



# INDONESIA PUBLIC RENTAL HOUSING (RUSUNAWA)

SEPTEMBER 2020

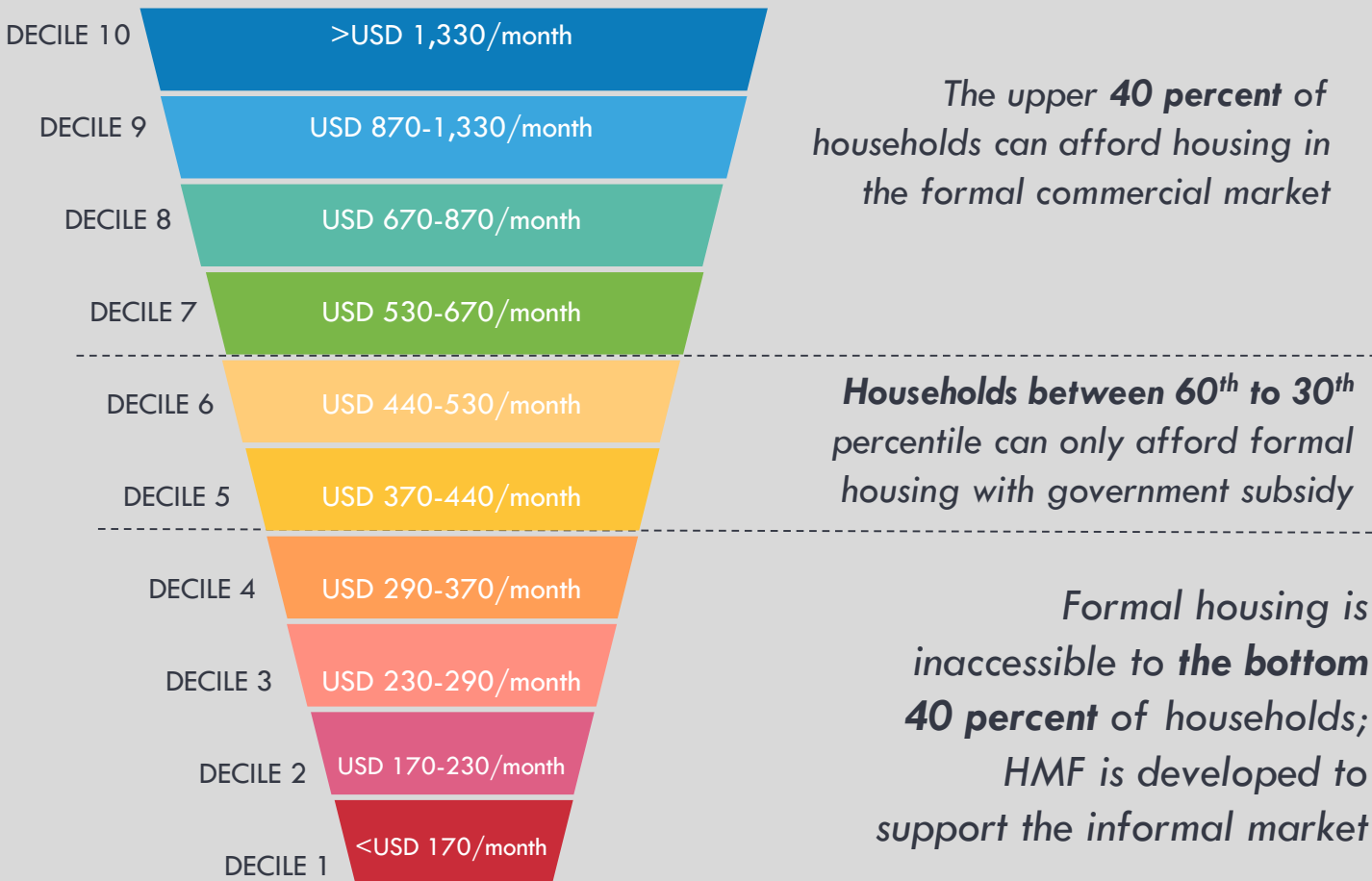


# HOUSING NEEDS AND GOVERNMENT INTERVENTION

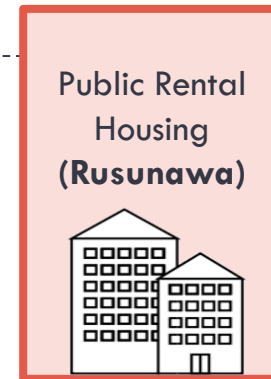
*Housing affordability remains a key constraint in Indonesia...*

