THE PERFORMANCE OF GOVERNANCE TOWARDS SUCCESSFUL SLUM UPGRADING:
THE CASE STUDY OF NEIGHBORHOOD UPGRADING AND SHELTER SECTOR PROJECT IN INDONESIA

MASTER THESIS

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School of Architecture, Planning and Policy Development
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ABSTRACT

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Slum upgrading has become a globally-chosen solution to overcome slum problems for the last decades. It relies on the 'self-help' concept (Turner, 1972), in which community participation is used as means to improve and sustain the living quality of slum dwellers. The translation of slum upgrading concept into implementation has shown different results in each countries, where some contextual factors such as the form and structure of governance, legal basis, planning system, social and economic conditions has influenced these differences. UN-Habitat's evaluation on the implementation of slum upgrading in more than a hundred countries showed that countries that can reduce the number of slums sustainably through slum upgrading program shared a common attribute: the governments are active and consistent. A number of research have been conducted to analyse the level of community participation in slum upgrading, but not many to analyze the level of governance in slum upgrading. The purpose of this research is to analyze the performance of Indonesia governance in achieving successful slum upgrading by using a single case study of the latest generation of slum upgrading project in Indonesia, namely Neighborhood Upgrading and Shelter Sector Project (NUSSP). There are 10 principles of successful slum upgrading that is utilized to assess the performance of governance: (1) acceptance of slums; (2) political will, commitment, and leadership, (3) integration of slum upgrading strategy in the urban plan and policy; (4) partnership , cooperation, and coordination; (5) security of tenure; (6) community participation; (7) continuity and institutionalization; (8) financial sustainability; (9) alternative ways for preventing slum formation; and (10) infrastructure investments. The result showed that the performance of upper-level governance regarding these principles is good, but most of the performance of lower-level governance are low. The transition from centralized- to decentralized governance has become the biggest challenge in the implementation of slum upgrading in Indonesia, especially on the issues of political commitment, coordination and cooperation, financial sustainability, security of tenure, continuity and institutionalization. This research led to the conclusion that transitional Indonesia requires a unified strategy that combines some form of centralized governance and some form of decentralized governance. Finally, the concept of 'self-help', 'less governance', and 'development from below' that is proposed as the original concept of slum upgrading could not work independently. Strong intervention, adequate governance, and 'development from above' are really needed to achieve successful slum upgrading.

Keywords: *slum, slum upgrading, governance, sustainability, community participation*

GUIDELINE FOR USING THESIS

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PREFACE

Slum has become one of the big development challenges in the Third World countries for a long time. The effort to reduce slum population, namely Slum Upgrading, has been globally choosen as the best solution to overcome slum. However, the success of this kind of community-based development program is still questionable. No exception with Indonesia which has also implemented this program for more than four decades. Governance seems to be the most decisive factor in Indonesian slum upgradings, in addition to community participation. As one of government employees in Directorate of Human Settlement Development, Ministry of Public Works of Indonesia, I really concern about this issue and try to emphasize it on my thesis. This thesis is not solely intended to fulfill the requirement of my Master Degree, but also as part of my contribution and dedication to my country and institution. Hopefully, the result would become a positive input for all development actors to achieve better governance, social equality and sustainable development.

This thesis would not have been possible without the support of many people. First of all, I would like to express my gratitude to Allah SWT Almighty. Secondly, to Dr. Justin Beaumont and Ir. Haryo Winarso, M.Eng, Ph.D as my thesis supervisors for their valuable advices, assistances and guidance. Thirdly, to Ir. Tubagus Furqon Sofhani, MA, Ph.D, my academic supervisor at ITB, to DR. Johan Woltjer, the coordinator of Double Degree Master Program at RUG, and to all lecturers and staff of the Environmental and Infrastructure Planning of FRW-RUG and Development Planning and Infrastructure Management of SAPPK-ITB for their support, knowledge and all academic facilitation. Fourthly, to Netherlands Education Support Office (NESO) and Bappenas for granting me scholarships and an opportunity to study at qualified universities, and to Ministry of Public Works for giving me precious working experiences. Special thanks to all my friends, especially the members of DD ITB-RUG 2008 for sharing great moments in Bandung and Groningen. Finally, to my beloved families, my parents, my lovely husband Yossi Susanto and my little prince Rasya Adli Radityo for their prayer, support and endless love that keep me alive until now.

Groningen, August 2010

Maretha Ayu Kusumawati

CONTENTS

LIST OF TABLES

LIST OF FIGURES

Chapter 1

INTRODUCTION

Nowadays there is a growing recognition on the importance of governance as the most decisive factors to achieve success in slum management. The uninterrupted growth of urbanization and the continuing existence of slum populations, which represent severe spatial fragmentation and economic inequalities, have called for consistent and cooperative behavior between different level of stakeholders. As Milbert (2006), any efforts dealing with slum would require the involvement of multilevel governance. My research is departed from this point. It would be very useful to analyze governance performance in the implementation of slum upgrading programs that can adequately contribute to the success of the program and sustainability in the outcome. This research utilize a single case of slum upgrading project in Indonesia, a developing country that has long history dealing with slums and various slum upgrading projects. This chapter will initially introduce the discourses on the emergence and growing slums, slum management through slum upgrading program, and the influence of governance in the slum upgrading implementation in several countries. The next sub section will explain about research objective and research questions as the mainstreams of this research. Finally, the last sub section will explain the structure of this report.

1.1. Research Background

High population growth and enormous urban development in Indonesia has generated rapid urbanization from rural to urban areas and from smaller urban areas to larger urban areas. This phenomenon has led to the increasing demand for basic urban services, namely housing and basic infrastructure. Meanwhile, the government inability to provide adequate number of social housing especially for low-income community and the weaknesses of institutions to accomodate the aspirations of urban poor have caused the emergence of squatters and slum settlements in urban pockets. In year 2000, slum areas in Indonesia covered 47.393 ha width, with total number of slum dwellers is 17,2 million people (NUSSP, p.i, 2006). If this condition consistently follows 1,34 percent of South-Eastern Asia slum annual growth rate (UN Habitat, p.18, 2006), without any significant efforts taken, the slum dwellers in Indonesia will increase to 22,45 million people by 2020. The effort to overcome slums through eviction during 1970s has proven that it did not give satisfactory results instead of shifting poverty from one place to another place.

Slum upgrading program has become a widespread solution being used by many countries to increase the quality of life of slum dwellers without 'bulldozing' them. It is judged to be effective solution because of several reasons: minimizing the potentially troublesome reaction of slum-dwellers, decreasing the economic costs of removing slum-dwellers from sources of employment, and avoiding the disruption of social or ethnic support systems (Werlin, 1999). The existence of slum upgrading become increasingly prominent since the "*Cities without Slums*" time-bounded target in Millenium Development Goals (MDGs) was mandated by UN Habitat. It encourages governments and their partners to re-orient their policies towards slum improvement and prevention and to recognize

that slums are needed to be treated as a major development challenge through coordinated policies and action at the global, national, and city levels (UN Habitat, 2006). The international community like UN Habitat is trying to create a corpus of norms that would be negotiated and implemented in partnership with local authorities and urban citizens at the city and slum level (Milbert, 2006). However, in fact it is difficult to translate such MDG's target in the new global realities where cities are moving fast and diversely. Despite the comprehensive idea of slum upgrading initiated by international organization, there is still a great distance between global and local knowledge and between ideal concept and implementation which will coherently influence the success of the program. The more integrated and coordinated coalition among urban stakeholders is needed in order to bridging these gaps. Governance that stays strong enough and long enough can help to reduce the numbers of slum dwellers. It is widely accepted that political will in responding to the reality of slums is pivotal in mobilizing commitment to help the urban poor to gain access to adequate shelter, livelihoods, and services. UN Habitat's policy analyses showed that countries performing well in managing slum growth have strategically targeted investments, legislation and pro-poor policy reforms in tackling basic shelter deprivations (UN Habitat, 2006). Governance aspect would then contribute much on the performance of slum upgrading program.

In the era of democratization and decentralization, the question may rise: What works best in improving slums; decentralized or centralized governance? There is a tension in scaling up the slum upgrading projects. Decentralized governance can enhance direct, broad-based participation of communities in decision-making as a way improving responsiveness of local policies and initiatives to citizen priorities and needs. UN Habitat's surveys showed that those countries where decentralization and people's participation is strongest, such as Brazil, Columbia, and Mexico, have performed well in stabilizing slum growth rates since 1990. Numerous initiatives such as participatory budgeting, participatory planning, movements for access to land and housing, and empowering women with a greater voice and choice in local governance have emerged from these regions. As the results, Brazil and Mexico recorded 0.3 per cent and 0.5 per cent annual slum growth rates, while Colombia registered a slightly higher growth rate of 1.1 per cent (UN Habitat, 2006). In other hand, centralized governance can also play a key role in the success of slum upgrading by providing clear purpose and direction, effective coordination, and institutional capacity to achieve results. It appears that command and control from the centre has often given cohesiveness to the design and implementation of slum upgrading projects. The countries such as Egypt, Morocco, and Tunisia which have highly centralized structures of governance also appear to be performing well on slum target. For instance, in Morocco, slum upgrading is driven from the centre by the Ministry of Housing among others, and has produced good results – between 1993 and 1999, 82 slum upgrading projects were implemented reaching nearly 99.000 households (UN Habitat, 2006). The two cornerstones of governance seem to be connected each other. Countries that have performed well in decentralizing and strengthening local governance have done so because they are accompanied with strong commitment and support from central government. At the same time, centralized governance without meaningful decentralization and participation would be difficult to motivate municipal governments, civil society and citizens to take more control over the process. A unified strategy at the national and municipal levels of government, an appropriate and compatible legal and regulatory framework at both the national and municipal levels, financial resources and appropriate

mobilization mechanisms, political will and continuity are required in any slum upgrading projects (Durand, 2006). In addition, the characteristics of slum currently is shifting from homogenous toward heterogenous; including both mixed planned and unplanned patterns, mixed formal and informal sectors, and mixed residential and economic functions. Such hybridity will require more innovative and inclusive process, and particular form of governance and relationship within it (Nijman, 2009). Therefore, connecting the two cornerstones of governance, bottom-up and top-down systems of decision making, is very crucial in slum upgrading.

Indonesia is among countries which has practiced slum upgrading programs for almost five decades and had experienced a considerely successful slum upgrading, known as Kampung Improvement Program (KIP) which was initiated in 1969. However, many problems followed this former slum upgrading program after its peak performance in 1970's, covering aspects on land tenure, political will, funding, and management by community participation. These problems have made the results of the program becoming unsustainable (Werlin, 1999). Moreover, the political upheavals of the last two decades have somewhat undermined slum improvement efforts. After shifting from military rule to a democratic system, Indonesia began a decentralization process in 2001 in an effort to give more political and financial clout to local government. During this era, some slum upgrading programs have been conducted and one of them which is recently completed in 2009 is Neighborhood Upgrading and Shelter Sector Project (NUSSP). It is part of the poverty reduction program that is eligible for Asian Development Fund credit (soft loan), which aims to upgrade 5,000 ha of degraded housing areas and raise the quality of life of 2 million slum inhabitants in 30-40 towns in Indonesia (Ministry of Public Works, "Efforts to Improve the Quality of Slum Settlements", 2003). The difference between NUSSP and the former slum upgrading program, namely KIP, is that NUSSP is more holistic than KIP (NUSSP, 2007). KIP activities were dominated by three infrastructure improvements: paved access roads, bridges and footpaths; water supply, sanitation and drainage canals; schools and health clinics. Meanwhile, NUSSP combined four interrelated components: (1) improved planning and management system to upgrade sites and establish new ones for the urban poor; (2) improved access to shelter finance by the poor through central financial institutions and local financial institutions or their branches; (3) upgrading of poor neighborhoods and development new sites for the poor; and (4) strengthened sector institutions to deliver the program. The other difference is that KIP was executed fully by national government (centralized system) and targeted only on few big cities such as Jakarta, Surabaya, and Denpasar, while NUSSP was executed by local government with support and direction from national government (decentralized system) and targeted on all cities or towns in Indonesia that face serious slum problems. It seems that the journey of slum upgrading programs in Indonesia has turned from merely physical planning to advocacy and plural planning. Advocacy and plural planning is oriented towards just democracy, seeks for equal distribution of public resources and equal opportunity to all citizens, including the poor. It also emphasizes 'inclusion' in which all interests are engaged in planning process (Davidoff, 1965). In NUSSP, tripartite co-operation between civilians, government and the private sector was encouraged. Planning process is brought closer to the clients, namely slum communities, in which they actively prepare the neighborhood upgrading plans, implement, and manage the outputs by themselves with assistance from governments, NGOs, and consultants. From this point, we can

expect to find out whether governance within this new generation of slum upgrading program would give significant result and contribute to the success of slum upgrading program in Indonesia.

1.2. Research Objective

Slum upgrading practices and achievements in almost all parts of the world in general varies significantly overtime among countries and within cities. However, there appears to be a pattern: there is strong correlation between the performance of governance and the success of slum upgrading program. Success in slum upgrading program means that the positive outcomes or results of the program can be sustained and the growth of slum population can be diminished. The stronger political commitment in slum improvement the national and local governments have, the more significant the progress in reducing the growth of slums is. Along with the completion of the latest slum upgrading program in Indonesia, which is conceptually much better than the previous one, some questions remain: How did this new generation of slum upgrading perform in reality? Would this relatively comprehensive slum upgrading be successful enough? Reflected from this, I interest in seeing how the process of governance which includes interaction among multilevel stakeholders contributes to the success of current slum upgrading projects in Indonesia. Therefore, the main objective of this research is to analyze the performance of Indonesian governance in achieving the success in slum improvement and sustaining the results of slum upgrading program by evaluating the complete progress of one recent slum upgrading implementation in Indonesia.

Hopefully, by analyzing this issue we can also get a clear picture of the capacity of national and local institutions dealing with slum issue; the constraints that may hinder the implementation and the opportunities that may open to sustainability. In the end, this research aimed to produce some qualitative analysis and recommendations for better pro-poor housing policies and multi-level cooperation.

1.3. Research Questions

This research is carried out to provide three main questions:
1. How is the current situation of slum upgrading program in Indonesia?
2. How has this slum upgrading program been implemented?
3. How did the governance contribute to the success of the program and the sustainability of the outcomes?

In order to answer these questions a set of data is required. The description of the available data and how this data will be operationalized and analyzed will be described in detail in Chapter 3 Methodology.

1.4. Chapter Outline

The report of the research consists of six chapters. Chapter one introduces the research background, objectives, research questions which relate to the objectives. At the end of chapter one

the structure of research report is drawn to show the connectivity between chapters. Chapter two elaborates theoretical foundation of the research. Some theory and definition about slum and its characteristics, slum upgrading and its components, governance, and success in slum upgrading are discussed here. Chapter three specifically explains about the methodology and methods being used in this research. Chapter four provides exploration on findings that relates to the research problem and questions. The findings comprise compiled secondary data and interview result. Chapter five discusses on governance aspects such as political will, policy reforms, commitment, coordination, participatory and institutional capacity that has performed in current slum upgrading program in Indonesia. Furthermore, this chapter analyzes to what extent these aspects of governance contribute to the success of the program. Finally, chapter six provides some conclusion and recommendations.

For better understanding of research problem and analysis, it is important to follow theoretical discourses on slum, slum-upgrading, governance, successful slum upgrading, and how these theories relate to each other. Detail explanation on these matters will be served in the next chapter.

Chapter 2

SLUM, SLUM UPGRADING, GOVERNANCE, AND SUCCESSFUL SLUM

UPGRADING

This chapter explains about the theoretical background that is used in approaching the research problems and questions. Some definitions and discourse on slum, slum upgrading, governance, and success in slum upgrading will be presented and interconnected. This is important to get better understanding about slums and their characteristics, the causes of slum, slum upgrading efforts as globally-chosen alternative dealing with slums, the position of slum upgrading in planning and public policies making, sustainability issue as a big challenge in slum upgrading, contextual factors influencing the performance of slum upgrading program, and governance as one leading factor toward successful slum upgrading. Due to extensive literature on governance, theoretical discussion on this issue is oriented to find out some governance aspects that are significant to attain successful slum upgrading. Finally, concluding remarks are drawn to give overall picture of this chapter.

2.1. Slums and Their Characteristics

The definition and perception of 'slum' may vary over the world and evolve over time. It gained its first notion during 1820s as part of the London's cant to identify the housing that have very poor condition in features, sanitary, and security. Slum is perceived as '*a refuge for marginal activities*' such as crime, 'vice', drug abuse, and epidemics that can harm urban areas (UN Habitat, 2003). The definition also includes the traditional meaning – that is:

> "*...housing areas that were once respectable or even desirable, but which have since deteriorated as the original dwellers have moved to new and better areas of the cities. The condition of the old houses has then declined, and the units have been progressively subdivided and rented out to lower-income groups*" (UN Habitat, 2003).

In 20th century, the definition becomes obsolete because urban governments need more precise and rigorous terms, such as 'tenement house', 'tenement district' and 'deteriorated neighborhood', to take legal and technical actions for eradicating slums. Under legislation during 1890s and 1930s most of urban governments authorized the evictions of slum (UN Habitat, 2003). The definitions of slum in the past were viewed slum as a physical form of poverty or a 'space' which can be can be tackled by simply removing or replacing that space with other spaces. However, not every urban stake holders agreed with this idea. At the same time, the social movement generated new words, tried to rename slum areas with 'neighborhoods' or 'communities' (UN Habitat, 2003). This movement tried to diminish the negative prejudice of slum and giving the sense of 'living space' in slum. In the last decades, the definition of slum has wider meaning as conveyed by UN Habitat:

"...*neglected parts of cities where housing and living conditions are appallingly poor. Slums range from high-density, squalid central city tenements to spontaneous squatter settlements without legal recognition or rights, sprawling at the edge of cities. Slums have various names, favelas, kampungs, bidonvilles, tugurios, yet share the same miserable living conditions*" (UN Habitat, 2003).

It is important to recognize slum as two interconnected dimensions: on the one hand 'its inhabitants' and their activities; on the other hand a 'space', with highly diverse status, land value and environmental characteristics (Milbert, 2006). These two dimensions give us consideration that any public policy dealing with slum should not target the two separately. Some authorities often distinguish the poverty alleviation program for the poor and the spatial measure targeting the slums, which lead to neither efficiency nor effectivity. Milbert argue that this ambiguity is usually happened in the intervention by governments or international agencies.

As well as the definition, the characteristics of slum are also diverse over countries. This is because slums are dynamic and multidimensional in nature, as conceptualized by UN Habitat:

"(1) slums are too complex to define according to single parameters; (2) slums are a relative concept and what is considered as slum in one city will be regarded as adequate in another city even in the same country; (3) local variations among slums are too wide too define universally applicable criteria; (4) slums change too fast to render any criterion valid for a reasonably long period of time; (5) the spatial nature of slums means that the size of particular slum areas is vulnerable to change in jurisdiction or spatial aggregation" (UN Habitat, 2003).

Nevertheless, this international organization also provides some general characteristics of slum, which are more physical rather than social criteria, as:

"*a group of individuals living under the same roof in an urban area who lack one or more of the following:*

- *Durable housing of a permanent nature that protects against extreme climate conditions.*
- *Sufficient living space, which means not more than three people sharing the same room.*
- *Easy access to safe water in sufficient amounts at an affordable price.*
- *Access to adequate sanitation in the form of a private or public toilet shared by a reasonable number of people.*
- *Security of tenure that prevents forced evictions"* (UN Habitat, 2003).

Indonesian Ministry of Public Works stated seven characteristics of slum: (1) minimum housing size which unmeet with health and social life standards, (2) very dense settlement that irresistant with fire risk, (3) water supply deficiency, (4) not-well installed electricity network and limited electricity capacity, (5) bad drainage, (6) bad and inadequate street, and (7) limited latrines (NUSSP, 2006). The differences of slum characteristics among countries can be influenced by particular socio-economic and culture circumtances. For instances, in Indonesia and Brazil, it is very common that married children still living with their parents until they can afford their own houses. Thus, the UN's slum characteristics about 'not more than three people sharing the same room' is not applicable in this case. In less developing countries, electricity become essential determination of slum because not every people have electricity installation. In addition, for some countries the building material

like wood is considered as non permanent structure, while in tropical countries houses built from wood material are ubiquitous and permanent.

Away from diversity in spatial characteristics of slum areas, there are also diversity and dynamic in slum inhabitants and activities. Many literatures have described the dynamic change of slum's composition, shifting from homogeinity to heterogeinity, allowing complex micro-spaces within cities (see Nijman, 2009; Salim, 1998; Jellinek, 1995; and Boswell, 1977). In early times, slum communities consists of people originating from the same ethnic groups, similar educational background and skill level, having the same type of jobs (usually labours) and there was no social strata (Boswell, 1977). Nowadays, slum communities comprise people from different ethnic groups, different educational backgrounds and skills, varied type of jobs, ranging from informal sector (labours, traders, small entrepreneurs) to formal sector (public servants, teachers), with different income levels (Salim, 1998; Jellinek, 1995).

> *"Slums are not homogeneous, and there many diverse vested interests that exist in slums. In addition to the poor who are simply looking for a decent place to live, there can be criminal elements who take advantage of the program. All of these interests must be properly understood and brought into the planning process. The best way to do this is through negotiated development, in which people participate in negotiating their rights and understand that all the different interests have rights that need to be brought into the equation"* (Cities Alliance, 2010).

Nijman (2009) described slum as "*the combination of mixed planned- and unplanned patterns, mixed formal and informal sectors, and mixed residential and economic functions*".

The complexity and dynamic nature of slum will require continuous adjustment on problem definition and sustainability in slum management program. This is, of course, cannot simply handled only by prescriptive planning and generic public policy making.

