D.**, Soedarso, S., Suryani, A., Wibowo, B. M., Muklason, A., & Endarko. (2021). Sustainable tourism development based on local participation: Case study on Dalegan District for the East Java tourism industry. *IOP Conference Series: Earth and Environmental Science*, 777(1), 012037. <https://doi.org/10.1088/1755-1315/777/1/012037>
- Kusuma, R. P., & **Rahmawati, D.** (2021). Improvement Strategy for KOTAKU program in Slum Settlements Area in Sidoarjo. *Journal of Infrastructure & Facility Asset Management*, 3(2).
- Mitzalina, A., & **Rahmawati, D.** (2021). Performance level of Kampung Cerdas concept using Importance-Performance Analysis (IPA) methods in Kampung Genteng Candirejo, Surabaya. *IOP Conference Series: Earth and Environmental Science*, 778(1), 012017. <https://doi.org/10.1088/1755-1315/778/1/012017>
- Septanaya, I. D. M. F., **Rahmawati, D.**, Navitas, P., & Stefanugroho, P. K. (2020). What sets it apart from the rest? Investigating the national slum upgrading program, KOTAKU, in Surabaya. *IOP Conference Series: Earth and Environmental Science*, 562(1), 012031. <https://doi.org/10.1088/1755-1315/562/1/012031>
- Multazam, A. F., & **Rahmawati, D.** (2020). Location analysis of fish port complex planning in Surabaya City based on Integrated Coastal Zone Management (ICZM) approach. *IOP Conference Series: Earth and Environmental Science*, 562(1), 012011. <https://doi.org/10.1088/1755-1315/562/1/012011>

- Sakdiah, C., & **Rahmawati, D.** (2020). Strategi penanganan permukiman kumuh kawasan DAS Metro Kota Malang berdasarkan prinsip Sustainable Development Goals (SDGs). *Jurnal Teknik ITS*, 9(1), C223–C230. <https://doi.org/10.12962/j23373539.v9i1.50892>
- Vialita, E., & **Rahmawati, D.** (2020). How liveable is living in public housing? A liveability measurement at low-income apartment of Kompleks Rumah Susun Sombo, Surabaya. *IOP Conference Series: Earth and Environmental Science*, 452(1), 012129. <https://doi.org/10.1088/1755-1315/452/1/012129>