## GOVERNMENT INTERVENTION

### INDONESIA INCOME SEGMENTATION\*



**Credit-linked subsidy for home ownership**  
(Liquidity, interest rate subsidy & down-payment assistance)



**Home Improvement grant (BSPS)**

In Metro Area

\*Decile derived from HHs expenditure distribution in paid rental data for Jakarta, Bandung, Surabaya, Medan, Semarang, Makassar, Palembang (Susenas 2018)

# **KEY CHALLENGES** OF RUSUNAWA MODEL

**1**

**Financially un-sustainable model**

**2**

**Not leveraging the private sector**

**3**

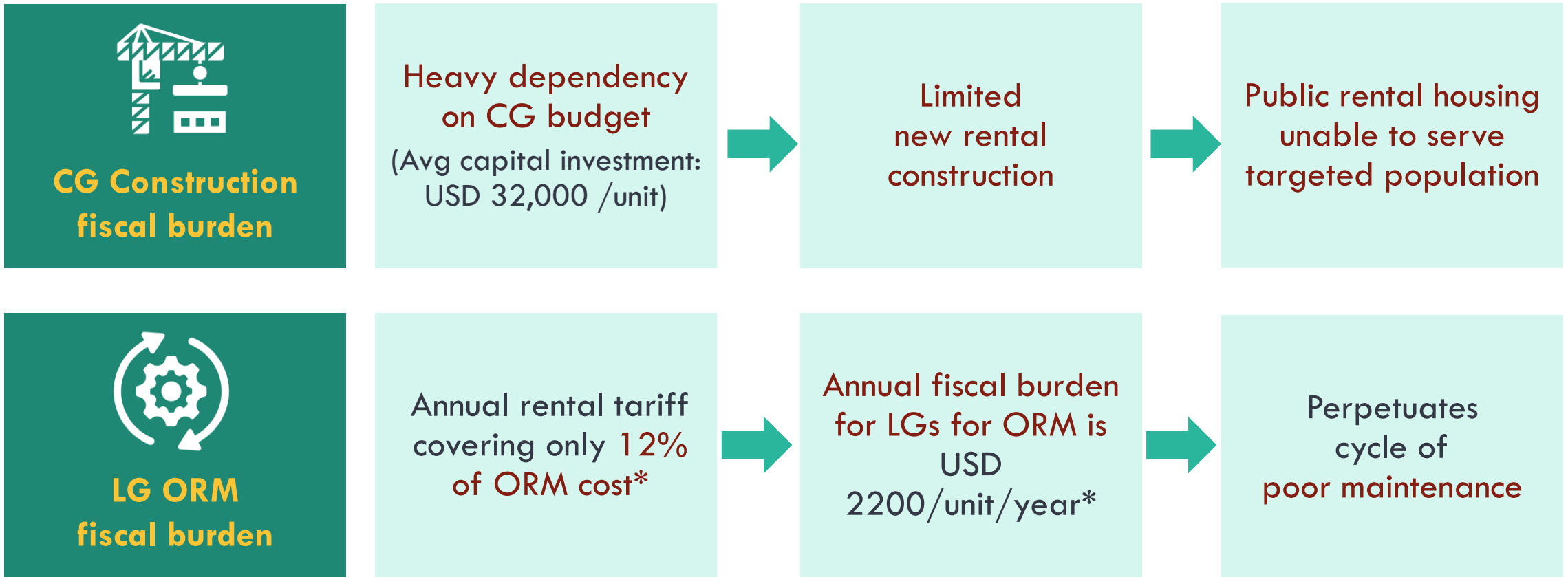
**Weak implementation efficiency due to institutional inflexibility**