"...*such hybridity of slum will require more innovative and inclusive process*" (Nijman, 2009).

To understand more about slum and how to deal with that, it is very important to look backward why slum is emerged and how urban planning and human settlement policies has transformed adjacent with the evolving slums, and vice versa. The discussion will be explained in the next sub section.

2.2. The Evolution of Planning and Public Policies Making in Slum Management

Before tackling an analysis of planning and public policies designed to combat slum, it is important to understand the cause of slum emergence. Slum and public policy on human settlement are like two sides of a coin. In one side, the emergence of slum is not just a manifestation of population explosion and urbanization, but also can be seen as the result of a failure of housing policies, laws and delivery systems, as well as of national and urban policies, and the process governance within it. In other side, only better public policies and governance can tackle slum effectively and sustainably.

There are rich literatures on how slum areas have emerged and grown significantly, mostly on the third world countries. Research on slum stated that slum dwellers might increase to about 2 billion in the next 30 years, if there is no concrete action is taken (see figure 2.2). The underlying causes for slum emergence and growth are blamed to population explosion and bad governance. City Alliance in its website described it clearly:

"There are two main reasons why slums develop: population growth and governance..." (Cities Alliance, 2010).

The explanation of these two main causes is served in the next page.

Source: UN-HABITAT Global Urban Observatory 2005 and UN Population Division 2003.
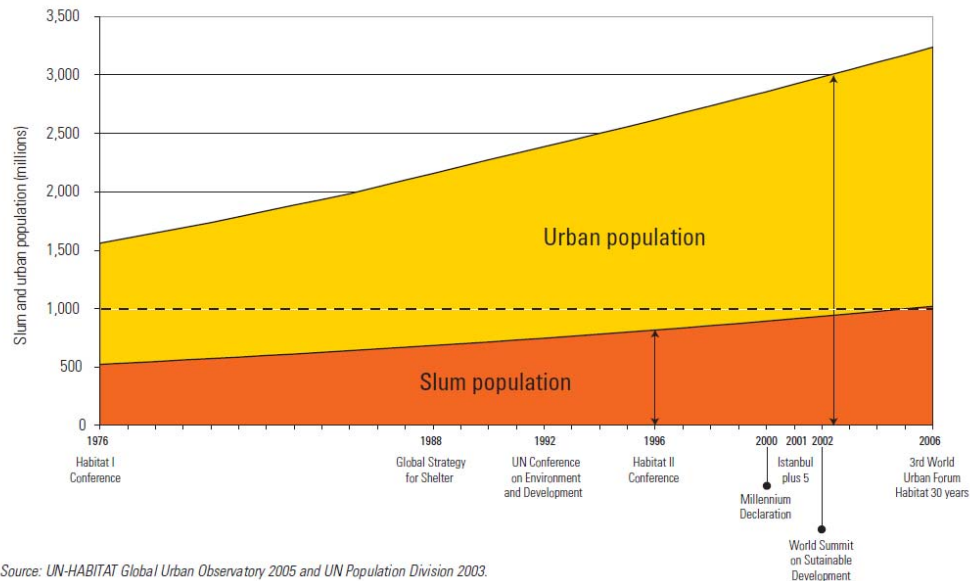
Figure 2.1 Slum population and urban population growth in the world 1976-2008 (UN Habitat, 2006)

2.2.1. Population Growth

No single country can escape from urbanization. Rapid urbanization always attracts people migrate from rural to urban areas, from small cities to big cities, and natural population growth continues to occur. According to Cities Alliance, more than half the world's population lives in urban areas and above 90 percent of this urban growth is taking place in the developing countries. There are two main factors behind this rapid urban migration:

- *The pushing factors of migration.* Some people migrate because they are pushed out of their place of origin by some factors or certain conditions such as natural disasters and ecological changes. For example, most people in rural areas work in agricultural sector which highly depends on fertile land and weather. As rural land continues to decrease and fragmented, the fertility of land has declined, while the production costs (fertilizer, farm machinery, and fuels) continues to increase. This condition makes farmers earn low incomes and pushed them looking for better job in another place. Other pushing factors are the relatively low quantity and quality of infrastructure and public facilities in rural areas, compared to those in urban areas. For example, the bad condition of rural roads can constraints farmers to distribute their harvest to markets or

the inadequate school facilities in rural areas can hamper it from gaining high quality of human resources.

- *The pulling factors of migration*. Some people migrate to new place because the new place provides better opportunities for their living, such as better job prospects, education, health facilities, or freedom from restrictive social or cultural realities. Cities offer many kinds of job opportunities which are not constrained by the availability of land, machinery, or weather. Furthermore, improved infrastructure, transportation, communication, and public facilities have made rural populations much more aware of the advantages and disadvantages of urban life. Sometimes urban migration is used as a strategy to diversify income sources and to anticipate the economic rundown of rural areas.

2.2.2. Bad Governance

Another reason slums develop is bad governance. According to Cities Alliance, there are some inappropriate attitudes from government in responding urbanization phenomena. Firstly, governments often fail to recognize the rights of urban poor and include them into urban planning, therefore contributing to the growth of slum population. As Giok (2007) claimed, squatter and slum settlements have formed mainly because of the inability of city governments to plan and provide affordable housing for the low-income segments of the urban population. Thus, squatter and slum housing is thought as housing solution by the low-income urban population. Secondly, urban migration is run faster than government efforts to accomodate it. Sometimes the lack of data about migrate population and weak regulation on citizenship registration have made slum and squatter population become seemingly invisible from government eyes. Thirdly, some governments take an adverse behavior to urbanization. They act strictly in avoiding the arrival of poor immigrants by not providing urban services to them. However, the poor immigrants are not come to the city for urban services, but for looking a job. As UN Habitat stated in its report:

> "*Slums are a dynamic response to the demand for labor and the opportunity this represents for attracting new labor to the city economy. Slums are therefore an indicator of the success of the city economy. However, degraded slums are an indicator of a failure of government policy in being able to understand this dynamic and respond to it with policies for the adequate supply of land, services and finance*" (UN Habitat, 2006).

Finally, some governments act too passive to urbanization. They do not prepare adequate planning tools to deal with rapid urbanization and slum emergence, or if the tools already exist, they are not really responsive to the reality on the ground. Therefore, it is important for governments to realize that they can not hide from urbanization with all of its consequences, including slums. The only thing they can do is to manage them with planning tools and better public policies. Governments should make plan to enable the urban poor population and reserve place for them even if the city's budget is not adequate for the urban services. Once people settle on that land and feel that they have a right to live there, they will begin investing in it. Over time, the area will upgrade incrementally (Cities Alliance, 2010).

The management of urbanization, especially slum management, through planning and public policies has long been established and developed at international, national, regional, until local

organization levels. The planning and public policies under housing and settlement genre have evolved in response to dynamic slums, each with some benefits and shortfalls, as well as support and critiques. However, this evolution has shown some improvement in slum management. The slum management that is currently believed as an effective way to overcome slums is Slum Upgrading. The discussion below tries to explain the existence of slum upgrading in the evolution of planning and housing public policies.

2.2.3. Slum Upgrading in Planning Paradigm

For over the past fifty years governments had tried to tackle slums by driving away and destroying them from urban fabric. Eviction or demolition was chosen as generic solution for removing slums. This reminds us to the technical rationality in planning; once the goals were decided, they should be achieved through procedural means. The ends and the means are closely related (Allmendinger, 2002). Slum is perceived as 'disease', 'shameful', and 'unhealthy' things that can undermine the beauty and the economic growth of cities, thus, it should be combatted by single *panacea*, namely slum clearance. Slum and slum clearance are like 'the ends' and 'the means'. However, slum clearance ignored the values in slum community and human rights, and failed to recognize slum community as dynamic flux that is inseparable part of complex network of urban environments. The case in India had shown that after slum clearance implemented, the slum dwellers began to build new slums which even poorer and more vulnerable than the old ones (Milbert, 2006). Large-scale clearance resulted in 90,000 dwellings destroyed and 450,000 people made homeless in six months in Mumbai in 2005 (Bunsha, 2005 in Milbert, 2006). United Nations officials estimated that governments were destroying more low-income housing than they were building. At the same time UN's statistics showed that there was almost 50 percent increase in the Least Developed Countries urban population during this eviction time (Hauser, 1982 in Werlin, 1999). Many social organizations in many countries criticized for this procedure and, finally, it was formally criticized in 1976 in Vancouver Conference on Human Settlements. Nevertheless, sometimes it is necessary to do eviction on slums that are occupy vulnerable lands, such as land that is prone to landslides, gas-contaminated land, or land that is prone to flooding. Another criticized technical solution is resettling slum dwellers into low income housings that are far away from their source of incomes. Location is more important to slum dwellers than public facilities. This aspiration sometimes was not heard by urban government if they still behave as 'technocratic' planner.

Through social movement, slum management then had turned from instrumental planning to advocacy planning. Advocacy planning is oriented towards just democracy, seeks for equal distribution of public resources and equal opportunity to all citizens, including the poor. It also emphasize 'inclusion' in which all interests are engaged in planning process (see Davidoff, 1965). Furthermore, the idea of rehabilitating slums came out from Turner in his book "Freedom to build" (1972). Turner stated that the solution to slums is not to demolish the housing but to improve their environment. His theory suggested that, as the environment improves, most slum residents will gradually better their homes and living conditions. Other reasons for slum upgrading are human rights.

"*The basic reason underlying Slum Upgrading efforts are human rights: the right to adequate housing, women's rights and housing, the right to water, and the right to participation*" (COHRE, 2005).

Despite having social, political, and environmental risks, slums also have some economic potential through their informal sectors. According to research, a modest investment by each slum family, estimated at about US$2000 per hut, constitutes a significant contribution to livelihoods and to the urban economy (Milbert, 2006). The informal economy of slums provides goods, services and labor at low costs. Data from World Bank (Baker, 2008) revealed that the informal economy produces an estimated average of 30% of official GDP in Asia, 40% in Eastern Europe, and 43% in both Africa and Latin America and the Caribbean making it a substantial proportion of the market. Thus, instead seeing them as 'slum without hope', we better seeing them as 'slum with hope' (Lloyd, 1979).

The idea of 'self-help' or slum upgrading were then developed as policies by initiatives of international cooperation agencies, such as the World Bank, UNCHS/UN Habitat, UNICEF, and other several bilateral and multilateral agencies. The definition of slum upgrading is given by the Cities Alliance:

"*Slum upgrading is a process through which informal areas are gradually improved, formalised and incorporated into the city itself, through extending land, services and citizenship to slum dwellers. It involves providing slum dwellers with the economic, social, institutional and community services available to other citizens. These services include legal (land tenure), physical (infrastructure), social (crime or education, for example) or economic*" (Cities Alliance, 2010).

From the definition we know that slum upgrading covers development in many aspects, not only developing physical environment (housing, streets, footpaths, drainage, sanitation, land tenure, etc) but also generating social and economic activities to revitalize the area. The sense of ownership, entitlement and inward investment in the slum upgrading areas should be created among slum communities and the sense of belonging to the slum as an inseparable part of urban fabric should be owned by urban governments and their partners. Thus, the process of slum upgrading needs to be undertaken cooperatively and locally among citizens, community groups, businesses and local authorities. Such communication and inclusiveness, as in collaborative style of planning (see Healey, 1997) can help to realize this process.

"*...to argue for new directions in governance modes which are more sensitive to the 'consumers' of public policy rather than the governments 'producers' of policy*" (Healey, 1997).

This means government should acknowledge slum dwellers as self-organized community that has aspiration and capability to improve their living condition. Openness, accountability, and the willingness to share authority and allocate resources are very important for governance in slum upgrading.

2.2.4. Public Policies Making and Slum Upgrading

Public policies in the field of housing and settlement have also experienced significant transformation. The issue of slum gained its root from the disparities between urban and rural settings. The problem raised global attention at the first United Nations Conference on Human Settlements (Habitat I) in Vancouver, Canada. The conference began to recognize urbanization and cities as generators of environmental degradation, unsustainable growths, social tensions, and disintegration of rural and urban life. It resulted in recommendation to improve development in rural area and to make sure equitable provision of services between urban and rural area. This led to general misinterpretation among development actors which only focused their effort on the improvement of agricultural productivity and the provision of infrastructure and housing in rural areas (UN Habitat, 2006). The state had a dominant role as the provider of public housing and basic services at that time. Nevertheless, scarce public funds and increasing urban population especially in developing countries had reminded governments that provision of public housing was neither affordable nor sustainable in the long term. This consciousness led the adoption of Global Strategy for Shelter (GSS) in 1988 which advocated the shift of government's role from "provider" to "enabler". The flexibility for people to build and finance their own housing was encouraged. The drastically reduced the role of state in socio-economic development were being adopted by many developing countries, which resulted in deregulation and privatization of essential services. Private sector took over in shelter delivery, as well as public expenditure cuts in health, housing, and education. This resulted in serious housing and basic services deficits, especially for low income segments, that also increased levels of urban poverty in many parts of the world (UN Habitat, 2006).

During 1980-1990s, the series of United Nation conferences such as United Nations Conference on the Environment and Development (UNCED) in Rio de Janeiro in 1992 and United Nations Conference on Human Settlement (Habitat II) in Istanbul in 1996 have brought sustainable development, globalization, social exclusion, democratization, and decentralization as key themes and challenges for global world. By this time, the world population had doubled from 3 to 6 billion and economic growth had increased as well as extreme poverty, social exclusion, and environmental degradation. National boundaries became less significant and local authorities became key players in development activities. Unlike the UN Habitat I conference, the UN Habitat II recommended participation and partnership as guiding principles to achieve "*sustainable human settlement in urbanizing world*" and "*adequate shelter for all*" (UN Habitat, 2006). Although partnership was enhanced with other international agencies, such as the World Bank, the impacts of UN Habitat's programs were not significantly felt among urban poor because it set a massive set of guidance and objectives but less focus on central objective, prioritization, and integration of recommendations within time-bound targets. As a result, monitoring outputs and duplication of the programs at the national, regional, and local level were hard to implement.

In 2000 through Millenium Summit event, the United Nations came with some improvements that resulted in the Millenium Development Goals (MDGs) comprise a set of clear, time-bound key goals related to poverty reduction, health, gender equality, education, and environmental sustainability. One of the targets, namely target 11 – "*By 2020, to have achieved a significant improvement in the lives of slum dwellers*" (famously known as "Cities without Slums"

target) enables governments and their partners to recognize slums as a major development challenge, instead of negative consequence of urbanization. Therefore, re-orientation of public policies towards slum improvement and prevention and coordinated policies and actions at the global, national, regional, and city level are needed (UN Habitat, 2006). Slum upgrading is now a very important area of focus of UN-Habitat's works. This globally-chosen solution is very important because it provide some benefits for cities, such as:

- *Fostering inclusion*. Slum upgrading help slum dwellers to be accepted and integrated in urban environment by solving most crucial problems such as illegality, exclusion, precariousness and barriers to services, credit, land, and social protection for women and children.
- *Promoting economic development*. Slum upgrading releases the economic potential of slum resources that had been hidden under marginalization.
- *Addressing overall city issues*. City issues such as environmental degradation, improving sanitation, lowering violence and attracting investment are handled in one measure.
- *Improving quality of life*. It elevates the quality of life of the upgraded communities and the city as a whole, providing more citizenship, political voice, representation, improved living conditions, increased safety and security.
- *Providing shelter for the poor*. It is the most effective way to provide shelter to the urban poor at a very large scale and at the lowest cost.
- *Affordable*. Slum upgrading costs less and is more effective than relocation to public housing. Developing land with basic services costs even less.
- *Flexible*. It can be done incrementally by the city and by the residents at a pace that is technically and financially possible for both.
- *Viable*. The poor can and are willing to pay for improved services and homes (Cities Alliance, 2010).

For more than three decades many types of slum upgrading have been implemented in more than 100 countries over the world by cooperation among international communities, financial institution, governments at national, regional, and local level, non governmental organizations (NGOs), private parties, and slum communities. According to UN Habitat (2006), the typical policy options and interventions in this field have changed over time: in the late 1970s and 1980s, slum upgrading worked in small scale (neighborhood-level) and *in situ* (sites and services project); in the 1990s, slum upgrading was combined with the improvement of urban management; and since the end of 1990s, slum upgrading has been scaled-up through national and citywide programs.

2.3. Governance and Successful Slum Upgrading

The experiences of slum upgrading programs in many countries have shown various results. Although many researchers and practitioners have evaluated the progress and the failure of slum upgrading implementation in many cities and countries for the last three decades, the collective evidence that show significant differences whether slum upgrading have improved the living of urban poor or they have failed to address the slum problem, was still not clear. It was not until the report of UN Habitat "State of the World's Cities 2006/2007" that the collective evidence of slum upgrading

program in the world are systematically and internationally-agreed. According to the UN Habitat's evaluation, which is based on score card method, the performance of slum upgrading experiences in more than 100 countries (between 1990 and 2005) can be categorized in four levels:

a. *"On Track": countries experiencing rapid, sustained decline in slum growth rates in urban areas and/or those with low slum prevalence.*
   There are only 14 countries belong to this group, including Thailand, Georgia, Tunisia, Sri Lanka, and Egypt. The success of these countries is largely attributed to the long-standing commitment of the governments in improving housing condition of urban poor.

b. *"Stabilizing": countries starting to stabilize or reverse slum growth rates but which need to monitor progress to ensure sustained reductions.*
   At least 15 countries belong to this group, including Brazil, Mexico, Turkey, Phillipines, and Indonesia. These countries are on the right path, but still require more efforts to be categorized in "on track" group.

c. *"At Risk": countries experiencing moderate to high slum growth rates but also having moderate incidence of slums that require remedial policies to reverse growth in numbers of slum dwellers.*

d. *"Off Track": countries with already high slum proportions, facing rapid, sustained slum growth rates and which require immediate, urgent action to slow down or reverse slum trends* (UN Habitat, 2006).
   Unfortunately, over 70 percent of the countries are categorized in these two-bottom end groups. China, India, Morocco, Argentina, Cambodia, and most of African countries are belonging to these groups (UN Habitat, 2006). The map of slum upgrading performance is shown in the next page (figure 2.3):
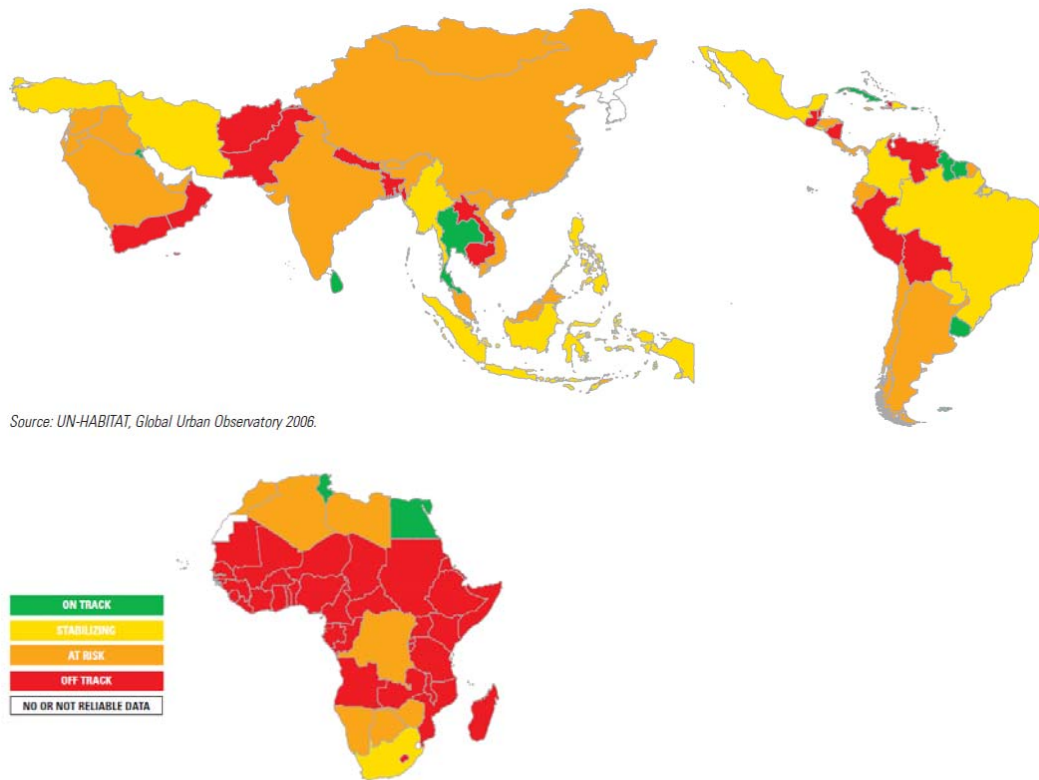
Figure 2.2 Country performances in slum upgrading effort in developing regions, 2006 (source: UN Habitat, 2006)

Drawing conclusions from this map, the overall performance of developing countries to alleviate slums for more than three decades has not been quite satisfactory. Only less than 30 percent of these countries can reverse or stabilize their slum growth rate. Then, the success of slum improvement is still on the big question. What factor does actually affect the significant differences of these performances?

Governance. Analysis of the results showed interesting findings: there was a strong correlation between governance and success in slum upgrading programs. Although the main engines of slum upgrading program is the participation of slum communities to build their own neighborhood (self-help improvement), but the success of this program and the sustainability of the results are not free from the commitment and the role of government and other relevant parties in providing land, basic infrastructure, and access to economic resources. Community-based approach alone cannot solve slum problems effectively. The strong authoritarian approach is still needed.

"*I recognize the need for strong administration…to combine `development from above' with `development from below'*" (Werlin, 1999).

Any efforts dealing with slum would thus involve a number of different stakeholders as expressed by the definition of the concept of governance:

"Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accomodated and co-operative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceived to be in their interest" (Comission on Global Governance, 1994 in Milbert, 2006).