**4**

**Reduced household livelihood and livability**

# KEY CHALLENGES OF RUSUNAWA MODEL

## 1 Financially un-sustainable model: capital & operating cost



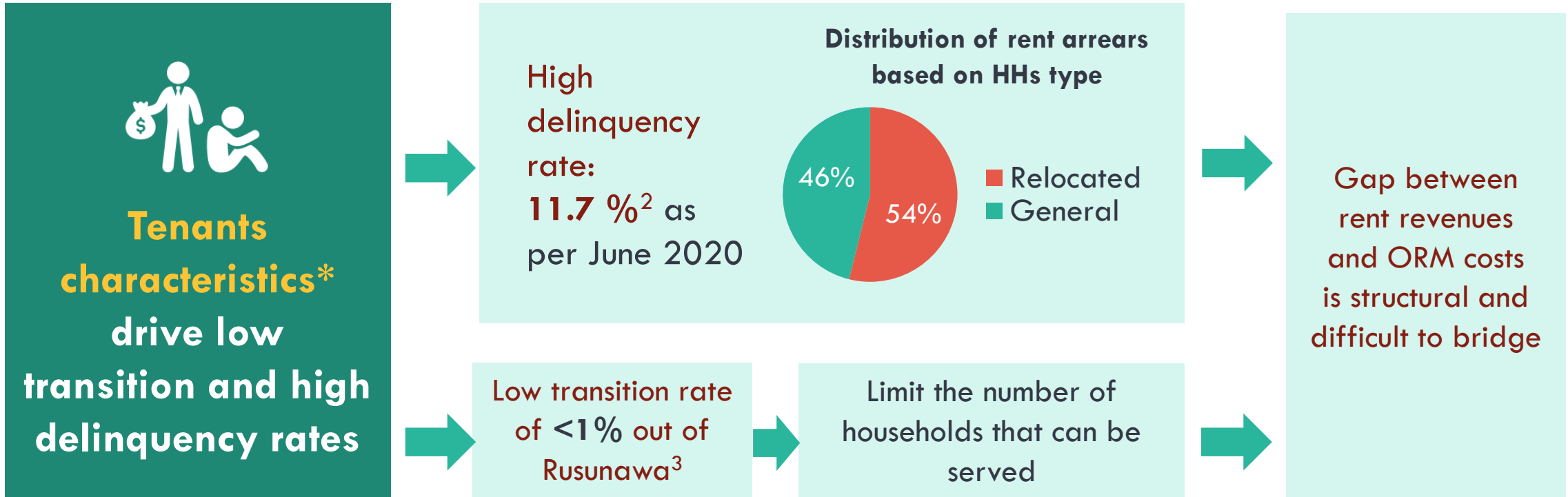
ORM = Operating Repair Maintenance

Source: WB analysis based on RUSUNAWA study

\* Calculation assumption for tower construction (see Annex for more information)

# KEY CHALLENGES OF RUSUNAWA MODEL

## 1 Financially un-sustainable model: tenant characteristics

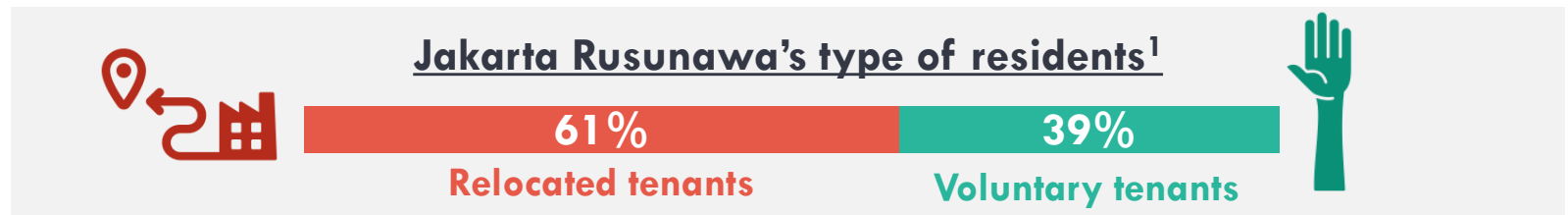


\* see Annex for more information, pg30

<sup>1</sup>DKI Jakarta survey of 1600 HHs in 23 Rusunawas, 2017

<sup>2</sup>DKI Jakarta presentations; delinquency rate of 0-360 dpd

<sup>3</sup> Field survey with several LGs officials in January 2020



# KEY CHALLENGES OF RUSUNAWA MODEL

2

## Not leveraging the private sector

To be **scalable**, any housing solution must be **financially sustainable** and **leverage the private sector**