UN Habitat's observation showed countries that had successfully reduced slum growth rates, slum proportions and slum populations in the last 15 years shared many attributes: their governments have long-term political commitment to slum upgrading and prevention; many had undertaken progressive pro-poor land and housing reforms to improve the tenure status of slum dwellers or to improve their access to basic services; most used domestic resources to scale up slum improvements and prevent future slum growth; and a significant number had put in place policies that emphasized equity in an environment of economic growth. In many countries, improvements in just one sector, such as sanitation, had a significant impact on slum reduction, particularly in cities where inhabitant suffered from only one or two shelter deprivations.

Another important finding from UN's evaluation is: the combination of governance from above and governance from below is very important to attain sustainability in slum upgrading. In one hand, decentralized governance can enhance direct, broad-based participation of communities in decision-making as a way improving responsiveness of local policies and initiatives to citizen priorities and needs.

"In developing countries, however, local governments and community organizations are better able than the central government to identify the truly needy, which argues for more decentralized redistribution" (Arnott, 2008).

UN Habitat's surveys showed that those countries where decentralization and people's participation is strongest, such as Brazil, Columbia, and Mexico, have performed well in stabilizing slum growth rates since 1990. Numerous initiatives such as participatory budgeting, participatory planning, popular movements for access to land and housing, and empowering women with a greater voice and choice in local governance have emerged from these regions. As the results, Brazil and Mexico recorded 0.3 per cent and 0.5 per cent annual slum growth rates, while Colombia registered a slightly higher growth rate of 1.1 per cent (UN Habitat, 2006).

In other hand, centralized governance (even in cases where decentralized systems existed), with its 'command and control' manner, can put in place measures and resources to ensure comprehensiveness in the design and implementation of slum upgrading projects, has capacity to put forward legislation and pro-poor housing policy reforms that require political support at the national level before being filtered downward to local levels of government, and capable to set up the institutional arrangements, allocate important budgets, and execute projects to effectively meet their targets and commitments. The countries such as Egypt, Morocco, and Tunisia which have highly centralized structures of governance also appear to be performing well on slum target. For instance, in Morocco, slum upgrading is driven from the centre by the Ministry of Housing among others, and

has produced good results – between 1993 and 1999, 82 slum upgrading projects were implemented reaching nearly 99.000 households (UN Habitat, 2006).

These facts are seemed to be coincidence with the critique from Werlin (1999) to Turner's idea (see Turner, 1972). Werlin explored some slum experiences in developing countries, such as Indonesia (Kampung Improvement Program – KIP), India (Calcutta's Bustee Improvement Programs – BIP), and Phillipines (in Metropolitan Manila Region – MMR). After showing peak performances during several years after the programs were completed, some shortfalls emerged. For instances in Indonesia, many problems followed KIP project, covering aspects on land acquisition, land tenure, funding, and community participation. Communal toilets and washing blocks were ineffective anymore because of lack of maintenance, most of upgraded *kampungs* were converted into commercial areas and offices, only 3-4 percent of slum residents get bank loan for improving their houses, the absence of international loan-funded land titling and property projects because of corruption, and short-lived KIP's community units, all of which have made the outcomes of the program becoming unsustainable. Then, how to reach successful slum upgrading?

There is no formally agreed definition on "success" in slum upgrading. Defining success depend on what the objective of the definition is and what it means in a particular context. In this research, success in slum upgrading refers to whether the government can achieve better targets on slum or gradually reduce slum population and slum growth rate and continue to sustain the positive results of the program in the future. However, there are some literatures that give general framework to achieve success in slum upgrading. According to Cities Alliance (Cities Alliance, 2010) combined with other sources, there are ten principles that shape the policy framework for a successful slum upgrading programs:

1. *Accepting and acknowledging slums*
   Achieving a city without slums begins with the shared acceptance of slums and their residents as an integral part of the city, and the understanding that they also have a right to the city and to its services.
2. *Strong political will, long-term commitment, and leadership*
   Government at all levels with support from other stakeholders must have strong vision, long term-commitment, and leadership needed to sustain comprehensive slum upgrading. The presence of specific regulation at the national level is needed to raise the bargaining power of slum upgrading projects in regional and local priority agenda.
3. *Integrating slum upgrading in urban plan and other policy intervention*
   We should arrive at slum underlying problem, that is, poverty. Slum policies should inline with poverty-reduction policies to support the livelihoods of the urban poor, by enabling urban informal sector activities to flourish, linking low-income housing development to income generation, and ensuring easy access to jobs through pro-poor transport and low income settlement location policies.

   > *"...urban policies should increasingly aim at creating safer cities. This could be achieved through better housing policies for the urban low-income population (including slum dwellers), effective urban employment generation policies, more effective formal policing and public justice institutions, as well as strong community-based mechanisms for dealing*

*with urban crime....implement urban planning and management policies designed to prevent the emergence of slums, alongside slum upgrading and within the strategic context of poverty reduction" (*UN Habitat, 2003).

Integrating upgrading plan in city's management plan and creating strategy to enhance the economic potential of slums can also help to improve the city and its economy.

4. *Partnership, cooperation, and coordination*

Successful slum upgrading is a highly participatory endeavor. Government should create conducive environment for this participatory process and create good coordination among stakeholders. Involving partners beyond government and slum communities also benefits slum upgrading as long good incentives for agencies to work with the poor are available. The sense of partnership can be built by good communication and coordination among stakeholders; and clearly defined roles for the various agencies involved.

5. *Security of tenure.*

Community participation without land tenure security is nothing. Experiences in many countries have shown that slum dwellers are eager to make some improvements in their neighborhood if they feel secure of their estate. Furthermore, they may not be able to afford property ownership, so that rental housing is the most logical solution for them - a fact not always recognized by public policy-makers. Slum policies have therefore started placing greater emphasis on security of tenure (for both owner-occupied and rental accommodation) and on housing rights for the urban poor, especially their protection from unlawful eviction.

"It is now recognized that security of tenure is more important for many of the urban poor than home ownership, as slum policies based on ownership and large scale granting of individual land titles have not always worked" (UN Habitat, 2003).

6. *Community participation*

Slum residents are the main partners of slum upgrading programs. It is necessary to well-inform and actively involve them in this process because their futures are directly affected by the decisions. There should be certainty that the community are really want it and understand why it is important.

"*There is great potential for enhancing the effectiveness of slum policies by fully involving the urban poor and those traditionally responsible for investment in housing development. This requires urban policies to be more inclusive and the public sector to be much more accountable to all citizens*" (UN Habitat, 2003).

7. *Continuity of effort over time and institutionalization of the program.*

Upgrading is an incremental, but sustained process. When slum upgrading is consistently done as the core municipal program, it produces cohesion, coordination, and increases efficiencies in service provision.

8. *Financial sustainability*

Financing task has become crucial issue in slum upgrading process because it is a quite expensive program, due to land acquisition process, physical improvement, and credits offered, that requires financial partnership among international donor organization, national, state, municipal government, the community, or even private sector. To keep slum upgrading going, it should be a priority in financing, institutions and regulations. Stable and consistent national and

local budgetary allocations are needed for slum upgrading. Large-scale upgrading programs need central government support backed by corresponding national budgetary allocations, subsidy policies and human resources.

9. *Alternatives to new slum formation.*

    Cities need to proactively introduce viable alternatives for both upgrading existing slums and preventing new slums.

10. *Infrastructure investment*

    Investing in community infrastructure presents a government's commitment to an area, brings dignity to the neighborhood, and creates social cohesion within it.

    > *"Investment in city-wide infrastructure is a precondition for successful and affordable slum upgrading, as the lack of it is one strong mechanism by which the urban poor are excluded, and also by which improved slum housing remains unaffordable for them"* (UN Habitat, 2003).

    After infrastructure was built, the next important task is to maintain or to manage it. If a government invests poorly, people would not respect the infrastructure and be reluctant to keep it well.

    > "*The adage 'build what you are capable of maintaining, not what you are capable of building' is a cornerstone of infrastructure sustainability*" (Cotton & Skinner, 1989).

    It is also necessary to enhance the community's skills or knowledge in maintaining the infrastructure, so that it will be not easily deteriorated.

    To give clear picture how these principles are transformed into real policy and development intervention, examples from some countries are described in the next table:

Table 2.1 The examples of policy interventions that reflect the ten sustainable slum upgrading principles in some countries (extracted from: UN Habitat, 2006; Baker 2008; City of Vancouver 2010)

No.	Principles of successful slum upgrading	Examples of policy intervention	Countries
1.	Acceptance of slums	Multiculturalism policy promoting social inclusion, civic engagement, equality in affordable housing and public services, acceptance of diverse neighborhoods: - City Plan Neighborhood Visions in which large number of Vancouverities participated in city planning process - The Mayor's Taskforce on Immigration (MTFI) which aimed at setting the context for City of Vancouver and community partners to have a voice in the development of government policies and programs related to immigrants and refugees.	Canada (Vancouver)
2.	Political will, commitment, and leadership	Political pronouncements: - Statements by the country's leader - commitment that is enshrined in statutes or constitution (highest legal instruments)	Morocco South Africa, Brazil

No.	Principles of successful slum upgrading	Examples of policy intervention	Countries
3.	Integration of slum upgrading in urban plan and other policy intervention	Slum upgrading is included in five-year national development plans, a comprehensive national housing program	Tunisia, Chile
4.	Partnership, cooperation and coordination	Public Private Partnership (PPP) in Slum Upgrading: - indirect involvement of private parties: project contractor of service delivery, Transferable Development Right (TDR), technical assistance, capital, and knowledge sharing, land titling partnership - direct involvement of private parties: *Aquacard*, a debit card used to turn on a water spigot and prepaid system or pay-per-use system on sanitation service	USA, Brazil India (Mumbai)
5.	Security of tenure	Land reforms: Land sharing, land consolidation, land pooling	Bangkok (Klong Lumnoon)
6.	Community participation	Establishing community organization that responsible for collective saving and small-scale infrastructure investment	Phillipines (Mandaue)
7.	Continuity and institutionalization	- Scaling up slum upgrading, "slum action plan" - Build organization that specialized in slum upgrading program	Brazil Thailand (Baan Mankong)
8.	Financial sustainability	- Slum upgrading is included within national budgets and macro-economic frameworks - Collective saving, community-funded upgrading	Jordan Vietnam
9.	Alternatives to prevent slum formation	Providing affordable and accessible housing, subsidized public housing, Sites-and-Services scheme (government provide land and basic services, urban poor build their own house)	Pakistan (Hyderabad)
10.	Infrastructure investment	High investment in water and sanitation infrastructure	Egypt and Tunisia

Every principle might be implemented differently among countries or even between cities within the same country, and sometimes reveal gaps between ideal slum upgrading preconditions and the reality on the ground. The differences is strongly affected by the manner of governance existed at certain time. It is become clear that success depends on hard political choices. The analysis of UN Habitat demonstrated that successful slum upgrading requires strong political choices from government. The results of country performance are good when legislation, investment and governance are prioritized at the urban poor. Therefore, it is necessary to analyze the performance of governance in certain context that may contribute to the principles of success in slum upgrading. This will give feedback and help to improve the concept of successful slum upgrading.

2.4. Concluding Remarks

Slum is a manifestation of rapid urbanization, population explosion, and planning and public policies that are less responsive to these phenomena. Characteristics of slums are growing toward dynamic and heterogeneous forms, since they consist of the physical (space), social (slum community), and economic dimensions (their economic activities), which also require the dynamic, innovative, comprehensive and collaborative solution. Slum upgrading is considered as the best alternative that can fulfill all those requirements. Slum upgrading relies on self-reliance and community participation in improving their living condition by themselves (self-help development). Although some of the ideal concepts of slum upgrading have been widely used as guiding principles, the evaluations of slum upgrading programs that run during the last decades have not shown satisfactory results. One of the main indicators which influence the achievement of successful slum upgrading program is governance aspect. The combination between governance and community participation is, thus, strongly recommended. Therefore, it is necessary to focus the research on how the performance of governance in achieving the principles of success in slum upgrading program. Hopefully, the results of the analysis can contribute to the better problem solving of slums improvement in the future. The next chapter will explain about the methodology and methods used in translating the existing data and theoretical background into analysis that can answer each problem.

Chapter 3

METHODOLOGY

This chapter explains about how this research would be operated within a framework that links between research questions, data requirements, and methods needed to analyze those data. In general, there are three main activities conducted in this research: data collection, literature review, and qualitative analysis. Data collection and literature review are done simultaneously to build theoretical base of slum, slum upgrading, and success in slum upgrading (Chapter 2) and to elaborate slum upgrading implementation in Indonesian cases (Chapter 4). Data is collected through two methods: secondary data collection and semi-structured interview. Meanwhile, qualitative analysis is divided into two methods: narrative analysis and explanatory analysis. Narrative analysis is used to describe the historical development of slum upgrading in Indonesian context, including its concepts, implementation, constraints and opportunities. Explanatory analysis is used to identify the performance of governance regarding the principles of successful slum upgrading. The detail procedure that shows the link between research questions, data required, and methodological steps is served below:

1. *How is the current situation of slum upgrading program in Indonesia?*

   To understand the current landscape of Indonesian slum upgrading, it is necessary to know first the context of Indonesian government form and structure, planning system, legal framework, and socio-economic condition because these contextual matters have influenced the implementation of slum upgrading program direct and indirectly. After that, the history of slum upgrading programs that have been implemented in Indonesia from the beginning until now is narrated. For this purpose, I use narrative analysis to retelling the historical development of slum upgrading programs in Indonesia including some differences between them. The operationalization of this analysis consists of several steps:

   a. Collecting secondary data from journal articles, internet sources, and government publications that provides basic information about slum upgrading cases in Indonesia (see Table 3.1).

   b. Doing literature review to show the evolution of slum improvement approach in Indonesia from the beginning until the current state by identifying some differences between projects.

   c. Focusing on one case study of current slum upgrading program by elaborating some elements such as objectives, targets, components, organization structures and financial mechanism.

Table 3.1 The specification of data

Data Sources	Specification
Internet sources	www.pu.go.id and www.nussp.go.id These are the official websites of The Ministry of Public Works of Indonesia. The first contains national public policies and regulation on settlement sector and other infrastructure (water, road, sanitation, etc). The later focuses on slum upgrading projects (NUSSP) and contains general description of the project. www.kemenpera.go.id This is the official website of The Ministry of Public Housing. It contains national public policies on housing sector (note: housing and settlement is treated separately in different government structures) Other internet sources: The other internet sources are needed to gather data that is related to KIP, P2KP, P2BPK, and other slum improvement-related program project.
Government publication	Guidelines or handbook of NUSSP project, Memorandum of Understanding or formal agreement about the project
Journal articles	Articles that provide information about KIP and NUSSP projects

The discussion to answer this first research question will be elaborated in Chapter 4 (Slum Upgrading in Indonesia).

2. *How has this slum upgrading program been implemented?*

In every case, there is always a gap between planning and its implementation. Thus, it is important to understand how the ideal concept of slum upgrading program has been implemented and adjusted in Indonesian context. In this part, a qualitative explanatory analysis is used to explain and evaluate how this process runs on the ground. The methodological steps for operating this analysis are described below:

a. Collecting and reviewing secondary data from journal articles, books, internet sources, and government publications that relates to the implementation process of current slum upgrading project.

b. Collecting data through semi-structured interview. Semi-structured interview is executed to gain some information related to the implementation process that are not included formally in government report or other sources and to understand the relationship between stakeholders in slum upgrading project. The targets of this interview are stakeholders from higher-tier government, lower-tier government, and community representatives or organization. With the limited time visiting Indonesia, only two interviewees can be managed in this research. They were the head of Neighborhood Upgrading and Shelter Sector Project (NUSSP), Mrs. Chomistriana, who can represent central government and the head of local management consultant in Sukabumi city, Ms. Andriyani, who can represent local government and has direct connection with the community. In this part, some influencing factors in

project implementation as well as opportunities and constraints faced by stakeholders are also identified.

This activity is broken down into few steps:

- Determining the interviewee and arranging appointment with them. The selection of informants is based on *gatekeepers* approach. *"Gatekeepers are those individuals in an organization that have the power to grant or withhold access to people or situations for the purpose of research"* (Burgess, 1984 in Valentine, 2005). In this research, I choosed the head of the program as the gatekeepers as well as the informant.
- Constructing a detailed list of key questions that relates to the implementation process and classifying the questions based on the stakeholder types.
- Recording the interview section and writing additional notes.
- Translating the tape into transcription and typing the notes into readable form. If necessary, writing down what they mean or what ideas they sparked off in separate set of memos.
- Categorizing each stacks and piles of material into certain themes, events, or topic.

c.   Interpreting and building ideas from these materials using academic knowledge and literature review. The description about initial concepts, objectives, targets, components, financial mechanism, and organizations structures of slum upgrading project (as an output from research question 1) is compared to the factual outputs or results in the implementation process. Finally, the relevance between the initial agenda of slum upgrading and the final outputs of the project implementation is explored, as in table below:

Table 3.2 The analysis of slum upgrading implementation in Indonesian context

Initial Agenda	Implementation
Main concepts	Are these concepts implemented?
Objectives	Are these objectives achieved?
Targets	What are the outputs? Are the outputs relevant?
Components	Are all these components applied?
Organization structures	Is the organization work?
Financial mechanism	Is financial mechanism work?

The discussion to answer this second research question will be served in Chapter 4 (Slum Upgrading in Indonesia).

3. *How does the governance contribute to the success of the program and the sustainability of the outcomes?*

Based on the answer in previous questions, it is important to find out how the governments and other actors contribute and perform in achieving successful slum improvement. Since the case study of this research, NUSSP, was just accomplished in early dates (on December 2009), it is little known about the long-term impacts of the program. Therefore, the governance performance towards successful slum upgrading is analyzed and judged from the performance of governance

during the planning and implementation stages of the program. How governance performs to sustain the outcomes or impacts in the future is become the limitation of this research.

Qualitative explanatory analysis is used to identify and evaluate the performance of governance in slum upgrading program regarding the principles of success in slum upgrading proposed by UN Habitat and Cities Alliance. The operationalization of this analysis is conducted through several methodological steps:

a. Deepening theoretical background especially on the ten principles of successful slum upgrading.

b. Interpreting the reflection of each principle in governance practices. This interpretation is done to get the indication of governance performance and it is generated through a series of discussions between the researcher and the supervisors, by using academic knowledge and deepening literature review related to slum upgrading practices in other countries. The result of this step is shown on Table 3.3.

Table 3.3 The indicator of governance performance regarding the principles of successful slum upgrading
(source: researcher analysis)

No.	Principles of Successful Slum Upgrading	Indication Performance of Governance
1.	Acceptance of slums	The acknowledgement of the rights of urban poor in the highest legislation, for example in state constitution and ideology
2.	Political will, commitment, and leadership	The presence of political pronouncement, for example: statements by country's leader or commitment in Spatial Planning Act and other lower legal instruments
3.	Integration of slum upgrading in urban plan and other policy intervention	The presence of slum upgrading settings in spatial plan, especially in Spatial Plan for Shelter Strategy (SPSS)
4.	Partnership, cooperation and coordination	- The balance and working coordination between stakeholders both in vertical and horizontal tiers - The presence of innovative partnership with private parties
5.	Security of tenure	The presence of any kinds of policy intervention dealing with land tenure, for example: land reform, land subsidiarity, land administration, etc.
6.	Community participation	The occurrence of community participation events in planning, implementation, and management stages
7.	Continuity and institutionalization	The presence of slum upgrading initiatives in future national, provincial, and city plan or in further development agenda
8.	Financial sustainability	The increasing of national, provincial, or municipal allocation budget for slum improvement programs
9.	Alternatives to new slum formation	The presence of any other initiatives, programs, or policy intervention that inline with slum upgrading effort
10.	Infrastructure investment	The increasing in the number and types of infrastructure built during implementation process

c. Going through all the materials (secondary data from literature review, notes, transcription) and finding out any indication or evidence of governance performance in the case study that correlates or matches with the principles.

d. Jotting down and categorizing these evidences into each principle they belong (coding). One evidence or indication may refer to more than one principle. For example, the availability of legislation concern with slum improvement is the indication for the acceptance of slum as well as the indication for political will and commitment.

e. Assessing the level of governance performance in each principles using qualitative measurement (low, fair, and good performance). Providing analysis or assumption about the reasons/factors behind such performance level.

f. Summarizing the level of performance in each principle into the overall performance. The findings of this analysis will demonstrate the performance state of Indonesian governance in dealing with slum prevention and improvement, whether or not this condition will support sustainability in slum improvement outcomes in the future.

The discussion to answer the third research question will be served in Chapter 5 (The Analysis of Governance Performance in the Principles of Successful Slum Upgrading in Indonesia). In the final chapter (Chapter 6), some conclusions and recommendation are drawn. The recommendation is developed from general academic understanding and, if necessary, from lessons of slum upgrading experiences in other countries.

For concluding remarks, the overall process of methodology is drawn by the scheme below:

Data Collection 1 Journal articles, research reports, theses, books, and internets	→	**Literature Review 1:** Building theoretical background of: slum, slum upgrading, governance, and the principles of successful slum upgrading
Data Collection 2 Journal articles, government publication, books and internet	→	**Literature Review 2 and Narrative Analysis:** Elaborating Indonesia's case by comparing the characteristics of the past and the later generation of slum upgrading projects
Data Collection 3 Semi-structured interview	→	**Qualitative Explanatory Analysis:** Identifying and explaining the implementation of current slum upgrading projects (including its constraints and opportunities) Identifying and evaluating the performance of governance toward successful slum upgrading

Figure 3.1 Methodology

The next chapter will focus on the case study of slum upgrading in Indonesia. Some general context and overview on historical development of slum upgrading in Indonesia will initiate the chapter to first provide better insights to the changing condition of Indonesia. Then, the discussion is shifted to the implementation and evaluation of current slum upgrading program in Indonesia. Literature review and narrative analysis methods are used in the next chapter.

Chapter 4

SLUM UPGRADING IN INDONESIA

This chapter is aimed at exploring slum upgrading program in Indonesian context. It is necessary to understand how global idea of slum upgrading is adopted and adjusted in particular setting. Therefore, in the first section the discussion begins with the description of some general context of Indonesia, covering: the form and structure of government, planning system, legal framework, and social economic condition. The second section presents the historical narrative about the development of slum upgrading in Indonesia from the early until the current situation. The third section focuses more on the case study of current slum upgrading project in Indonesia. Some basic elements such as the main concept, objectives, targets, components, organization, and financial mechanisms of this slum upgrading effort are presented. Then, the discussion is shifted to elaborate the implementation process of this project. It is important to evaluate and identify the gaps between the initial agenda and the reality on the ground that might be influenced by the governance circumstances.

4.1. General Context

Slum upgrading is incremental. Although the concept is globally accepted, the implementation of slum upgrading program is diverse across countries, cities, and time. Each difference is influenced by contextual matters such as: the form and structure of government, planning system, legal framework, as well as physical, social and economic condition. Therefore, in this section, some contextual factors that influence the implementation of slum upgrading in Indonesia are portrayed.

4.1.1. The Form and Structure of Government

Republic of Indonesia was established as a unitary state in 1945 (stated in the 1945 Constitution of Republic Indonesia).

> *"The power in unitary state is resided with national government, although certain responsibilities may be delegated to government departments for specific territorial units or to local government...the national government has an authority to make the laws that are applied throughout the country and must be followed by other lower-tier governments, private parties, and communities"* (EU Comission, 1997, p.39).

From this period, Indonesian history has recorded at least three significant political transition in the country. The first was guided-democracy (*Demokrasi-Terpimpin*) that run under dominant individual leadership of President Soekarno (1959-1965). The characteristics of this leadership were strong centralistic and authoritarian government. The second was New Order (*Orde Baru*) that run under individual leadership of President Soeharto (1966-1998). This regime promoted economic growth and military-and bureaucracy-ruled political system. Again, this leadership was also strong

centralistic and authoritarian approach. The excessive debt borne by the country at that time because of inefficiency, corruption, and nepotism had led to multidimensional crises and followed by the fall of this regime. Finally, from 1998 onward, Indonesia has adopted a decentralized and democratic republic (Hudalah, 2006). The form of government has shifted from highly centralized system to decentralized system.

As well as the form of government, the structure of government has also shifted from a very vertical hierarchy to a inter-tier coordination. Basically, there are three tier of government structure in Indonesia: the central, provincial, and local government. Local government consists of municipality (*kota*) and district (*kabupaten*). Below city and district, there are also sub-district (*kecamatan*), *kelurahan* (for urban area) and *desa* (for rural area). At the vertical hierarchy period (in Soekarno and Soeharto's era), the higher-tier government has big authority to affect administration and decision making in lower tiers. Meanwhile, the lower-tier government had to follow a set of rules produced by higher-tier government. Since decentralized system has been stated in Law of Regional Administration (1974, 1999, and 2004), province and the municipality (*kota/kabupaten*) are put on the same level of authority. This condition has reduced the role of provincial governments in coordinating policy among municipalities in their regions (Hudalah, 2006) and may invite the risk of policy fragmentation across cities as well as across sectors. Almost all affairs (except the foreign, defence, security, justice, monetary and fiscal, and religion affairs) are transferred to provincial and local governments. Since there is a common perception that only local government knows best for their people's needs, most of those are executed in city or municipal level instead of provincial level. Often, provincial governments only take roles as representative of central government.

The context of changing form and structure of governance has influenced the implementation of slum improvement efforts in Indonesia. First, decentralization gives more freedom as well as demands greater responsibility of local governments to build their regions independently according to the capability of their own resources. The development budget allocations from central government, which previously in centralization era were given equally to all regions, during the current decentralization era is awarded proportionally according to the fiscal capacity of each regions. As a result, local governments are compelled to compete with each other in advancing the economic growth in their regions. Development plans and programs in the provincial and local levels tend to give a higher priority to programs that can enhance regional economic sources, such as the development of commercial areas, industry, and tourism. The land reservation is also prioritized for such activities. Meanwhile, slum improvement program has not become a priority for local development because it is perceived as non-cost recovery programs which can not provide benefits for local revenue sources, instead of consuming huge budget for land acquisition and infrastructure development. Indeed, the growth of slums is also one of consequences of labor demand from the development of economic activities. Attention to slum improvement efforts in provincial and municipal levels is still very weak. Second, the changing in government structure towards inter-tier coordination has made the actors involved in slum improvement programs increasingly numerous and varied. Decision making process that previously could be done by simply command and control approach, it now requires complicated coordination and negotiation process

and sometimes influenced by power interest. As a result, the slum improvement efforts in Indonesia seem to be in slow progress due to the hard decision-making process.

4.1.2. Planning System

Planning system in Indonesia is comprehensive, integrated, and binding in nature (Hudalah, 2006). Comprehensiveness can be seen from a range of goals that are covered in the spatial planning, including: (1) the achievement of spatial quality in space utilization, (2) the promotion of sustainable environment by achieving integration in the use of natural, man-made, an human resources, (3) the efficient and effective use of natural and man-made resources to improve the quality of human resources, (4) The protection of spatial function and the prevention of and overcoming the negative development impacts on environment and (5) the balance between welfare and security interests (Law of Spatial Panning No.26 of 2007). Integration can be seen from the planning process that covered three interconnected activities: spatial planning process (plan-making activities), spatial development promotion (the use of spaces), and spatial development control (the control of spatial uses). The binding concept can be seen from the use of legalized plans as guidance to determine the proposed location and programmed development activities, which means all stakeholders involved in land development (the governments, private sectors, and communities) are bounded to these plans. These plans range from general to detail plans as well as detail engineering plans.

In the context of comprehensive, integrated and bounded spatial planning, the space needed for urban poor settlements is supposedly accommodated together with other space needs. In fact, the existence of slums tends to be ignored and is not explicitly reflected in a local land use plan. The national spatial plan, whose goals aimed at the achievement of spatial quality and welfare, are not strong enough to bind lower spatial plan to engage in slum improvement due to the lack of sanctions. As a result, these marginal spaces (slums) have untouched by the infrastructure development and thus degradated.

Furthermore, the function of spatial development promotion and spatial development control are also weak. The government is more focus on plan and program making to guide investment and financial mechanism in development promotion, but there is no clear and specific obligation for themselves to invest and finance the development and the land supply (Hudalah, 2006). For instances, in housing policy system particularly in the provision of housing for low income people, the strategies such as enabling public-private partnership and developing mortgage system are more preferable than massive housing development (Winarso, 2002). There is a tendency for the removal of government participation in public investment through privatization. This can threaten the low-income communities who become the weakest player in the urban land competition.

> *"In the management of Kawasan Siap Bangun/KASIBA (the area made ready for development), the appointed stated owned enterprise or other legal entity ... can cooperate with other state owned enterprises, cooperatives and individual (private) entities in housing development"* (Law on Housing and Settlement No.4 of 1992, Art.20 Par.4).

The degree of government intervention in helping the poor is limited to the subsidy in credit for land and for low-income housing. Indeed, this strategy hardly covered the backlog of housing

supply because the price of subsidized housing or low-income apartment is still non-affordable for low income class. Some urban researchers agrees that public- and state-assisted housing in developing countries has belonged to middle and upper classes, who expect to pay low tax while receiving high levels of government services (Davis, 2006).

4.1.3. Legal Framework

As one of members of United Nations who signed the Millenium Development Goals (MDGs) in Millenium Summit event in September 2000, Indonesia has committed to be engaged in slum prevention and improvement. This international agreement has significantly stimulated Indonesian government to prepare slum prevention and improvement strategies that are underway at national, regional, and local levels. In order for the strategies can be effectively enforced and adhered by all stakeholders, it needs comprehensive and bounded legal basis from the highest (national) level until the lowest (local) level.

In Indonesia, the issue of slums and their handling has already get position in the higher legislation and public polices. **First**, the highest legal foundation is *Pancasila* and The Constitution of the Republic of Indonesia of 1945. *Pancasila* is an ideology of Indonesian state outlined in the opening state of the Constitution of the Republic of Indonesia of 1945. It is emphasized in *Pancasila* that Indonesia is a law state (*Rechstaat*) instead of power state (*Machstaat*). Thus, Pancasila as the Indonesian philosophical norms should be reflected in every regulation formed in the unitary state Republic of Indonesia. The five principles of Pancasila should be interpreted and defined in the rule of laws, including the law that is related to social justice in housing and settlement sector. The first principle of Pancasila, "belief in the one and only God", means that all activities in Indonesia should be based on the view that everything in this world follows certain rules made by the Supreme being. The second and the third principles, "just and civilized humanity" and "the unity of Indonesia", can be reflected that every law related to housing and settlement sector should not cause social and spatial segregation because this may endanger the unity of Indonesian state. The fourth and the fifth principles, "democracy guided by the inner wisdom in the unanimity arising out of deliberations amongst representatives" and "social justice for the all of the people of Indonesia", can be reflected that more attention to the right of poor society for decent, healthy, and affordable housing and human settlements should be given to achieve social justice. The rights to live in spiritual and material prosperity, to settle, to get good and healthy environment and to obtain medical care are clearly stated and protected in The Constitution of the Republic of Indonesia of 1945 (Article 28 H paragraph 1). This grounded norm should be further translated to the lower legal norms, namely the laws of Republic Indonesia. The laws of Republic Indonesia that support slum improvement effort consist of law on human rights, law on housing and human settlement, law on basic agrarian regulation, and law on spatial planning.

Second, the Law No. 39 on Human Rights of 1999 Article 40 asserts the right of every people to reside and to live in decent condition. In other words, the rights of Indonesian citizens on shelter and decent living are the rights that must be protected by the State. State as a duty bearer has obligation to respect, to protect and to fulfill the citizen rights on shelter and decent living. Indeed, this statement has strengthened the position of poor communities, especially slum dwellers, in the

eyes of policy makers. Ideally, there is no excuse for government to turn away from a commitment to deal with slums.

   Third, the Law No. 4 on Housing and Settlements of 1992 reaffirms the equality on citizen's rights to occupy, enjoy and have decent housing in a healthy, safe, harmonious and orderly environment. In addition, this law also enforces the citizen's responsibility and participation in the development of housing and settlements. This means that every level of governments has to take responsibility in the management of housing and settlement for all citizens indiscriminately and to allow them participating in the process of housing and settlement development, including participation in planning, implementation, monitoring, and controlling stages (Law No.4 of 1992 Article 27).

> *"The government provides guidance, assistance and convenience to the public both in planning and implementation stages, and monitoring and control to improve the quality of settlements"* (Law on Housing and Settlement No.4 of 1992, Art.27 Par.1)

Related to slum issue and its improvement, this law reveals the right of local government to determine a settlement as slum and the obligation to conduct slum upgrading program together with the community.

> *"The local government may define a settlement as slum, which is not feasible for human habitation"* (Law on Housing and Settlement No.4 of 1992, Art.28 Par.1)

> *"The local government with the community jointly undertakes the implementation of slum upgrading program to improve the welfare of slum dwellers"* (Law on Housing and Settlement No.4 of 1992, Art.28 Par.2)

Nevertheless, slum improvement strategy without an affordable housing strategy is nothing. In this law, there is no firm statement on the role of government in enabling low-income housing. This law is on revision process now. The special attention to the poor and the capability of local government in enabling low-income housing become the main issue of this revision. The revision is done as a response to the decentralization era in which the role of government and society are changing, the need to include international agenda, and the need to provide adequate institution and financial mechanism towards good, just, and fair housing and settlement legislation (Ministry of Public Works, 2009).

   Fourth, the Law No.5 on Basic Agrarian Regulation of 1960 Article 15 provides protection and maintenance of resources and special attention to poor society as parts of sustainability principles.

> *"Maintaining land (and soil), including improving its fertility and preventing its destruction, is the responsibility of every people, legal entity, or government body that has legal relation with the land, considering the consequences to the low-income people" (Law No.5 on Basic Agrarian Regulation of 1960 Art.15)*

This law, published nearly fifty years ago and became the basis of land management in Indonesia, is actually more intended to manage agricultural land, while the management of urban land is not set explicitly in this law. Consequently, urban land has transformed into a commodity and its use was so dynamic. For example, the right to build, which is considered as the tool for urban land management,

slowly turned into property rights. Local policies are not strong enough to hold the status of this right. The changing of rights to build into property rights has decreased the social function of land and land becomes something that is very individualistic. On the other hand, the amount of land in urban areas is very limited and inflexible. The limitation of urban land then becomes a source of injustice, especially for the urban poor. Unfairness in the allocation of land means also the injustice in the allocation of water resources, public facilities, roads, sanitation, and energy.

Fifth, the Law No.26 on Spatial Planning of 2007 Article 7 confirms that the spatial planning conducted by the State is aimed at-large public welfare considering the rights of people and in accordance with law and regulation. This means that the government is obliged to concern about the space needed for the entire community, including poor people because poor people also have the same rights over space. On the other hand, the government also has the right to cancel the use of the space that is not in accordance with the land use plan (Article 37 paragraph 2). This means that the space occupied by poor communities should be legal and in accordance with the existing local land use plans. While most of slum communities occupy illegal space or land use that is not intended to be residential areas such as green spaces, riverbanks, railway safety lines, power safety lines, under the highways and bridges and others. Therefore, the allotment of residential space for the poor must also be accommodated within the spatial or land use plans so that they have security of tenure. Without security of tenure they are very vulnerable to eviction.

Another main point in this law that relates to slum upgrading is the public participation.

> *"The implementation of spatial planning is carried out by the government and involving the community"* (Law No.26 on Spatial Planning of 2007 Article 65).

This article emphasize on the rights of public participation in spatial planning, starting from the process of preparing, planning, implementation and even later in its control. Public is actually allowed to make proposals, initiatives, evaluate and even bring an action in court, If they feel harmed by the implementation of spatial planning. This is a good opportunity to overcome the problems of slum through slum upgrading effort which is very dependent on the community participation element. The legal protection of community's participation will trigger them to move actively and enhance partnerships with government and other parties in building their neighborhoods.

Sixth, Presidential Decree No. 5 of 1990 on Slum Improvement at the State's Lands becomes the last legal basis for slum reduction and improvement in Indonesia.
> *"The improvement of the slums is the partly or entirely demolition of slum areas that are largely or entirely stand on the State's land and then, the infrastructure and low-income apartment and other buildings are built in the same place in accordance with the city's plan"* (Presidential Decree No. 5 of 1990 Article 1).

This slum improvement activity stated in this legislation is aimed to improve the quality of life, livelihood, status and dignity of residents, especially low-income communities to obtain adequate housing within healthy and orderly environment, to realize better urban land use planning that is appropriate with its function, and to encourage more efficient use of land by the construction of low-income apartments, to improve building code, to facilitate the provision of infrastructure for human settlement, and to reduce the welfare gaps between urban inhabitants.

Although this presidential decree strongly support slum improvement, some point of views are still inviting improper interpretation such as the word 'demolition' in the quotation give negative connotation to the eviction, instead of improvement. In addition, the alternative to solving slums is limited to the relocation/resettlement of slum community into low-income apartments or "sites and services" project. The government tries to attract private sectors by giving them chances to develop low-income apartments with some profit and compensation.

> *"Costs incurred by the developer for upgrading, construction of a complete low-income apartment with its facilities and resettlement of slum residents are with a reasonable level of profit and compensation in the form of equal commercial acreage"* (Presidential Decree No. 5 of 1990 Article 4)*.

After established, the low-income apartment then becomes the State's property and its management in certain period will be handed over to the National Housing Public Company. Sometimes the development that is carried out by private party causes some problems, such as the low quality specification of building materials or the high lease rates which are not affordable for the poor. This is because private parties such as developers tend to seek profit and avoid loses. As a result, many slum dwellers sold their apartment's room and back to slum. Another thing to consider is this regulation only governs the slums which are located on State's land or illegal slum. Meanwhile, the slums which are standing on legal land do not yet have a clear legal basis.

4.1.4. The Social Economic Condition

Population growth can be analogue as a double-edged sword. In one side, the growth of population can contribute to the economic growth of a country. In other side, the huge number of population which is not well-serviced would become a potential risk for the creation of various social problems. In the era of global economic crisis, Indonesia, with the fourth largest population number in the world (around 200 million people), has enjoyed this "blessing of disguise". Although the projection of economic growth in Indonesia will be stable on positive number of 4,5 percent per year since 2009 (Ministry of Public Works, 2009), it still faces the risk of social problems, especially poverty. The unstopped migration flows to urban area, creating unbalance with the provision of adequate services, especially housing and its basic services, can lead to the emergence and spread of slums. The average of housing need in Indonesia is around 800 units per year (Akil, 2004). Meanwhile, only 15 percent from the total housing needs can be provided by the government through formal sector and banking facility, 85 percent is developed independently by the communities (Ministry of Public Works, 2009). The provision of houses by the government can not be implemented optimally mainly due to lack of funding. Although the provision of houses have been made through cooperation between government, private parties and community, the fulfillment of housing needs are still not entirely satisfied. The gap between the housing supplies and housing needs at the end of 2003 still reached about 5.93 million units (Akil, 2004 in Ministry of Public Works, 2009).

Table 4.1 The Condition of Housing in Indonesia (sources: The Indicator of Citizen Welfare in 1977, 2000, and 2003, by Statistical Bureau of Indonesia)

Element	Urban (%)			Rural (%)			RurBan (%)		
	1977	2000	2004	1977	2000	2003	1977	2000	2003
Floor <10m2	29.5	26.7	21.5	27.7	24.7	19.0	28.3	25.5	20.0
Dirt floor	6.2	5.2	6.7	27.6	23.0	21.3	19.6	15.5	15.1
Approp. roof mat	98.0	98.5	98.8	89.6	91.9	92.9	92.7	94.7	95.4
Permanent wall	91.7	92.3	93.9	74.8	78.0	82.1	81.1	84.0	87.2
Elctricity	96.4	97.9	98.4	65.9	77.8	82.1	77.2	86.3	89.0
Pipe water	39.9	36.2	37.8	7.0	6.9	7.6	19.2	18.6	20.4
Safe water	57.5	48.3	60.3	45.3	34.9	39.9	49.7	40.6	48.6
Toilet and septic tnk	48.3	46.3	55.7	13.8	15.5	22.1	26.1	28.5	36.4

The table above shows that the problem of housing and settlement also covers the gap between the provision of basic infrastructure and the needs of basic infrastructure within settlements. This basic infrastructure needs relatively arise in conjunction with the emergence of housing needs because the existence of housing and human settlements can not be separated from each other. The limited provision of basic infrastructure is still associated with constraint in development financing. Another constraint is lack of human resources in terms of technology, lack of facilities and supporting infrastructure, and the lack of personnel with appropriate educational background (Ministry of Public Works, 2009). The gap between the provision and the needs of basic infrastructure, housing and settlements raises other basic problems which is the decreasing of the quality of houses and their environment. Houses that do not have adequate infrastructure and facilities will have environmental degradation, particularly in the supportive functions of the house itself. Furthermore, the development of human resources including livelihood activities would be disrupted if the quality of housing they occupy has decreased. If the decline in quality of housing is not immediately addressed, the emergence and growth of slums are inevitable.

The population density of Indonesia is 500 people per hectare (National Statistical Bureau, 2006). If the total slum areas in 2006 covered around 42.500 hectare, then number of slum dwellers would be 21,25 million people (Antara News, 2006). It means that 18 percent of Indonesian people are living in slum areas. This figure slightly differs from the data indicated by a foreign researcher, Mike Davis in his *Planet of Slums* (2006). According to him, Indonesia is among the largest slum population countries with 23,1 percent of its population (20,9 million people) living in slums (see Figure 4.1).