**Rusunawa** fully funded and managed by Gol

**USD 32,000** capital investment per unit ... **Costly, not scalable**

**Mortgage Subsidy (liquidity)**  
USD 5,000 cost to Govt per unit

**Mortgage Subsidy (down-payment assistance)**  
USD 2,700 cost to Govt per unit

**Housing upgrade subsidy**  
Community delivered  
USD 1,200 cost to Govt per unit

**Commercial housing**  
100% funded and delivered by private sector

Home ownership valued at ~USD 11,000 per unit

**PUBLIC**

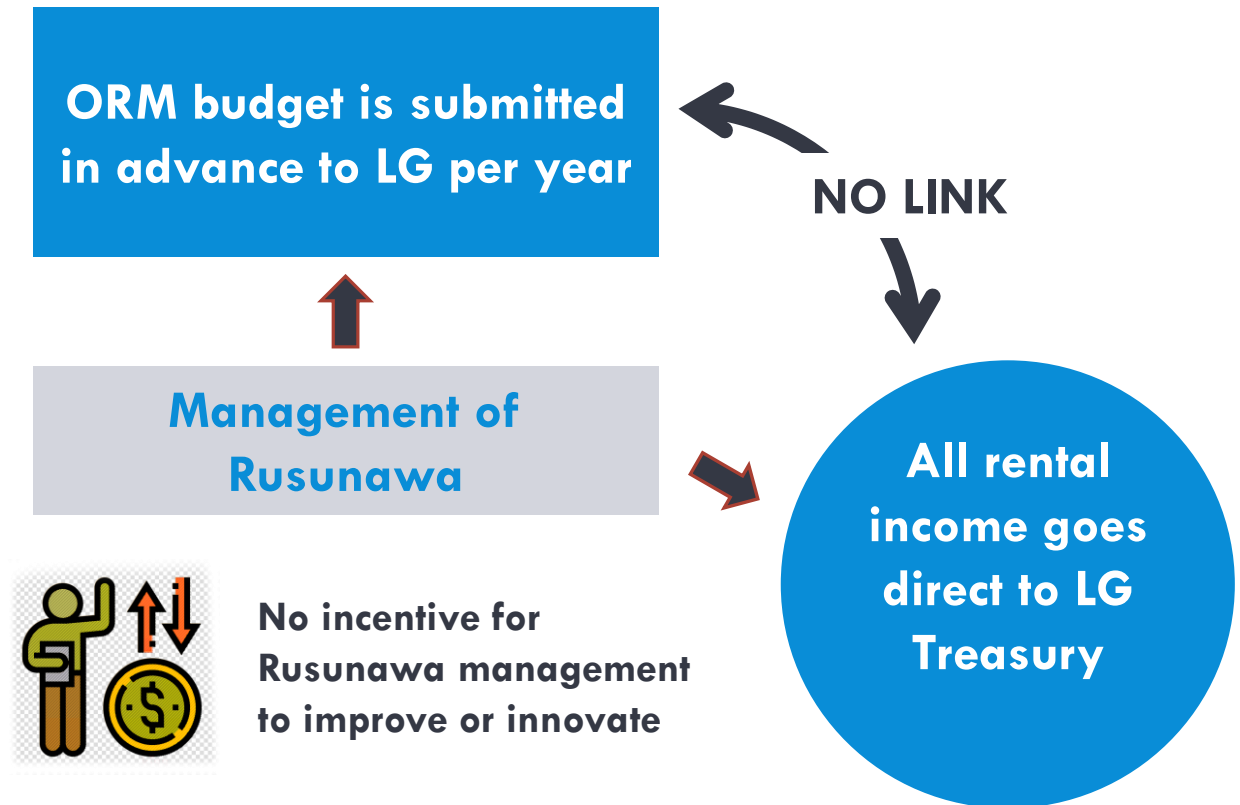
**Spectrum of Engagement**

**PRIVATE**

## KEY CHALLENGES OF RUSUNAWA MODEL

### 3 Lack innovation and efficiency due to institutional inflexibility

- Rusunawa management is not autonomous: **no link between revenues and expenditures**
- **LG regulations prevent revenues from commercial sources**
- **LGs lack a cohesive rent-setting strategy:** *No differentiation of rent tariff based on location, size, finish, or household ability to pay. (Exceptions are Jakarta and West Java)*