Davis compared the number and percentage of slums in 20 countries to show that this phenomenon has become global problem and evolves rapidly. There are already eight countries with more than half of their urban population living in slum areas (Ethiopia, Tanzania, Sudan, Bangladesh, Nigeria, Pakistan, Peru, and India). Among 20 countries Indonesia is considered belong to the lowest group in terms of slum number and percentage. Nevertheless, if this is not fast anticipated Indonesia can be included as the country which is at risk to slum explosion.
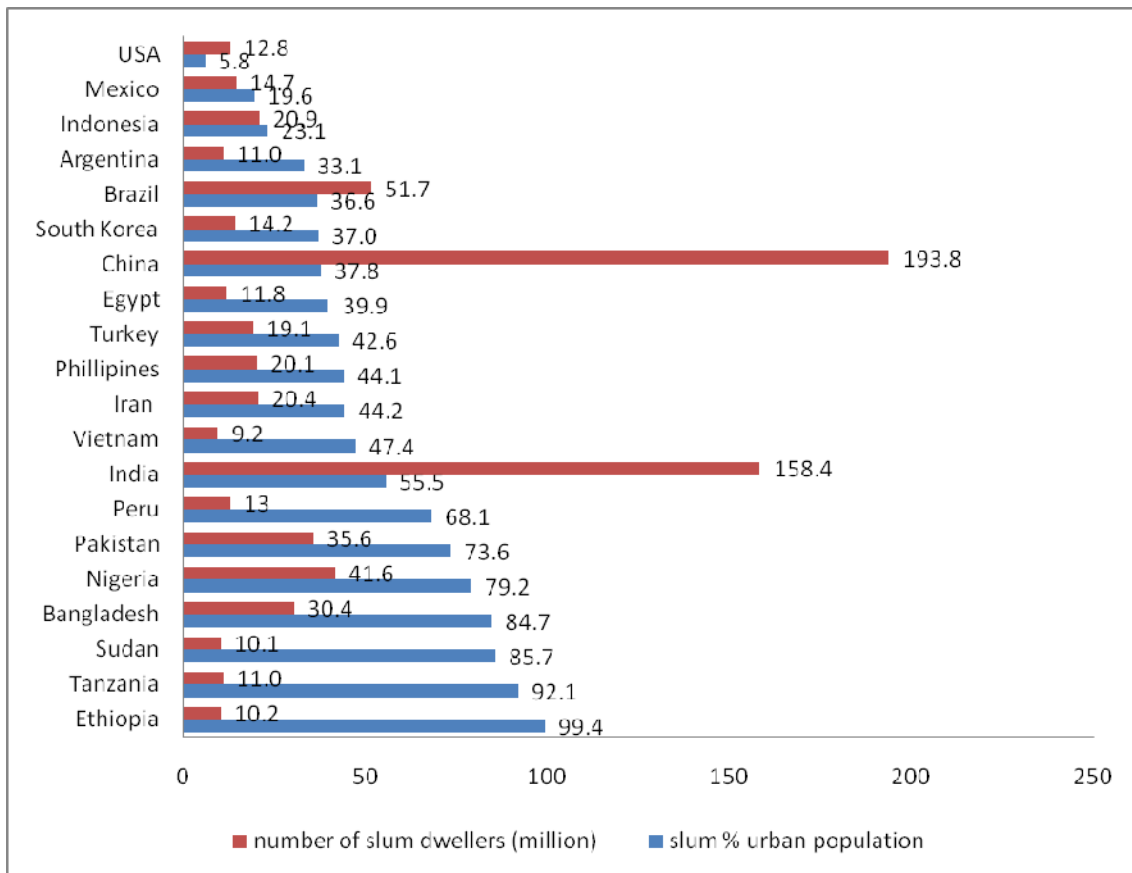
Figure 4.1 Slum population by country (Davis, 2006)

The data is also supported with other BPS data mentioning 14 percent of total housing number in Indonesia consists of indecent housings or slum houses which are settle on flood plains, along railway greenbelts, coastal plains, and other locations (NUSSP, 2007). If the national target to reduce poverty reflected in an effort to reduce slums is about a half from the total slum dwellers (based on MDG target), which means 7,5-12 percent until 2015, then it would still a long way to go.

The characteristics of slums in Indonesia are diverse from one place to another place, even within the same cities or districts. Yet they shared some similar circumstances: minimum housing size lived by more than three people or more than one household, the condition of the house is unmeet with health and social life standards, very dense settlement that is not resistant with fire risk, lacked of water supply, not-well installed electricity network and limited electricity capacity, bad drainage, bad and inadequate street, and limited latrines (Ministry of Public Works, 2006).

Most of slum dwellers work in informal sector such as street vendors, construction workers, housemaids, shop workers and many others. Their levels of income are also varies. One thing to consider is: not all slum dwellers are poor people, and not all poor people are living in slums. To ease the implementation of slum upgrading and other poverty alleviation-related programs, the government then define the categorization of low-income people (*Masyarakat Berpenghasilan Rendah/MBR*) as a household that has income up to IDR 2 million per month, or equal with US 200

37

dollars per month (Regulation of Ministry of Public Housing No.6/PERMEN/M/2006). The MBR would become both the beneficiaries (object) and the actor (subject) of slum upgrading program.

4.2. Historical Development of Slum Upgrading in Indonesia

Indonesia has a long history of slum upgrading for more than four decades (1969-till now). Various programs under slum upgrading cover have been implemented, each with different approaches and concepts. The particular concept and approach used was strongly influenced by the theoretical development or thought that emanate globally at that time. Based on the underlying thoughts, the historical development of slum upgrading in Indonesia can be divided into three generations. First, the slum upgrading program that was affected by market-driven thought. Second, the slum upgrading program that was affected by participatory thought. Finally, the slum upgrading program that focuses on both participatory and socio-economic development.

The first world's urban slum upgrading project was launched and executed in Jakarta in 1969. The name of the project is Kampung Improvement Programs (KIP). KIP was born at the time when the government's policy of direct public housing provision was opposed by most housing advocates in developing countries. They have advised governments to enable communities to choose and develop their own housing (Mukhija, 2001). The World Bank, as one of the leading international agencies, also recommended governments to enable housing provision through policies of decentralization, privatization, deregulation and demand-driven development (World Bank, 1993 in Mukhija, 2001). As response, many governments in developing countries (including Indonesia) shifted their focus on upgrading slums and providing services to urban poor.

Jakarta was choosen as the location of KIP because around 60 percent of its 4,8 million inhabitants was living in so-called "*kampungs*", the densely populated, unserviced, and low-income neighborhoods that scattered around the city. During the initial stage (KIP part I), 1969-1974, a fund equivalent with 13 US dollars per head was expended and managed by Jakarta's authority to improve the living standards for 1,2 millions slum inhabitants. This expense was realized in the form of basic infrastructure such as roads, footpaths, water, sanitation, drainage, as well as health and education facilities. The improved *kampungs* were then officially recognized as formal settlements and indirectly gave security of tenure to their residents. By this achievement, KIP's scheme gained its good reputation through the country and across developing world.

During the same era, the World Bank also involved directly in funding Sites-and-Services project. The original concept of this project was to provide low-income housing and its basic services in a large scaled area. The project was managed by National Housing Board and initially executed in 110-hectar area in Klender, Jakarta. The purpose of this project was to show that that in rapidly urbanizing, low-income countries, very basic shelter designs that were affordable could be provided on a larger scale. Through this project, the model of low-income houses was easily and traditionally adopted by most poor communities (the World Bank, 2008). Despite the success, the project also faced some failure. First, the project was not replicable due to the scarcity of urban land and cost inefficiency. Providing the most modest new housing unit in Sites-and-Services project cost four times more than upgrading scheme without providing housing (Silver, 2008). Second, the project

failed to empower community and was strongly controlled by government's endeavors. Third, the project became enclaves of relative privilege in the larger urban environment (the World Bank, 2008).

From 1974, the World Bank gave soft loans to Indonesian government in order to accelerate KIP's efforts (in the form of KIP II) and to integrate fragmented planning and implementation under single national framework. In 1979, slum upgrading scheme as in KIP project was endorsed by Indonesian government as national policy. In 1982, when financial aid given by the World Bank ended, the slum dwellers benefited from KIP project were increased from 1,2 millions to almost 5 millions people. During six years after this achievement, continuous monitoring, assessments, and community opinion were still ongoing. In 1988, all those involved realized that the outputs in KIP I and KIP II, which managed fully by government, were no longer in order. Some of improved kampungs were degradated because of poor maintenance from the community. Some problems such as bacterial contamination of leaky sewerage, intermittent water system, polluted rivers and canals, free riders of public services, and fecal contamination of shallow wells arised after the project finished. Furthermore, there were also issues regarding governance such as low standards of infrastructure constructed by development agencies, the lack of construction supervision, insufficient recovery cost of infrastructure, unfair service charge between the poor and the rich, and again, corruption have become constraints in the maintenance stage of slum upgrading (Werlin, 1999). All those involved then realized that the communities themselves had to be actively involved in program planning and implementation. The study of the World Bank in 1995 also found that, among other benefits, KIP residents enjoyed land values higher than those in non-KIP *kampungs*. However, as the city increasingly urbanized and the urban land supply became more contested, the residents of some improved *kampungs* sold their lands and properties to private developer which wants to build office buildings and shopping centers (Firman, 1997 in Werlin, 1999).

Another problem is that affordable housing built through cooperation between the government and developers turned out just to meet certain segments of society. This occurred because of the bias in the determination of target groups. Specified target group is those who can afford the housing payments on time. The provision of affordable housing built by private parties or developer was still oriented toward profit (supply-driven approach). Not to mention the declining economic conditions in Indonesia at that time had made the mortgage interest increased and the poor was increasingly unable to reach affordable housing. All of these problems were the implication of the housing policy that was overshadowed by market-driven development. Housing was considered as an economic commodity (exchange value), instead of social concern (use value), and the urban poor was considered as a consumer.

The government failure and market failure in first generation of slum upgrading had brought a thought that users should be the principal actors in housing development (community-based development). 'Turner school' (1967, 1972, 1977), the originator of the idea, believed that individual and community could managed the practice of housing provision more efficiently. They argued that government is bad in building and managing housing sector and not sensitive to the local needs and priorities (Mukhija, 2001). Then, the second generation of slum upgrading which focused on participatory approach was born. The famous example was Program Pembangunan Perumahan

Bertumpu Pada Kelompok (P2BPK) or community-based housing development program which was launched in 1989. Hopefully, through this program the community could meet their housing needs cooperatively and organizely within community organization framework (demand-driven approach). Funds used to build the houses came from the community and credits from the state's bank PT. Bank Tabungan Negara. This program has succeeded in placing the community as a central actor in the development. They initiated the development, searched for land, made plans, asked permission and credits, built, and managed the post-construction activities. In doing such activities, they were accompanied by Development Consultants (Konsultan Pembangunan/KP), which acted as a community organizer that connected the communication between communities, government, and private parties. However, the program also faced many constraints because the communities were difficult to access vacant land and the banks often rejected the loan proposal from the communities because the proposed credit scheme was too complicated and risky (Sumarto, 2009). Although the community group has been formed, the low-income community was still considered socially and economically weak.

The historical development of slum improvement then came into the third generation. It was influenced by the concept of sustainable development which was booming at that time. The concept, which was born in Rio de Janeiro Conference in 1992, considers the importance of balance between environmental, social, and economic development. In housing sector, poverty is seen as the root cause of slums. In addition to physical improvements of slums, the improvement of social and economic conditions of poor community also needs to be integrated in slum upgrading programs. In 1993, a new approach of KIP, namely KIP III, that brought the idea of sustainable environment to complement the social and economic dimensions of the scheme was applied and extended in Surabaya and Denpasar. However, KIP III also had a shortage that it more concern on the improvement of exterior, instead of interior of kampungs. Infrastructure and other services were improved, but the housings were still on bad condition. Poor proofing, poor natural ventilation, poor lighting, unhealthy degree of humidity, and waste-contaminated ground water have made 51 percent of slum residents became victims to respiratory problem and dengue fever. The health problems were solved when the project was combined with affordable solutions in other areas such as microcredit to fund windows and ventilation, greenery to generate more oxygen, and collective roofing for rainwater collection (Juliman et.al, 2006).

After the era of KIP III, the economic crisis which was followed by social and political upheavals during 1997-1998 have somewhat undermined slum improvement efforts in Indonesia (UN Habitat, 2006). Not until 1999, Urban Poverty Project (PNPM-P2KP) is established as part of poverty alleviation program. The concept of P2KP is community-based development which built from three aspects: *moral* (the change of community's attitude and outlook that is always based on universal values of humanity; honesty, trustworthy, genuine, fair, equality and unity in diversity), *good governance* (the principles of good governance; democracy, participation, transparency, accountability and decentralization) and *sustainable development* (environmental protection, social development, and economic development). The component activities offered in P2KP is open menu by which the communities are free to determine and propose their desired improvement or development activities. These activities are carried by community institutions (*Badan Keswadayaan*

Masyarakat-BKM) that are formed independently and collaboratively. The role of these community institution comprise determining the needs, making decisions, preparing the process, implementing the program, using and maintaining the outputs of the program. Each BKM constructs the Medium Term Planning Poverty Reduction Program in a participatory way, as a community initiative to tackle poverty in their area autonomously. Backed by government's facilitation and community's initiatives, BKM start a partnership with local government and concerned groups. Until now, the generation of P2KP I, II, and III have produced around 6.405 BKM spread across 1125 districts in 235 cities and *kabupaten* and covered 18,9 million beneficiary Those BKMs are encouraged to get profit to sustain their capital in the future. In 2008, P2KP is merged with PNPM (Urban Community Empowerment) and appointed as a national program (P2KP, 2010). However, P2KP is targeted to urban poor in general, not specifically to slum dwellers. In addition, the P2KP program is dominated by social and economic development.

At provincial scale, there was also slum improvement effort, namely Sub-district Society Empowering Program (PPMK) introduced in 2000 endorsing the latest KIP approach. Because it focused only on economic development and poverty alleviation, PPMK hardly improved the living condition or the quality of the environment. In addition, it gave uniform allocation of USD 200,000 per sub district, thus, it failed to recognized the individual areas that have their own strengths and problems (Juliman et al, 2006). Indonesian government also have an initiative to build apartment buildings for the urban poor at a cost around USD 3,200 per head, which is 140 times as much as KIP III costs which is only at USD 23 per head. Yet only 20 percent of these low-income apartments got the right target of residents (Juliman et al, 2006).

Looking back from the history of slum improvement in Indonesia, there were many different slum upgrading and poverty alleviation programs, each with different approaches. Two of them which are quite prominent are Kampung Improvement Programs (KIP) and Urban Poverty Project (P2KP). Each provided a significant contribution to reduce and improve the quality of slums in Indonesia. Many things can be learned from the experiences of these two programs, covering both positive lessons that can be adopted as well as negative lessons that need to be eliminated in the implementation of slum upgrading effort in the future. Valuable lessons from these two programs are summarized in the table below:

Table 4.2 Lesson learned from three generations of slum improvement in Indonesia (extracted from Juliman et al, 2006; Werlin, 1999; Sumarto, 2009; P2KP, 2010)

The Evolution of Slum Improvement	the 1st Generation 1960s - 1980s	The 2nd generation 1980s - 1990s	The 3rd generation 1990s - now
Examples	Kampung Improvement Program/ KIP I and II, Sites-and-Services Project	Community-Based Housing Development/ P2BPK	Urban Poverty Project/ P2KP, KIP III, NUSSP
Approach	Market-driven, supply-driven	Participatory, demand-driven	Sustainable development
Focus	Physical improvement	Community participation	"Tridaya" : environmental, social, and economic development

The Evolution of Slum Improvement	the 1st Generation 1960s - 1980s	The 2nd generation 1980s - 1990s	The 3rd generation 1990s - now
Key Actors	Government and developer	Community and NGOs	Government, community, NGOs, private parties
Strengths	- Not only provide infrastructure, but also health and education facilities. - Giving security of tenure: improved kampungs are officially recognized as formal settlements. - Increasing land values	- Placing community participation at the centre - Community has wider range of activities: initiating, searching and selecting land, proposing permission and credits, planning, executing, managing - Giving access to affordable housing - Use value of housing is fostered	- Comprehensive aspects to be improved: physical environment, moral, good governance, and economic development - Open menu: community is free to choose component activities that suitable with their needs. - Community organizations are allowed to sustain capital.
Weaknesses	- Concern on the improvement of slum exterior instead of interior - The lack of community participation - Bad governance: low standards of construction, the lack of supervision, unfair service charge, corruption. - Market failure: housing is not affordable (exchange value) - Land use change because of increased-land values	- Community is difficult to access vacant land - Community is difficult to access housing credits - The mechanism is too complicated and risky - Community's initiative and aspiration tend to be controlled by NGOs which acts as mouthpiece - Community is socially and economically weak (low-educated and lack of collateral)	- Targeted on urban poor in general, not specifically slum dwellers - The improvement activities are dominated by social economic development, for example establishing local financial institution (*koperasi*), developing small business for the poor, etc. - Complex relationship among actors

Overlapped with P2KP, there is a specifically slum upgrading program namely Neighborhood Upgrading and Shelter Sector Project (NUSSP) which was executed from 2004 until 2009 (now it is extended until 2010). Similar with KIP, NUSSP is also another big slum upgrading projects that is financed by the combination of international funding (Asian Development Bank's loan) and the government's funding. The slum map covered by NUSSP is larger than that of KIP, covering 32 cities and *kabupaten* in 17 provinces. How does this current slum upgrading program perform?

Since there is limited evaluation on implementation of this current slum upgrading generation comparing with KIP and P2KP generation, it is necessary to sharpen the focus of this research on this project. The detail information about NUSSP and its implementation will be described in the next section.

4.3. Neighborhood Upgrading and Shelter Sector Project: the Case Study of Indonesian Current Slum Upgrading program

4.3.1. What is NUSSP?

Neighborhood Upgrading and Shelter Sector Project (NUSSP) is one of Indonesian slum upgrading projects that is financed by the combination of international bank's loan and government funding during five year period (2004-2009). It specifically aims to improve the quality of housings and environment for low-income communities in slum neighborhoods through the provision of resources for local governments who cooperate with the communities and private parties, to facilitate low-income communities in establishing and upgrading indecent houses through housing micro credit facilities, and to enhance the capacity of local government and communities in preparing participatory planning which focuses on harmonious division on roles and responsibilities between government, private parties, and community (Ministry of Public Works, 2009).

NUSSP was born because of the initiative from Indonesian government to address the problem of slums in Indonesia and to accelerate the achievement of MDG's targets, especially target on slum improvement. The government realized that the financial capacity of government was still low, comparing with the high number of slums, which reached 47.393 hectare and 17,2 million slum residents in 2000. From 2000 to 2003, the central and local governments were only capable to handle 3.143 hectare slum areas (Ministry of Public Works, 2006). Thus, there are still 44.250 ha slum areas that need urgent improvement. So far, slum upgrading programs were mostly financed by the central government. Although decentralization has been started since 1999, the provincial and local government could contribute to slums improvement in 2003 and it was still in small portions (see table in the next page).

Table 4.3 The slum areas that can be handled by government financial source during 2000-2003 (sources: Ministry of Public Works, 2006)

Year	Central Government (APBN)	Local Government (APBD)
2000	123 ha	-
2001	439 ha	-
2002	793 ha + 268 ha (grant IBRD)	-
2003	823 ha	697 ha
Total	**2.446 ha**	**697 ha**

Then, the initiative was followed by the loan proposal to Asian Development Bank (ADB). On 19 December 2003, the Memorandum of Understanding of NUSSP was assigned by ADB and the Government of Indonesia (ADB Loan No. 2072/2073-INO) for US 74 million dollars, declared effective on 31 March 2005 and originally scheduled to close on 31 December 2009. On request of the government, the closing date for the loan was extended until 31 December 2010. This loan was given to be managed by central government (the Ministry of Public Works), and then, the central government bestowed this fund to local government (city and district) as the executor of this project. The loan in the form of 'grant' in this project is a non-cost recovery or non-revenue generating. However, the local governments still have to provide accompanying funds or financial sharing as required by the central government. The proportion of financial sharing between central government

and local government is determined based on the fiscal capacity of local government (Decree of Minister of Finance Republic Indonesia No.35/KMK.07/2003) as follow:

- Central government : local government with high fiscal capacity = 30% : 70%
- Central government : local government with medium fiscal capacity = 40% : 60%
- Central government : local government with low fiscal capacity = 90% : 10%

To guarantee the contribution of local government in this project, the grant from central government will be disbursed if the local governments can provide their financial sharing or counterpart funds in advance.

Different from P2KP that offered open-menu components, NUSSP consists of predetermined four component activities. The first component of NUSSP is improved planning and management systems to upgrade sites and establish new ones for the urban poor. Under this component, the project provides assistance to local governments in developing planning systems that cater to the housing needs of the poor. All participating cities are supposed to: (a) develop systems for pro-poor shelter within the housing components of the local spatial planning and shelter strategy (*Spatial Planning for Shelter Strategy-SPSS*), (b) encourage political commitments to these systems, (c) provide outreach to undertake participatory planning with poor communities, and (d) strengthen coordination with other relevant agencies. For the first time slum upgrading programs in Indonesia contains the components of pro-poor planning where the slums will have programs and strategies for spatial planning and environmental quality improvement.

Learning from the past KIP, the restructuring and improvement of slums did not have sufficient planning document. Repairs carried out without regard to local land use plan so that the infrastructure built in improved slums was not integrated with the existing city-wide infrastructure.

"Despite the improvements effected by KIP under Urban I-IV, the environment in major Indonesian cities continues to deteriorate, exacerbated by population growth... for example, Denpasar, an area of rapid urban growth, exhibited very bad solid waste management practices among the study areas. In other cases, drainage was not integrated with road upgrading causing flooding problems after roads were raised higher than house floors (Jakarta and Denpasar). In addition, drainage systems were not connected with broader infrastructure causing backlogs at the entrance of the city wide drainage systems, increasing flooding and breeding grounds for disease-carrying insects (Surabaya)" (Independent Evaluation Group of the World Bank, 2001).

The second component of NUSSP is improved access to shelter finance by the poor through central and local financial institutions. Under this component, the project sought to develop local financial institutions (*Lembaga Keuangan Lokal-LKL*) in the city or district level for financing housing sector through the scheme and mechanism of housing micro-credit for low-income communities. The improvements undertaken in this current slum upgrading include not only exterior or environment improvement but also interior or house improvement. House improvement component is not given in the form of physical construction but in the form of easy access to credit. With these loans, slum dwellers are expected to improve the condition of their houses independently.

The third component of NUSSP is upgrading of poor neighborhoods and development of new sites for the poor. This component comprises support to upgrade poor neighborhoods in the form of physical construction of new infrastructure or reconstruction of poor existed infrastructure and develop new sites for low income families. The realization of this infrastructure development should refer to the Neighborhood Upgrading Plan (NUP) which is prepared in a participatory manner by the

community. In addition, construction of infrastructure is also contracted directly to the community. In certain circumstances if the community are not able to do the construction work, it can be handed over to contractors. Slum dwellers are also allowed to give contribution in the form of money, building materials, and labor that is not binding so that participatory approach is deeply felt in this component. However, It is slightly different from the experience of slum upgrading in the past where physical work is fully done by development agencies, contractors and other private parties. Sometimes, It caused problems such as below-standard building materials, lack of supervision after the project completed, poor maintenance because of no sense of belonging from the community to the infrastructure that had been built.

The last component of NUSSP is strengthening sector institutions to improve service delivery. This component includes a range of capacity building activities for local governments, local financial institutions and civil societies to undertake pro-poor spatial planning and shelter strategy development, finance shelter for the poor, upgrade and develop sites for the poor, and establish self help groups. This component is vital in slum upgrading within decentralization era, in which elements of local government and community are two strategic actors who need common outlook and awareness of slum improvement efforts. Evaluation of KIP program conducted by some researchers showed that the concept of slum upgrading which only relies on community's power is not enough. It need combination and strengthening of capacity at the two elements, namely the government and society.

"I recognize the need for strong administration (the sort apparently opposed by Turner), to combine `development from above' with `development from below'" (Werlin, 1999).

The strategies to improve capacity among local governments are to encourage local governments to be more competent and concerned about the existence of slum, encourage local governments to be more accountable in facilitating community institutions and building partnerships with communities, and encourage the creation of good governance in local government. One of obstacles in the previous slum upgrading implementation is the lack of good governance, for example corruption.

 "Governmental corruption in Indonesia is clearly to blame for, on the one hand, slowness to use expensive World Bank-funded photomaps for land titling and property tax collections, and, on the other hand, for the preferential treatment given to civil servants and military personnel in obtaining loans" (Struyk et al., 1990 in Werlin, 1999).

Therefore, in the era of decentralization where the opportunities for corruption will be greater at local level, the effort to strengthen good governance in local government is required.

Meanwhile, the strategy to strengthen the capacity of communities is the internalization of ethical values, morality, and norms to encourage healthy behavior and harmonious living. If the community is aware of the importance of healthy living, they will strive to occupy and maintain their environment very well. Another strategy is to strengthen institutional capacities within community. Through local community institution, slum dwellers have the collective power to access housing micro credit and also learn to organize, have independent manner to improve their quality of life, and have openness to partnership with local government and other parties.

By the four components, slum upgrading in NUSSP framework is expected to achieve functional and operational targets. The functional targets consists of: the institutionalization of participatory approach in the development of housing and settlement planning which is done by community and supported by local government; the improvement of local government capacity in solving the housing and settlement problems of low income communities living in slums; the allocation of policy and financial support from local government to fulfill housing needs for low-income community; the development of housing finance system supported by both formal and informal financial institution in the level of central and local government; and the development of efficient and sustainable infrastructure to support community's productivity. Meanwhile, the operational targets consist of: the development of local institutions as representatives of communities (*BKM*) that can facilitate role sharing between communities and other stakeholders. BKM is also expected to strengthen the bargaining position of community in government's policy and programs; the accessibility of low income communities to financial resources in order to open opportunities to improve their housing quality sustainably; and the fulfillment of decent housing needs and health environment (Ministry of Public Works, 2006).

NUSSP involves multi-stakeholders which come from government institutions with different sectors and levels, private parties, and community organizations (see Figure 4.2).

1) The organization at national level

It consists of the inter-ministry directing team, technical team, Project Management Unit (PMU), Temporary Work Unit (SKS), National Management Consultant (NMC), and Procurement Consultant (PC). First, *Inter-ministry directing team* comprise government institutions from different sectors such as National Development Agencies (Bappenas), Ministry of Public Works, Ministry of State Housing and Settlement, Ministry of Finance, and National Land Agency. This team provides policy guidance in program planning, coordination, evaluation, and synchronization of NUSSP and other government programs. Second, *technical team* consists of inter-ministry stakeholders which responsible to give technical and managerial assistance to the head of Project Management Unit (PMU) in the implementation of NUSSP in order to achieve effectivity, efficiency, well-target, and on time accomplishment. Third, *Project Management Unit (PMU)* is chaired by The Ministry of Public Works. PMU is responsible to conduct substantive tasks such as organizing dissemination and socialization, coordinating, supervising and monitoring all the NUSSP-funded activities. Fourth, *Temporary Work Unit (Satuan Kerja Sementara-SKS)* is responsible for the archiving and financial administration of NUSSP implementation, carrying loan replenishment of NUSSP, and conducting procurement process in NUSSP. Fifth, *National Management Consultant* (NMC) helps PMU to execute daily management of NUSSP for example: preparing work schedule, implementation guidelines, data management, coordinating with *Oversight Consultant* (OC) and frequently reporting the monitoring and evaluation of NUSSP. Finally, *Procurement Consultant* (PC) helps local government in preparing procurement document and construction process in local level.

National Level

Ministry of Home Affairs | Ministry of Public Works (MPW) | National Planning Board (BAPPENAS) | National Land Agency (BPN) | Ministry of Finance

Technical Team (inter-ministry stakeholders)

General Directorate of Human Settlement

BKP4N (national)

Directorate of Human Settlement Development

Technical Team of MPW:
- Sub directorate of Metropolitan
- Sub dir. of New Settlement Dev't
- Sub dir. of Settlement Improvement I
- Sub dir. of Settlement Improvement II
- Sub dir. of Planning and Arrangement

Temporary Work Unit NUSSP | Project Management Unit (PMU) | PT. Permodalan National Madani (PNM)

National Management Consultant (KMP/NMC) | Procurement Consultant (PC)

Provincial Level

Provincial Government (17 provinces)

Provincial Agency of Public Works (17 provinces)

BKP4P (provincial)

Oversight Consultant KMW-NUSSP | Regional Procurement Technician | PT.PNM in regional level

Work Unit NUSSP in provincial level

City/District Level

Municipal Government (32 cities/districts)

Local Agency of Public Works (32 cities/districts)

BKP4D (city/district)

City Coordinator | Local Financial Institutions

Work Unit NUSSP in city/district level | LCO NUSSP in city level

Village/kelurahan government

Facilitator Team | Facilitator Team

Community Self-help Groups (BKM)
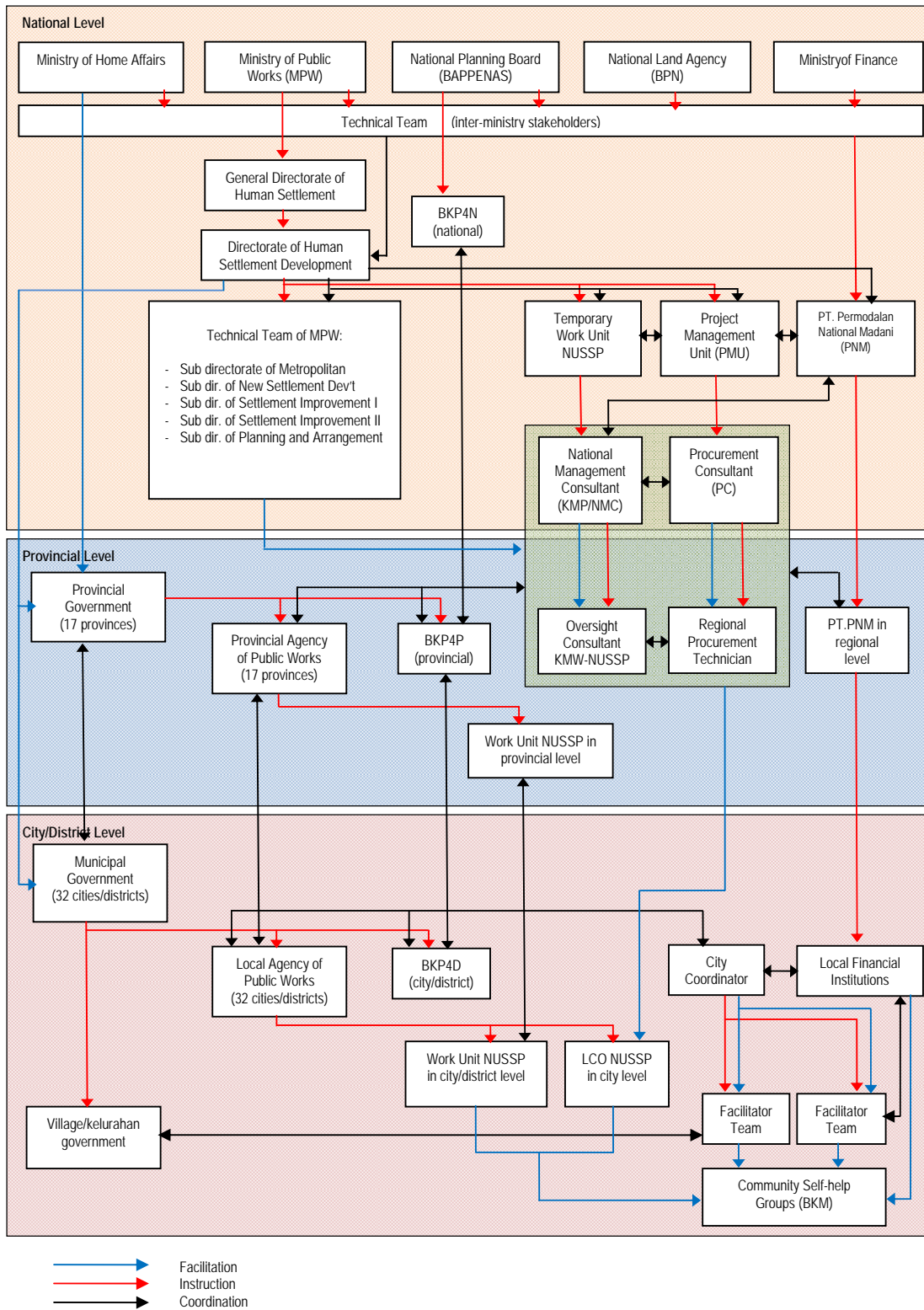
Facilitation
Instruction
Coordination

Figure 4.2 The organization structure of NUSSP (Ministry of Public Works, 2006)

2) Organization at provincial level

It consists of Agency of Public Works in provincial level, Provincial Coordinator Agency of Development of Local Housing and Settlement, Oversight Consultant, and Regional Procurement Technician (RPT). First, *Agency of Public Works in provincial level* (Dinas Pekerjaan Umum) coordinates the implementation of NUSSP with other provincial programs, providing technical supervision to municipal/district government and *Oversight Consultant* (OC). Second, *Provincial Coordinator Agency of Development of Local Housing and Settlement (regional BKP4D)* provides technical advice about the implementation of NUSSP works in provincial level and coordinates with other stakeholders. Third, *Oversight Consultant (OC)* is responsible for the implementation of upgrading process on the ground by giving technical expertise and social education to the community. OC is also responsible for guaranteeing the punctuality, the quality of process, and the quality of outputs. Fourth, *Regional Procurement Technician* (RPT) prepares contractual document and facilitating construction services.

3) Organization at municipal/district level

It consists of local unit of NUSSP in municipal/district level, Local Coordinating Office (LCO), inter-agency team in municipal/district level, local coordinator agency of development of local housing and settlement (local BKP4D), city's coordinator, development contractor (KPP), and facilitator team in sub-district/kecamatan level. First, *Local Unit of NUSSP in municipal/district level* is responsible for the administration and budgeting of all NUSSP activities in municipal/district level, including the disbursement of local financial sharing. Second, *Local Coordinating Office (LCO)* is chaired by the technical head of Public Works Agency in municipal/district level. The job desk is to propose and verify the locations of NUSSP and to be involved in the making of local spatial planning and shelter strategy (SPSS/RP4D). Third, *Inter-agency team in municipal/district level* is chaired by the Municipal Development Agency (Bappeda). It provides policy guidance in program planning, coordination, evaluation, and synchronization of NUSSP and other government programs in municipal/district level. Fourth, *Local Coordinator Agency of Development of Local Housing and Settlement (local BKP4D)* provides technical advice about the implementation of NUSSP works in municipal/district level and coordinates with other stakeholders. Fifth, *City's Coordinator* is a part of Oversight Consultant (OC) that responsible for the implementation of NUSSP in certain city/district including: to coordinate with local LCO, to help local government preparing SPSS, to organize management strategy, to accompany the Facilitator Team. Sixth, *Development Contractor (KPP)* is appointed by local government if certain construction activities in NUSSP can not be done by community themselves. Finally, *facilitator team in sub-district/kecamatan level* is the team who has adequate field experience and able to communicate with the communities. It is responsible for coordinating with other local stakeholders, socializing the program, organizing community trainings, and facilitating community to make Neighborhood Upgrading Plan (NUP).

4) Organization at community level

It consists of The chief of village, community co-worker, local community institution and community's member. First, *the chief of village (kepala kelurahan/desa)* is an administrative

executor that gives approval and guarantees that community participation can run smoothly. Second, *community co-worker (Tenaga Pendamping Masyarakat-TPM)* is a member of community who has concern, voluntary, and proficiency in society field. The tasks are to help socializing the substance of NUSSP to community member and to generate community participation in the improvement of their neighborhood. Third, *Local Community Institution (Badan Keswadayaan Masyarakat-BKM)* is a local representative institution which is established through community concensus. It conveys community aspiration, generates solidarity and creativity of community's members, and establishes cooperation within community's members. There are three elements of BKM: Environmental Management Unit (UPL), Financial Management Unit (UPK), and Societal Development Unit (UPS). Finally, *community's members* are the main actors of NUSSP who make the plan, implement the program, get benefits from the program, monitor and evaluate the program. The government is only act as facilitator and generator.

Overall, the organizational structure of NUSSP is very complicated. The relationships among stakeholders consist of a mix combination of facilitation, instruction, and coordination networks. The relationship between central government and local governments (provincial and municipal government) is facilitation relationship, in which central government facilitates local governments in the form of policy directives, technical and managerial assistance. The relationship between provincial government and other stakeholders is coordination relationship, in which provincial government bridges the relationships between central and municipal government. Municipal government's relationship with central government and provincial governments is coordination relationship, in which the city/district governments as the executor of NUSSP are required to report regularly about on-the-ground implementation of slum upgrading activities. Meanwhile, the relationship between the city government and the community is facilitation relationship. On one hand, this complicated organizational structure enables the directed, effective, and comprehensive implementation of slum upgrading, but on the other hand it may also have a shortfall namely the lack of efficiency in decision-making, organization financing, and weaknesses in overall coordination.

4.3.2. The Implementation of NUSSP

The preparation of NUSSP implementation was begun with kind of road shows done to several cities and *kabupaten* to explain about NUSSP programs. The next pace was the selection of location done by national government as the owner of the project. The locations are prioritized to capital city, metropolitan city, big cities, and or medium cities. The selection is also based on competitive principles. Based on interview to the project manager of NUSSP (the head of PMU), Mrs. Dewi Chomistriana (2010), the local governments are confirmed to fulfill some criteria, such as:

- Having the commitment to implement poverty alleviation program.

- Having the commitment to establish housing and settlement institution based on participatory planning.

- Having the commitment to finance upgrading projects in the next municipal annual budgeting plans (should be formally stated in a confirmation letter signed by the Mayor and approved by the municipal legislative/DPRD).

- Conveying the project proposal of slum upgrading (Sub Project Appraisal Report-SPAR)

- Having the reliable data on slums and heavy slums as well as their upgrading needs.

- Allocating the annual municipal budget for housing and settlement sector in the last three years.

Based on that criteria, only 7 percent of the total cities and districts in Indonesia were chosen as the location targets of NUSSP. The majority was constrained by the provision of funds.

> *"Of the 440 cities/districts throughout Indonesia, only 32 cities/districts could implement NUSSP, the rest step back because they were not willing to provide counterpart funds"* (Chomistriana, the Head of the Project Management Unit NUSSP, 2010).

This is an indication that the commitment of local governments to improve slums is still weak, in other words, slum upgrading program has not been a priority in the local development programs and budgeting. The evaluation of NUSSP implementation also can be seen from process to achieve the four components within NUSSP programs.

The implementation of the first component: improved planning and management systems to upgrade sites and establish new ones for the urban poor. The final outcome of this component is the pro-poor spatial planning and shelter strategy (SPSS or RP4D). SPSS is used as one of strategic planning to guide participatory and community-based housing and settlement development. Ideally, SPSS is supposed to be ready before the physical construction begins. However, the reality on the ground showed that the making process of SPSS is very slow and finally it was done parallel with the process of infrastructure construction.

Table 4.4 Status of Pro-Poor Spatial Planning for Shelter Strategies (SPSS/RP4D) as of 31 March 2010 (source: Ministry of Public Works, 2010).

No.	Province	City/*Kabupaten*	SPSS endorsement
1	North Sumatera	Medan	not clear/no budget available
		Tanjung Balai	not clear/no budget available
2	West Sumatera	Padang	not clear/no budget available
3	Jambi	Jambi	not clear/no budget available
4	Bengkulu	Bengkulu	Jun-08
5	South Sumatera	Palembang	Jun-08
6	Lampung	Bandar Lampung	May-10
7	Banten	Tangerang	not clear/no budget available
		Serang	May-10
8	West Java	Sukabumi	Aug-09
		Subang	Mar-10
9	D.I Yogyakarta	Yogyakarta	May-10
10	Central Java	Rembang	Mar-09
11	East Java	Surabaya	no budget available
		Lamongan	May-10
12	West Kalimantan	Pontianak	Apr-09
13	West Nusa Tenggara	Mataram	Dec-08

No.	Province	City/*Kabupaten*	SPSS endorsement
14	Central Sulawesi	Palu	Mar-09
15	South East Sulawesi	Bau-Bau	Sep-09
		Muna	Mar-09
		Kendari	no budget available
		Buton	no budget available
		Kolaka	Nov-09
16	South Sulawesi	Makassar	Mar-10
		Bulukumba	no budget available
		Gowa	no budget available
		Jeneponto	May-09
		Bone	May-10
		Palopo	Apr-08
		Luwu	May-10
		East Luwu	Feb-08
17	West Sulawesi	Polewali Mandar	Jun-09

Out of 32 participating cities, 31 (97%) cities have completed their SPSS drafts. Only one city, Tangerang, is expected not to complete its SPSS as no budget is allocated by the city government to complete SPSS. 22 cities (67%) have legalized their SPSS and the rest are constrained by local budget availability. Unfortunately, almost all the cities have completed their SPSS in the mid-term of program (during 2008-2009) when the physical upgrading and new sites development were on the way.

In order to ensure that legalized SPSS will be implemented accordingly, SPSS needs to be integrated into midterm plans and sufficient budget need to be allocated for subsequent implementation. At present, only six cities have integrated their SPSS in their medium term investment plans (Rencana Program Investasi Jangka Menengah/RPIJM) while other six cities have allocated budget for the integration of their SPSS in the RPIJM in 2010.

The implementation of the second component: improved access to shelter finance by the poor through central and local financial institutions. Housing micro-credit is a component of slum upgrading which is difficult to run in Indonesia. The original target under this component was that at least 30.000 families will receive housing micro credits through local financial institutions (LFI). The project provided USD 17,1 million for the micro credits. However, due to poor disbursement, in October 2008, the government and Asian Development Bank (ADB) agreed to downsize the housing micro-credit and cancel loan proceeds of USD 1,5 million to cover administration costs and provide housing credits to 1.500 poor families. As the end of October 2009, *PT. Permodalan Nasional madani* (PNM) as the central financial institution which was appointed by national government to manage the component of housing micro credits, has signed 13 sub-loan agreements with 12 LFIs. In total 1.441 families have utilized micro credits under this scheme for the total amount of USD 1,1 million. About US 0,4 million are remaining to be disbursed under this component. During the last review mission, PNM agreed to submit its detailed plan for increasing the number of sub-loan agreements.

However, until the end of May 2009 no such plan was received by ADB. To reduce the commitment fees that should be paid, the mission suggested PNM to cancel the remaining loan proceeds if no clear plan for further use of the loan proceeds is available. PNM advised the mission that it is very unlikely that new sub-loan agreements with LFIs will be signed in 2010. This mean that the target providing 1.500 families with the micro credit will not be met, as only 1.441 families (96,1%) that have been provided with the micro credit. Therefore, PNM will be asked to refund the undisbursed loan proceeds of USD 0,4 million to ADB.

Based on interview with the head of Project Management Unit (Ministry of Public Works) and with the oversight consultant at the local level, there were some underlying issues contributed to the poor demand for housing micro credit component. First, there were difficulties in identifying suitable Local Financial Institutions (LFIs) in some participating cities. Second, there were relatively high interest rates (15,5%) put forward from PNM to LFIs and subsequently high interest rates for housing micro credits (20-60 %) offered by LFIs to poor families.

> *"Loans from ADB (the international bank) were transferred from government to PNM (central financial institution) via sub loan agreement. PNM must bear the administrative costs to the Ministry of Finance, plus LIBOR interest (the average of market interest rates of all currencies in the world), plus hedging risk. The initial agreement was only 0,5% LIBOR per year, now become 5% per year, ultimately the interest rates charged to the community to be 15% higher than normal market interest rates"* (Chomistriana, 2010).

Third, there was limited awareness on micro credit schemes among local government, potential LFIs and poor communities. The many city governments refused to housing-micro credit schemes because they assumed that the poor communities in their region will not have enough collateral to access the credit and will not be able to pay the interest charges. In addition, the potential local financial Institution also did not want to lose if the poor communities are not able to pay off the mortgage. Finally, in the third year (2007) this housing micro credit item was delegated to the Ministry of Public Housing as a different program.

The implementation of the third component: upgrading of poor neighborhoods and development of new sites for the poor. This component comprises support to upgrade poor neighborhood in urban areas and develop new sites for low income families. Under the upgrading subcomponent, it is targeted that by the end of the project, at least 300 Neighborhood Upgrading Plans (NUPs) are completed, neighborhoods of at least 100 poor communities in 30 local governments will be improved, and at least 500 upgrading civil works contracts will be awarded.

The upgrading activities that started in 2005 in 14 cities have shown good process. By the end of 2009, more than 800 NUPs have been completed with the active participation of communities. In total (loan and government counterpart funds), more than USD 51,3 million have been disbursed for infrastructure works; over 2.000 civil works contracts have been awarded. 22 cities have completed their upgrading programs. By the end of the project it is expected that more than 2 million slum dwellers will benefit from the project. Community contribution is expected to reach IDR 16,2 billion or equal to USD 1,7 million.