# KEY CHALLENGES OF RUSUNAWA MODEL

4

## Reduced household livelihood & livability

### Livability issues

Less disaster risk



Relocated residents living in safe, non disaster-prone housing

Water

Low quality of Rusunawa water requiring HH to buy water for drinking & cooking<sup>1</sup>

#### Additional HH Cost for Water



*“Our lives is so hard now and we have to spend so much money. But we also feel comfortable here because it is far from the flood.... It is not our intention to mourn our difficult lives. But we want to have a better live.” – Ida, 40yo, relocated resident<sup>3</sup>*

Poor maintenance = slum-like conditions



Rusun Lette, Makassar<sup>2</sup>

Overcrowding<sup>1</sup>: small units, large families

**Jakarta unit**

by size:

18m<sup>2</sup>,  
21m<sup>2</sup>,  
30 m<sup>2</sup> and 36m<sup>2</sup>

**Family member(s)**

(1)	(2)	(3)
2.7%	9.8%	21.5%

(4)	(5+)
30.8%	32.2%



<sup>1</sup>DKI Jakarta survey of 1600 units/HHs in 23 Rusunawas,2017

<sup>2</sup><https://makassar.kompas.com/2020>

<sup>3</sup>A book of “Writing to Remember“, 12 collections of RJB residents’ writings in expressing their perceptions regarding the relocation and living in RJB, 2016



# 3 KEY LEARNINGS: BREAKING THE MOLD

**1 Leveraging Private Sector Reduces Capital Investment**

**2 Segmenting Tenant Profile Improves Operating Cost**

**3 Flexible Institutional Arrangement Enhances Innovation**

# 1 PRIVATE SECTOR THROUGH PPP: MIXED-INCOME / MIXED-USE

Delivering 1008 Rusunawa units at lower cost & more value

PPP Cisarenten Affordable Housing Complex,  
West Java



	<u>Existing model</u>	<u>PPP Model</u>
<b>Financing Scheme</b>	Govt Funding	Public & Private funding
<b>Investment Cost</b>	\$32million CG Investment budget (construction cost)	\$28million CG Investment budget (PV VGF*)
<b>Innovation</b>	No Value Add	Mix- Income/Mixed-use development  Additional Stocks 802 long-leased unit & 928 commercial unit
<b>ORM cost</b>	LG/CG still need to provide the same amount of ORM cost (\$2,200k/year)	

# 1 LEVERAGING PRIVATE SECTOR: FAR REGULATION

Use of Floor Area Ratio (FAR) for  
Affordable Alternative Financing

Developers build Rusunawa

↓ transfer to:

Local Government

Save construction Cost

AREA 17,6ha: 7 towers (1902 units)

- a) built on land owned by Local Government
- b) built through FAR compensation by 3 developers (2018-2021) **CG saved ~USD 61 million\*** for the construction cost



Green Rusunawa Daan Mogot, DKI Jakarta

Improve Energy Efficiency



- a) Tower 1,2,6,7 → EDGE certified
- b) Tower 3,4,5 → EDGE preliminary certified

\*Calculation assumption (see Annex for more information)

Source: DKI Jakarta presentation on Affordable housing product development workshop, 2019

**Need political commitment from all local governments**

## 2

# SEGMENTING TENANT PROFILES TO LOWER OPERATING COST

- **83%** of residents relocated from flood area
- Rent for relocated tenants: **USD 20-34/month**; Rent revenues cover **11.3% of ORM costs**
- Many tenants resistant to relocation/paying rent at all
- **Rental arrears** was **74%**



**Rusunawa Jatinegara Barat, DKI Jakarta:**  
Relocated resident community



**Rusunawa K S Tubun, DKI Jakarta:**  
Voluntary resident community

- No relocated residents
- Rent: **USD 100/month**; Rent revenues cover **98.5% of ORM costs**
- Policy is to enforce transition out of Rusunawa when HH income exceeds threshold
- Support to access DKI Jakarta ownership scheme (USD 237 monthly cost) for those who leave