The rest of 10 cities have not completed the upgrading components because of counterpart funds. Surabaya did not participate in the 2009 upgrading program, the city of Palu has allocated only IDR 1,8 billion compared to the original agreement of IDR 6,7 billion. Similarly, Bengkulu city allocated only IDR 0,52 billion out of the required IDR 2,4 billion. Thus, the 2009 upgrading program will be implemented in nine cities only and the rest of upgrading funds (about USD 2,1 million) will be not used.

Besides upgrading activities, the New Site Development (NSD) is also become the outcome of this component. It is targeted that more than 25.000 low income families will be housed at new sites in 10 cities. However, due to issues particularly related to land acquisition and financing, only three cities (Bone, Polewali Mandar and Bau-Bau) implement the NSD program. A total budget amounting to IDR 20,1 billion has been allocated for construction of infrastructure facilities in the three cities. About 400 new houses will be provided to poor families.

The implementation of the fourth component: strengthen sector institutions to improve service delivery. There are a range of capacity building activities provided for local governments, local financial institutions and civil societies under this component such as: (a) the provision of a masters degree program in Urban Housing and Human Settlement by which 200 local government staff are now pursuing their master degree in a 13-month program; (b) scholarships for an international masters degree for eight staff of the Directorate General for Human Settlements, Ministry of Public Works. It is indicated that the master degree programs provided under the project has helped the government in meeting the needs of obtaining staff with managerial and technical skills and capacity required in planning and implementing the government's program particularly related to the human settlement development; (c) short course diploma programs in urban settlement and management for about 200 local government staff. By this program, staff's knowledge and skills particularly related to urban planning management, access to land and housing for low income communities, gender mainstreaming in human settlement sector, and concepts of regional and urban development would be increased; (d) a comparative study to Mumbai in January-February 2008 by which 19 staff from central and local government and central financial institution participated in this study. Participants learned from Mumbai City's experience hoe to handle problems in urban shelter and slum settlements with community participation; (e) training on Community Driven Development (CDD) approach and national and local workshops on shelter strategy development, project management, performance evaluations, project facilities operation and maintenance. In these activities, 5.000 community members and staff from city and local government administrations have been involved and expected to create a strong community ownership and active community participation in planning and implementing neighborhood upgrading plans.

In the implementation of the fourth component, women are given a vital role in community organization. This is based on consideration that they are most frequently the ones who save money, look after the children, and take care for the sick or elderly in the community. The skills they have used to run households can be applied on a community-wide scale to run a savings scheme or manage a community construction project (Cities of Alliance, 2010).

Table 4.5 The number of female participation in NUSSP 2005-2008 (Ministry of Public Works, 2009)

Gender participation in NUSSP	year			
	2005	2006	2007	2008
Female leader	0	736	519	291
Female member of BKM's executive unit	0	717	505	283
Total	**0**	**1453**	**1024**	**574**

4.3.3. Slum Upgrading in the Future

After this program ended, the Indonesian government remains committed to implement slum improvement program each year. Most of these future programs are organized and financed by the central government (see table 4.6), while the replicated programs undertaken by local governments through local financing is not known clearly.

Table 4.6 The National Development Plan for Slum Improvement 2010-2014 (source: Ministry of Public Works, 2010)

													Budget in million Rupiah (IDR)	
No.	Provinces	Volume Unit	year 2010		year 2011		year 2012		year 2013		year 2014			
			Volume	Budget	Volume	Budget	Volume	Budget	Volume	Budget	Volume	Budget		
1	NAD	city/district	-	6,399	2	12,000	1	7,333	1	8,667	1	6,364		
2	Sumatera Utara	city/district	-	500	4	17,000	2	7,333	2	8,667	2	6,364		
3	Sumatera Barat	city/district	-	750	4	17,000	1	7,333	1	8,667	1	6,364		
4	Riau	city/district	-	250	3	15,000	1	7,333	1	8,667	1	6,364		
5	Kepulauan Riau	city/district	-	1,500	3	9,000	1	3,667	1	8,667	-	6,364		
6	Jambi	city/district	-	16,881	2	10,000	1	7,333	1	8,667	1	6,364		
7	Bengkulu	city/district	-	10,852	2	11,000	1	7,333	1	4,334	1	-		
8	Bangka Belitung	city/district	4	4,501	3	10,000	1	3,667	1	4,334	1	-		
9	Sumatera Selatan	city/district	2	5,500	4	14,000	1	7,333	1	8,667	2	6,364		
10	Lampung	city/district	-	6,256	4	12,000	1	7,333	1	8,667	1	6,364		
11	Banten	city/district	-	1,000	3	10,000	1	7,333	-	8,667	1	6,364		
12	DKI Jakarta	city/district												
13	Jawa Barat	city/district	-	1,000	4	18,000	1	7,333	1	8,667	2	6,364		
14	Jawa Tengah	city/district	-	56,477	7	22,000	1	7,333	1	8,667	2	6,364		
15	D.I Yogyakarta	city/district	2	55,527	5	19,000	1	7,333	1	8,667	1	-		
16	Jawa Timur	city/district	1	2,241	7	32,000	1	7,333	2	8,667	2	6,364		
17	Kalimantan Barat	city/district	-	34,713	2	11,000	1	7,333	1	8,667	2	6,364		
18	Kalimantan Tengah	city/district	-	34,654	3	13,000	2	7,333	1	8,667	2			
19	Kalimantan Selatan	city/district	-	12,572	2	12,000	1	7,333	1	8,667	2	6,364		
20	Kalimantan Timur	city/district	1	3,029	4	13,000	1	7,333	1	8,667		-		
21	Sulawesi Utara	city/district	1	390,878	4	15,000	1	7,333	1	8,667	1	6,364		
22	Gorontalo	city/district	-	390,378	3	11,000	1	3,667	-	4,334	1	-		
23	Sulawesi Tengah	city/district	-	-	2	10,000	1	7,333	1	8,667	1	6,364		
24	Sulawesi Selatan	city/district	1	520,094	3	18,000	2	7,333	2	8,667	2	6,364		
25	Sulawesi Barat	city/district	-	-	3	11,000	-	3,667	1	4,334	1	-		
26	Sulawesi Tenggara	city/district	-	1,500	4	14,000	1	7,333	1	8,667	2	-		
27	Bali	city/district	1	1,350	4	17,000	1	7,333	1	8,667	1	-		
28	N.T.B	city/district	-	20,370	2	12,000	1	7,333	1	8,667	1	6,364		
29	N.T.T	city/district	-	-	3	11,000	1	7,333	1	8,667	2	6,364		
30	Maluku	city/district	-	60,926	4	13,000	1	7,333	-	8,667	1	-		
31	Maluku Utara	city/district	-	6,399	4	13,000	-	7,333	1	8,667	1	6,364		
32	Papua	city/district	1	500	4	12,000	1	7,333	2	8,667	2	6,364		
33	Papua Barat	city/district	3	5,049	4	11,952	1	7,343	1	8,657	2	6,356		
	Total		17	1,652,046	112	445,952	33	220,000	33	260,000	45	140,000		

4.4. Concluding Remarks

Among four components, the two components; neighborhood upgrading and capacity building has given satisfactory results while the other two components; pro-poor spatial planning and shelter strategy (SPSS) and access to housing micro credits have not run well and still faced some constraints. When these components can not go simultaneously, for example the infrastructure component was implemented earlier than micro-credit component, then, the real impression of slums is still visible because the physical condition of the houses is still poor. In the end, within the framework of NUSSP, the slum upgrading implementation only focused on infrastructure or basic services provision. This condition is not much different from the implementation of slum upgrading in the past. In KIP, the improvement and provision of infrastructure has been achieved, but the improvement of physical quality of houses could not be achieved optimally. What make it different from current slum upgrading is that current slum upgrading (NUSSP) is more comprehensive and integrative in concept, in which components of planning, infrastructure, housing, and capacity building are combined. But in the implementation on the ground, this integration yet also could be realized. I consider that the preparation done before the operationalization is still lacking, or in other words, this program was not mature yet. The four components are not necessarily done simultaneously, but to know how to prioritize the components is more important. The capacity of local governments and communities must be improved first. With sufficient capacity and awareness, the governments together with communities may formulate pro-poor spatial planning for shelter strategy (SPSS) and Neighborhood Upgrading Plan (NUP) very well. When planning documents are available then the home improvement and infrastructure components can be implemented. Immaturity of these programs can be understood considering the implementation period which is very short (5 years).

Learning from the case study of current slum upgrading implementation above, the next chapter of this research will present the performance analysis of Indonesian governance regarding the principles of successful slum upgrading, whether the condition and capacity of existing governance are now quite capable of contributing and open opportunities to the achievement of successful slum upgrading program and sustainable slum upgrading results.

Chapter 5

THE ANALYSIS OF GOVERNANCE PERFORMANCE IN THE PRINCIPLES OF

SUCCESSFUL SLUM UPGRADING

IN INDONESIA

The growth of slums in the Third World countries is expected to continue in line with uncontrolled urbanization and even described as volcanoes waiting to erupt (Davis, 2006). They will become more varied, ranging from slum, semi-slum, until super slum and so as the problems that accompany it will also become increasingly complex. Therefore, slum upgrading effort which is now globally adopted by many developing countries to prevent and overcome slums is expected to continue sustainably. From the discussion in Chapter 2, it has obtained the basic principles to help the implementation of slum upgrading to be effective, including: the acceptance of slum, political will or commitment, integration in urban plan and policy, partnerships and coordination, security of tenure, community participation, continuity, financial sustainability, alternative ways for slum prevention, and infrastructure investment. The successful implementation of these principles so much depends on the performance of governance in each country. In addition, the implementation of slum upgrading is also not free from the influence of some contextual factors such as the planning system, the form and structure of government, legal framework, social and economic condition of a country. All these factors have made the implementation of slum upgrading programs vary over countries. Then a question may arise: how far the governance in Indonesia contributed to the success of slum upgrading program? Therefore, this chapter will inquire and analyze the performance of governance in each of the principles of successful slum upgrading by using the experience of current slum upgrading project. Hopefully, this analysis will indicate the extent to which Indonesia has capacity to overcome slums and opportunity to increase slum improvement and poverty alleviation program in the future.

5.1. Acceptance of Slums

The acceptance of slum is the initial key success in overcoming the problems of slum. Slum is not a 'grey' space that must be ignored or excluded from urban fabric, but it is an integral part of a city. Slum with its community is a response to labor demand requested by urbanization process and contributes to the development of the city. Therefore, understanding and recognition from all people in the city to the presence of slums are needed and it has to start first from the government as the policy maker of a city. Sometimes failures in dealing with slums happened because the government is too ignorant or, in contrary, too hostile to the emergence of slum. Governments who are less responsive to the slum tend to not prepare for the efforts to anticipate the growth of slum, for example by not preparing the housing segment for the poor. As a result, poor people choose slums as an alternative place to live. Likewise, the governments who act strongly against slum often choose evictions and demolitions as the absolute solution to overcome slums. Actually, eviction will not

reduce slums, instead of moving slums from one place to another place and even make the slum become poorer than before. This is because the victims of eviction lost their property, investment for their home and sometimes job and livelihood. They become vulnerable to debt needed to build a new home.

Basically the acceptance of slum in Indonesia has been stated explicitly in the supreme legal basis of national ideology namely Pancasila and the 1945 Constitution of the Republic of Indonesia which upholds the right of poor society for decent, healthy, and affordable housing to achieve social justice for all. Then this highest legal basis is also translated into the law of spatial planning, the law of housing and settlement, the law of human rights, and the law of basic agrarian regulation. All these laws reassert the rights of the poor to obtain decent housing and healthy environment and support efforts to improve the quality of slum and its environment (see Chapter 4). While this acceptance of slum is apparent at the national level of governance, the provincial and municipal levels of governance are still showing unclear acceptance of the slum. Some city governments sporadically took eviction measure to deal with slums. Within more than a year (from January 2004 to June 2005) 12 forced evictions occurred and they were entirely carried out by the initiative of the municipal government on the ground of infrastructure development and securing the area from street vendors. As many as 40.417 poor people suffered because of these evictions (UN Habitat, 2008). The frequent occurrence of evictions indicates the level of acceptance to slums is still low, especially at the lower level of governance. The lack of understanding and knowledge among local governments about the nature of slums, their rights, their impacts to urban living and the alternative ways to cope with them effectively are suspected to be the reason for this condition.

But not all city governments are hostile to slums. The city government of Solo has made the national best practice of slum improvement because it succeeded in removing slum dwellers and informal workers peacefully to the new settlement and trade areas that has been prepared previously. The slum dwellers and informal traders dismantled their home and kiosk voluntarily, and even they made a kind of traditional celebration for this replacement event. This situation was resulted from a long and uneasy process. More than 20 times of public consultation was carried out to get a deal between the government and the community. The negotiation process also work well because the city government not only tried to move but also provided a suitable place to trade and live, management training for informal workers, housing loans, media campaigns, and free business licenses.

Figure 5.1 In Solo slum community dismantled their houses voluntarily because the city government provided them better living spaces (Habitat Day in Solo, 2007)

This shows that the acceptance of slums was not sufficient enough stated only on the paper, but also must be realized in the form of concrete actions. If the acceptance of slums is owned by all urban stakeholders, the implementation of the next nine principles of sustainable slum upgrading will be easier to implement.

5.2. Political Will, Commitment, and Leadership

Political will, commitment, and leadership are crucial to promote slum upgrading. "*Government authorities at all levels and other stake-holders should uphold the commitment to upgrade slums and place it in the best interest of the city and nation*" (Cities Alliance, 2010). The performance of governance regarding this principle can be indicated by the presence of political pronouncement or written commitment in international declaration or agreement, spatial planning, regulation and other legal instrument.

The political will and commitment of Indonesian governments in slum improvement has been evidenced by the signing of the Millennium Development Goals (MDGs) declaration in the Millennium Summit event in September 2000. With this written evidence Indonesia has shown its commitment to international community to reduce the number of slums consistently until a certain time. The Indonesian government has targeted to improve the quality of life of 100 million people living in slums until 2020. Political will and commitment is also evidenced by the experience of slum upgrading and poverty alleviation programs from 1969 until now (see Chapter 4).

In addition to political will and commitment, leadership is also needed to transform these political will and commitment into a real action. Leadership is stated as the "the *process of social influence in which one person or group can enlist the aid and support of others in the accomplishment of a common task*" (Chemers, 2002 in Wikipedia). As a program that involves multilevel stakeholders, there should be certain actor who can act as a leader to provide direction to other actors. The most competent actor to hold leadership in slum upgrading is government because according to the

democracy principle in Indonesia, it is the government who ultimately responsible to achieve prosperity for all people.

Slum upgrading experiences for almost five decades has shown that the initiatives of slum upgrading always come from the central government. Decentralization era that allows the shifting of power from the central government to local governments does not necessarily spur the local governments in taking leadership to tackle slums. Even with greater power, the local governments have the power to reject the slum upgrading program offered by the central government. The central government as the highest policy makers in this condition could not do anything about it. It shows that slum has not become an important political issue among local government and slum upgrading has not been a priority in local development agenda. I assumed that the reason for these low political will, commitment, and leadership of local governments is because of the absence of a comprehensive legal base which can bind all the elements of governance from the upper until the lower level. If the legal foundation of slum improvement is juxtaposed with the ideal hierarchy of Indonesia legislation, there is gaps in the legislation of slum improvement at the lower level (see figure in the next page).
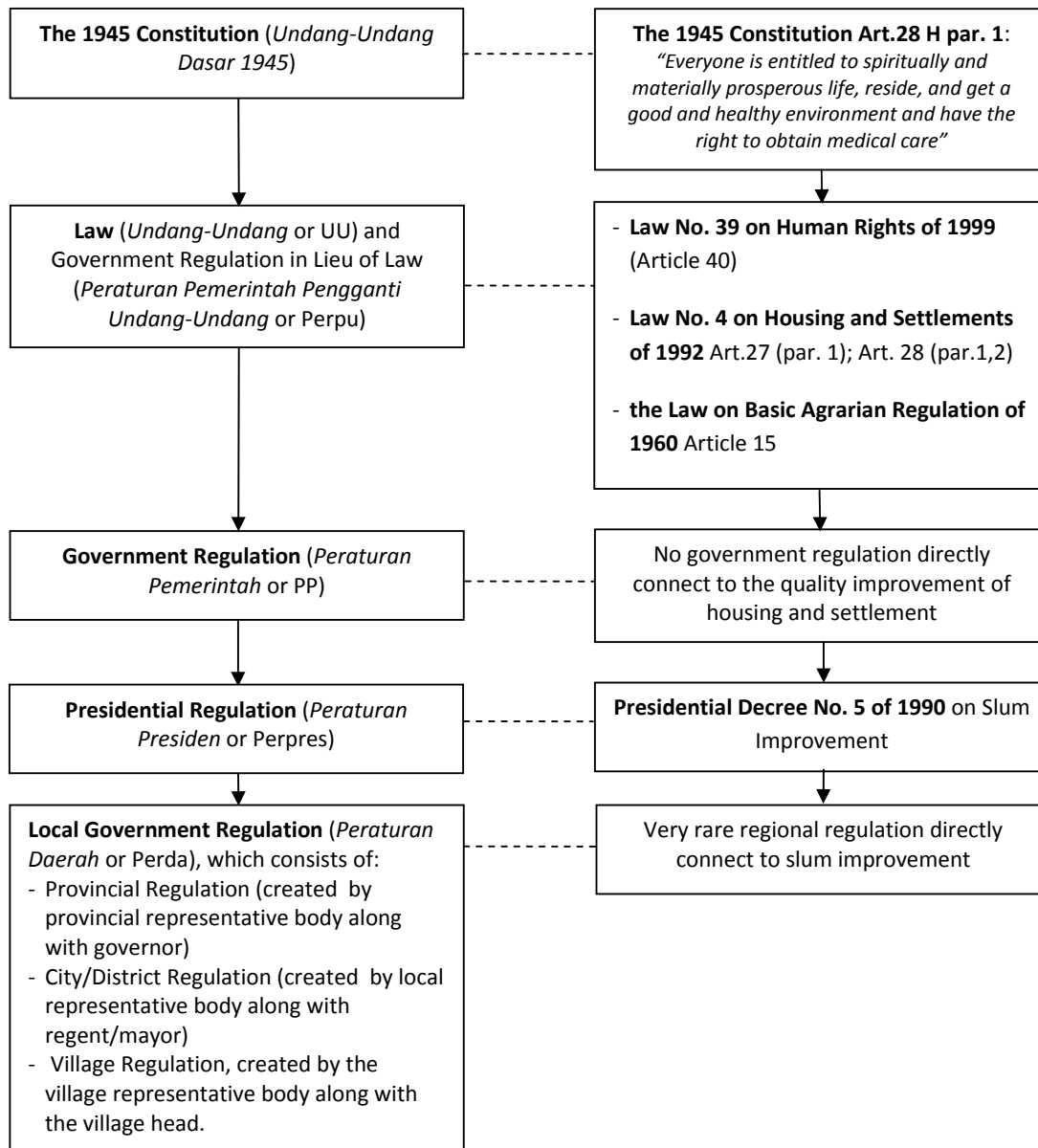
| The 1945 Constitution (*Undang-Undang Dasar 1945*) | | The 1945 Constitution Art.28 H par. 1: *"Everyone is entitled to spiritually and materially prosperous life, reside, and get a good and healthy environment and have the right to obtain medical care"* |

| Law (*Undang-Undang* or UU) and Government Regulation in Lieu of Law (*Peraturan Pemerintah Pengganti Undang-Undang* or Perpu) | | - **Law No. 39 on Human Rights of 1999** (Article 40)
- **Law No. 4 on Housing and Settlements of 1992** Art.27 (par. 1); Art. 28 (par.1,2)
- **the Law on Basic Agrarian Regulation of 1960** Article 15 |

| Government Regulation (*Peraturan Pemerintah* or PP) | | No government regulation directly connect to the quality improvement of housing and settlement |

| Presidential Regulation (*Peraturan Presiden* or Perpres) | | **Presidential Decree No. 5 of 1990** on Slum Improvement |

| Local Government Regulation (*Peraturan Daerah* or Perda), which consists of:
- Provincial Regulation (created by provincial representative body along with governor)
- City/District Regulation (created by local representative body along with regent/mayor)
- Village Regulation, created by the village representative body along with the village head. | | Very rare regional regulation directly connect to slum improvement |

Figure 5.2 The gaps in legal framework that support slum upgrading program at the lower level of governance

The picture above shows that the legal base that became the foundation for slum improvement efforts just stop until the presidential regulation (Presidential Decree No. 5 of 1990 on Slum Improvement). The (central) government regulation regarding the guidelines of slum upgrading implementation in detail does not yet exist. In addition, the local government regulations that can support slum improvement activities at city and district level are not yet available. In sum, the integrated legal framework of slum upgrading is not yet available. This condition tends to liberate the local governments from the political will and commitment to overcome slum problems through slum upgrading measurement. Moreover, the legislation at the higher governance level contains no time deadline for the lower governance to establish continued regulations and it also does not contain any consequences for local governments who do not want to implement slum upgrading programs. It

does not mean that the handling system of slums should be change into a highly centralized system, but it rather directs the legal framework of slum upgrading becomes clearer, more focused, and integrated. The development of housing and settlements sector, including slum improvement efforts, in decentralization era is fully handed over to local governments, the central government is only given authority to make policy and provide guidance for the planning and implementation process. Therefore, one way to tie the local government's commitment to slum improvement is to strengthen the existing legal framework.