# 2

# SAVING TO OWNERSHIP PROGRAM FOR LOCAL WORKERS

## PROGRAM CONCEPT

**Savings scheme in West Java to support ownership transition of targeted tenants: local factory workers**

Rental **occupancy for 5 years**, max. 10 years

- Residents join the program with initial savings of ~USD 33
- Monthly savings: ~USD 17 (10% of regional minimum wage\*)



### Partnership

Government, Banks, NGO's



### Empowerment program

**for income generating activities:** urban farming, tailoring, craft & culinary training, cooperation,

Residents save voluntarily every month to the affiliated bank

### GEMPITA



Saving scheme for home ownership Down Payment

- **0% Delinquency:** strict enforcement (electricity cut-off,
- **~8% Transition Rate:** to home ownership
- **Rent / ORM Gap significantly lower** vs. other Rusunawa

\* provincial minimum wage

Source: KSM Gempita presentation and phone interview with West Java Head of UPT, Ibu Aida (April 6th & Sept 2nd 2020)

### 3

## FLEXIBLE INSTITUTIONAL ARRANGEMENT: ENHANCING INNOVATION

### Transformation in institutional arrangement



- <sup>2</sup>Not-for-Profit government agency
- End-to-end management of Rusunawa
- Enable more innovation and flexibility to:
  - Manage assets according to cost rent principle
  - Outsource ORM, as deemed necessary
  - Assess HH income to deliver housing vouchers
  - Manage saving schemes & ownership transition

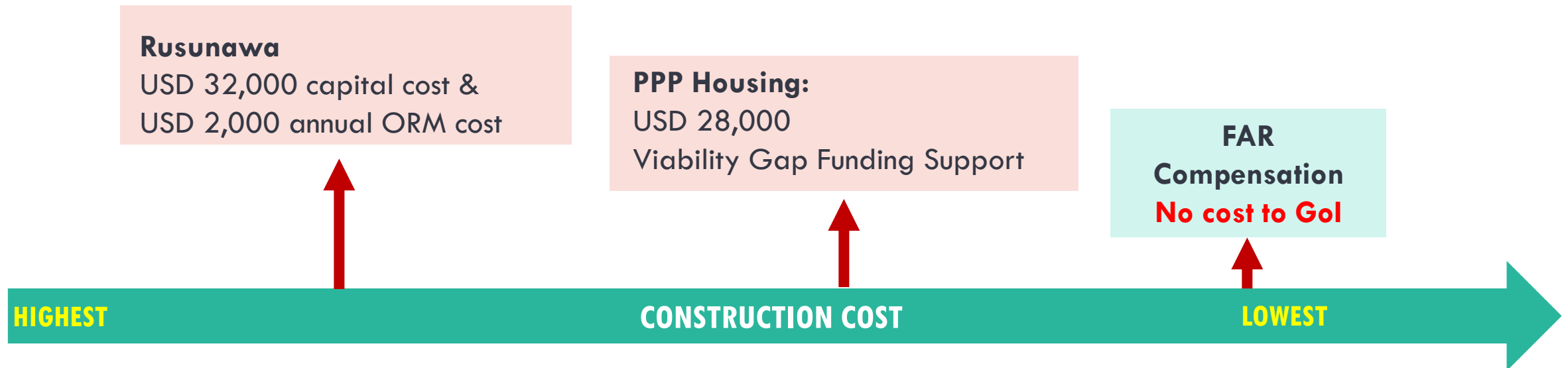
### Reform in Indonesia:

#### DKI Jakarta BLUD

- Transfer **Rusunawa management** from its current 13 UPRS to a **single BLUD**
- BLUD: retain revenues for **reinvestment**
- Raise and retain revenue from **other sources – e.g. advertising**
- Should enable **cross-subsidy** of estates with **older buildings** and/or **poorer residents** from newer estates with less poor residents

# KEY MESSAGES

- **Government-owned and managed public housing does not have good track record**
- **PPP Mixed-use & mixed income** to enable cross-subsidization, enhance social engagement and reduce fiscal burden
- **Relocated and voluntary rental households behave differently** and need different solutions
- Shift to **flexible institutional arrangement** to improve implementation efficiency & innovation



# THANK YOU

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