5.3. Integration of Slum Upgrading Strategy in Urban Plan and Policy

One way to get a planning touch on slums is to integrate it with the existed urban spatial plan and policy. In Indonesia, there is a plan that has been formed specifically for housing and settlement arrangement, namely Spatial Plan for Shelter Strategy (SPSS) or better known as RP4D (*Rencana Pembangunan dan Pengembangan Perumahan dan Permukiman di Daerah*). RP4D/SPSS is a work reference for local government in preparing the development plan and strategy for housing and settlement sector at local level. It is legalized based on the Ministerial Decree of State Housing and Settlement Number 09/KPTS/M/IX/1999.

In planning context, SPSS is the scenario of housing and settlement development at the provincial, district and city level; reference for all development actors in housing and settlement sector; and accommodation to reflect the aspirations of the community in housing and settlement development. Whereas in the context of spatial planning, SPSS is a translation of Urban Land Use Plan (RTRW) focusing on housing and settlement issue which prescribes the allocation of space for housing and residential areas and includes a picture of conditions and problems, housing and settlement policies in the region, housing needs, programs and goals for development (new development, revitalization, quality improvement), guidance for large, special, and small scale housing development, guidance for community empowerment, environmental directives and guidance for facilities and infrastructure development (Ministry of State Housing and Settlement, 2005). If the scenarios and strategies for quality improvement of slums has been accommodated in SPSS, then the implementation of slum upgrading will be more optimal, directed, and organized. This is the reason why SPSS also becomes the first component in NUSSP. If this planning document has been prepared, the implementation of other three components in NUSSP will be easier. Therefore, the preparedness of SPSS can be an indicator of governance performance in achieving sustainable slum upgrading.

The NUSSP experiences described in Chapter 4 (see Table 4.4) shows that the progress of local governments to prepare SPSS and to integrate it with medium term investment plans (Rencana Program Investasi Jangka Menengah/RPIJM) was very slow.
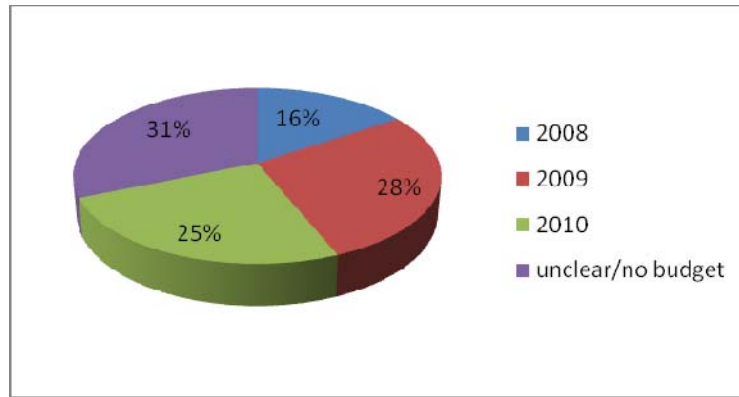
Figure 5.3 The percentage of local government's readiness in Spatial Plan for Shelter Strategy (SPSS) making

SPSS should be available before the physical improvements on slums carried out. In reality, the average of participating cities/districts drawn up and endorsed SPSS in the third year of project time (year 2008 onward). Meanwhile, the physical work of slum upgrading has been made since the first year of project time (year 2005). Based on interviews with the representative from local government, there are some constraints underlying the delay in SPSS preparation. First, there is a command from central government to local governments to prepare SPSS, but this command was not accompanied by sufficient guidelines from central government for the preparation of SPSS. Second, there was unpreparedness of funds from local government to prepare SPSS because fund and time needed to prepare such a document is not a bit. In the end, the preparation of SPSS and the physical improvements are carried out in parallel. This condition indicates that the performance of governance toward the principle of integration of slum upgrading strategies in the urban plan and policy is still lacking.

5.4. Partnership, Cooperation, and Coordination

5.4.1. Partnership

Partnership is important to successful upgrading. "*Successful slum upgrading is a highly participatory endeavor. It is also very comprehensive and complex, needing coordinated inputs from many local government agencies as well as those from outside the public sector*" (Cities Alliance, 2010). Until recently, the performance of partnerships built between governments, slum communities and private parties in Indonesian slum upgrading has been good enough. It was proven in the KIP, P2KP, and NUSSP program where government with the assistance from private parties are willing to facilitate the community in improving their settlements, while the community is very open in accepting slum upgrading program. The partnership with private parties in slum upgrading programs is limited to consultation (consultant) and construction (contractor) assistance. Actually, there are many opportunities by which private parties can play a role more broadly. Baker stated that one such approach with enormous potential is the mobilization of additional private sector finance and expertise (Baker, 2008). In one side, private sector is considered having financial capability, risk-taker manner, skilled-human resources, and also technology. In other side, the thing that private sector might be interested in slum upgrading program is the informal economy of slums

which provides goods, services and labor at low costs. Data from World Bank (Baker, 2008) revealed that the informal economy produces an estimated average of 30% of official GDP in Asia, 40% in Eastern Europe, and 43% in both Africa and Latin America and the Caribbean, making it a substantial proportion of the market. She proposed the public-private partnership mechanism as follows:
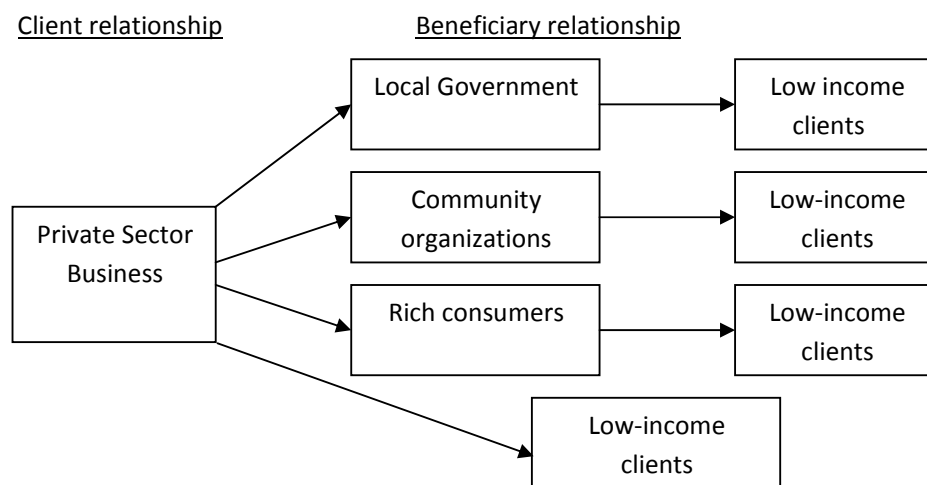
<u>Client relationship</u>   <u>Beneficiary relationship</u>

Figure 5.4 Approach to private participation in slum upgrading (Baker, 2008)

These links include patron-beneficiary relationships, political accountability relationships, regulatory relationships, and donor accountability relationships which connect each of these clients to poor people themselves, and can shape private sectors incentives, investments, service quality, and other business decisions. This multiplicity of potential connections creates a diverse universe of potential private-public-individual partnerships. Firstly, the private sector may involve in project implementation and service delivery such as water, sanitation, transport, street, and others through contracts and partnerships with local government. It could be service contract, management contract, lease, Build-Operate-Transfer (BOT)/Build-Operate-Own, concession, and divesture.

Secondly, the slum community that are organized as Community Based Organizations (CBOs) and or facilitated by Non Government Organizations (NGOs) are capable of attracting private finance for their slum upgrading activities in the same way municipal governments can. Baker stated that local organizations and private sectors can be engaged in term of technical assistance, capital, knowledge-sharing, and management costs in additional to facilitating credit guarantees for local organizations that are soliciting private and public finance in order to scale up local solutions to the problems in slums. The mutual relationship can also be conducted in collective land titling of the slums. One such example is Terra Nova, a Brazilian for-profit company that regularizes illegally occupied land by negotiating a fair price between the owners and residents, buying the land, making improvements on it, and then immediately reselling it to the residents at the collectively negotiated price. The organized collective bargaining keeps owners and the company in check from pricing the land above what the residents can pay. If this land-titling partnership would be implemented in Indonesia, the government, especially National Land Agency (BPN), should accomplish its basic information on land administration first. BPN at right now, only cover 30% of total available land surface and only 10% of state-owned land surface that accompanied with cadastral map (NUSSP,

2006). The other constraint that may included in private-community organization relationship is that how slum dwellers organize themselves to access capital and how they situate themselves in public-private partnerships is not yet clear. Slum dwellers are organized in daily savings associations, housing cooperatives, faith-based organizations and at their places of employment but lack an organizational structure that will enable them to access formal sector capital for their upgrading activities and to engage with special purpose vehicles (Baker, 2008). The high degree of heterogenity in Indonesian slums, facilitating mix slum dwellers and squatters in one place, has led to *hoodlum*-patron-client and slum manipulation which intend to get resettlement compensation from government. These problems may impede the formation of 'clean' community organization in Indonesia.

Thirdly, the partnership in slum upgrading can be developed through private sector and rich consumer relationship with government intervention. The basic concept for this partnership is cross-subsidization. Many countries have applied this kind of public-private partnership such as: mixed housing development regulations in USA, Transferrable Development Rights (TDRs) and Floor Surface Index (FSI) in Mumbai, and land sharing in India, Cambodia, and Phillipines. Indonesia has also implemented some of these practices such as Kasiba/Lisiba with its 1 : 3 : 6 housing development proportion policy and U-Development with land sharing concept. However, Indonesian developers with their lobbying power to government can still avoid from this policy. Furthermore, land sharing efforts still face unclear land administration and a long deliberation process to build consensus among land development actors.

The last, public-private partnership can be developed through direct relationship between private sector and slum community. Slum community can get basic services like water supply, diesel-generated electricity, and sanitation services from private providers. Meanwhile, private providers can get benefit from cash-economy of slum community and expand their market to poor customers without losing revenue from rich customers. Aquacard, a debit card used to turn on a water spigot and prepaid system or pay-per-use system on sanitation service in India are examples of direct private sector involvement in slum upgrading. The constraint emerges from this partnership is the culture gap between the formal private sector and the slum dwellers. In one hand, many formal businesses do not see low-income customers interested and able to pay for the services they provide. They may fear the crime they hear reported in the slums and believe that they would risk damage or loss of property. In other hand, the slum dwellers may perceive formal businesses as exploitative, greedy, and unfair to both customers and workers alike (Baker, 2008). In Indonesia, the initiatives of medium-to-big-scale private sectors in slum upgrading are low because they still targeted on high-end customer to get huge profit. The only opportunity is mobilizing small-scale enterpreneurs to involve in this type of partnership with the business-secure guarantee from government. Thus, clear procedure of public-private partnership and socialization programs on it should be encouraged.

5.4.2. Cooperation and Coordination

The principle of cooperation and coordination can be indicated from the presence of balance in working cooperation and coordination between stakeholders both in vertical and horizontal tiers.

The organizational structure of NUSSP that have been described in chapter 4 (figure 4.2) shows the complex relationships between government, private party (consultant), and the community both vertically and horizontally. This complex network on the one hand provides clarity in the division of tasks and coordinating relationships. Yet on the other hand it may cause inefficiency in the coordination process and decision making.

The performance of governance towards cooperation and coordination aspects indicates inefficiency and imbalance between government actors, both vertically and horizontally. For example, at the horizontal tier, there is a lack of synergy and coordination between the Ministry of Public Works and the Ministry of State Housing regarding the boundaries of work areas and the division of tasks. In addition, each of them have separate programs that actually are both concerning the improvement of life quality of the poor. For example, the Ministry of State Housing has a program called Quality Improvement of *Kampung* (PKK). With this program, the government will provide financial assistance amounting to IDR 10 millions (or USD 1,100) per household for new house development, IDR 5 millions (or USD 550) per household for house renovation, and IDR 4.5 million (or USD 495) per house for basic services development (Humas Kemenpera, 2009). Unfortunately, this program does not involve the Ministry of Public Works. Likewise in NUSSP, although the component of home improvement is included, there was no involvement of the Ministry of State Housing in the project's organizational structure. In the body of Ministry of Public Works itself, there are two kind of upgrading program that runs on almost the same time, namely the Urban Poverty Project (P2KP) and NUSSP. The working areas of NUSSP and P2KP are different, although there are several locations that intersect. Both programs also organize local community institutions (BKMs). The BKM in P2KP is oriented to community's economic development and have venture capital, while the BKM in NUSSP is oriented to the development of infrastructure and do not have venture capital.

At the vertical relationship, the shifting from centralized to decentralized system has also created coordination problem. Slum upgrading program in Indonesia is conducted based on deconcentration principle, instead of fully decentralization principle. The program is owned by the central government, but its implementation is delegated to the local government (city's level) with financial sharing from both central and local government. There is a worry from the central government that if the program fully borne by local governments, they would not prioritize and implement the program in their agenda, or if they would, it becomes short-ended project instead of sustainable program. The central government, thus, creates a set of rules and criteria of slum upgrading implementation that must be followed by local government. At the same time, the local government who has an authority over local land-use management and also share certain financial allocation for the program feels that they have autonomy and bargaining power to make decision in this program. For example, the central government already set strict criteria for location suitable for slum upgrading. According to the criteria the proposed location would be A, B and C. Later, with political intervention from local legislative institutions (*DPRD*), the proposed location becomes A to Z. This is because the principle of equality is used to avoid jealousy among sub-districts (*kecamatan*) in one municipality or district. As consequence, the program can not be sustained in the same location for multi-years period. Moreover, the provincial government as coordinating level did not do

significant pace to mediate this problem as they do not have any financial sharing to the program. The local government can directly coordinate with central government, and vice versa, without coordinating first to the provincial government. In sum, there is unbalance in coordination between provincial and municipal government.

5.5. Security of Tenure

Secure tenure is very important in slum upgrading. "*Without some form of legal tenure security the situation of slum residents and their neighborhoods is uncertain. They could be removed at any time. People who fear eviction will not invest in their houses. They will invest, however, once they have a sense of permanence and realize that they can sell their house and recoup their investment*" (Cities Alliance, 2010). Moreover, security of tenure is an access for slum residents to access their wealth. The poor are actually rich, but they can not access the bank's credit because they do not have formal jobs or property titles that can be used as collateral. Illegality and informality make them susceptible to exploitation, corruption and extortion (De Soto in Davis, 2006).

The performance of governance regarding the aspect of land tenure can be assessed from the presence of any kinds of policy intervention supporting security of tenure such as land reform, land subsidiarity, land titling, land sharing, land reservation for the poor, etc. Slum upgrading experiences after KIP era have not shown significant efforts in providing security of tenure to slum communities. For example, the mandatory requirement that must be fulfilled by the targeted location in NUSSP is slum area which already has the legal status of land. It seems that the government does not want to take big risk in their future investment. Slums and squatter settlements are handled through different mechanism, although their presences sometimes are mixed within one neighborhood. Slum is handled through slum upgrading and squatter or informal settlement is handled through demolition or resettlement into walk-up apartments (*rumah susun*). Experiences showed that many local government can not prepare and provide vacant land and basic infrastructure to build low-income apartments, or if they can, the location for resettlement are far away from income-sources of the squatters that leads to the ineffectivity and inefficiency.

Security of tenure has not become a major concern in Indonesian slum upgrading due to the absence of an adequate system of land administration (only one third of lands in Indonesia that are recorded) and the agrarian laws which do not include explicitly the urban land management for poor settlements. Actually, land titling can be a solution because it would instantly create massive equity with little or no cost to government that in turn would supply capital to credit-starved micro-entrepreneurs to create new jobs in the slums (De Soto in Davis, 2006). However, land titling is thought to be risky applied in Indonesia where the housing actors are mixed and the slums are no longer homogenous. For the landowner, land titling gives profit of increasing land value. For government, it provides stability, votes, and taxes. For landlord, land speculator, and developers, it gives a new income sources. But, for tenants, it creates higher tax burden. This condition can lead to 'slum within slum' where the poor rent space for the poorest. Furthermore, it will sharpen social class within slums.

Land acquisition seems to be the most expensive stage in slum upgrading effort. Most of slums are located in insecure area, such as ravines, hills, beaches, and floodplains, which are difficult and expensive to be upgraded or resettled. An evaluation from some slum upgrading cases in several countries showed that most countries are prefer to borrow from international bank for infrastructure than for land tenure because infrastructure can generate employment and income, infrastructure development and supervision is easier to estimate rather than land tenure, and commitment to really helping the poor can seldom be generated prior to beginning infrastructure investments (Werlin, 1999).

Indeed, land is a very conflicting good in a densed population and decentralized country like Indonesia where each local government are compete to promote their region through massive economic development that requires the availability of land in large amounts. NUSSP experience showed unsatisfactory results in the component of new site development (NSD). Of the total 32 participating cities/districts, only three cities implemented new site development: Bone, Polewali Mandar, and Bau-Bau. The main obstacles faced by most local governments are land acquisition and financing.

Meanwhile, other alternative such as land consolidation has not been widely developed as a tool in dealing with land issues in the slums because it would take longer time for the negotiation process and the status of land ownership in slums is unclear.

5.6. Community Participation

Slum dwellers are the main actors of slum upgrading programs because they are the locomotion of upgrading process and their futures are directly affected by the process. Therefore, it is necessary that they are fully informed and actively involved. The performance of governance towards community participation principle in slum upgrading process is good. The slum residents in one of participating cities are very open and accept the presence of NUSSP in their neighborhood. The existence of community participation is not separated from the role of local government and the community consultants (oversight consultant) who are intense to give health and moral education and construction training. With the health and moral education, the community becomes more conscious to their environment. Sometimes they are willing to give up their land for upgrading purpose without claiming compensation and they are also willing to be paid lower than the standard wages of building construction labors.

Ease in mobilizing community participation is also because Indonesian people have a long tradition of *"gotong royong"*, a spirit of mutual cooperation and togetherness in a community. Low income communities with their *"gotong royong"* attitude can potentially help in the implementation of slum upgrading which requires strong community participation. With this attitude, they feel that housing and environmental improvement is a shared responsibility. This spirit of cooperation is fostered and realized in the form of local community organizations (*Badan Keswadayaan Masyarakat*-BKM). Through these community organizations, the division of tasks among community's member becomes clear and upgrading activities to be organized. Although the spirit of "*gotong royong*" begins to fade because of modernization, low-income people tends to have more

solid "*gotong royong*" rather than other social community classes because low-income people feels like in one destiny that they have the same responsibility to help each other. Therefore, this cooperation and participatory spirit should be enhanced and maintained in slum improvement effort.

Other important part of community participation is gender participation. Experience has shown that making an effort to incorporate the gender dimensions in slum upgrading results in a more successful initiative. One of the things that are unique from the implementation of NUSSP is the role of women in slum upgrading enhanced.

It is easy to build, but difficult to maintain. Maintenance is one issue of sustainable slum upgrading that in great need of community participation. In the NUSSP scheme there is no demands for maintenance period, thus the maintenance is fully depend on the community participation. According to the local informants, the maintenance budget is gained from the user charges. People are willing to pay for the service charges because they have already get benefits of existing infrastructure.

The character of the community also determines the success of the program. Not all locations in slum upgrading experience were considerely successful. There are several locations which were less successful because the community institution did not work optimally and unfocused. Although the nature of this community institution is working collectively, not individually, if the character of the collective leadership is not good, then the program will run poorly. On the other hand, the leader, who is worried that he would act negatively (in Sukabumi, one of the leaders of community institutions is a thug) and may potentially corrupt the funds, has worked very well and honestly. The positive effects of feared leader are; the work to be neat due to good control and the people who initially underestimate him, now respect for their leader. Sometimes weakness can be strength.

5.7. Continuity and Institutionalization

"*When slum upgrading is municipal a core operation, it produces cohesion, coordination, and increases efficiencies in service provision*" (Cities Alliance, 2010). Continuity and institutionalization means that the program should be replicable and internalized into the job of local governments. Often, slum upgrading is perceived by the local governments as a 'project' (project-based). Once the project ended, the frequent monitoring and maintenance ended. This had made the level of urban services declined. Indeed, support from the central government in the form of foreign-funded slum upgrading program is merely a stimulus for local governments. It is expected that after the program accomplished the self-sufficiency at the local level will be achieved.

The performance of governance towards this principle can be indicated by the presence of similar or replicated-slum upgrading programs at the local level. According to the head of Project Management Unit-NUSSP, after NUSSP ended, not many local governments that replicate slum upgrading programs. Few regions that are currently replicate slum upgrading program are: Tanjung Balai (North Sumatera), Palembang (South Sumatera), Sukabumi (West Java), Jeneponto, Polman and Bone (South Sulawesi).

Meanwhile, continuity and institutionalization at community level can be indicated by the presence of community institution (BKMs) as a social capital in future slum upgrading. BKM is chosen by direct election by the community and legalized by a public notary. After the program ended, BKM will continue and be demanded to be independent because they already has legitimation as an organization. It means that they have the authority to receive an offer of similar programs in the future. However, BKM formed in NUSSP has no capital gains to improve the business. Unless there is excess fund remaining from infrastructure construction, it could be a community saving. The remaining funds could be used to increase the volume of work, for revolving credit, or social activities. The use of this community saving should be discussed through deliberation process.

5.8. Financial Sustainability

Financing task has become crucial issue in slum upgrading process because it is a quite expensive program, due to land acquisition process, physical improvement, and credits offered, that requires financial partnership among international donator organization, national, state, municipal government, the slum community itself, or even private sector. Stable and consistent national and local budgetary allocations are needed for slum upgrading. This situation can be an indicator to assess governance performance regarding financial sustainability principle.

At the national level, financial sustainability is shown on the National Development Plan 2010-2014 in the slum improvement sector (see Table 4.6). In addition, the national government of Indonesia has committed to address slum issues until 2024, namely "Indonesia without Slums in 2024". On 22-24 June 2010 in Solo-Central Java, Indonesia with other seven Asia Pacific countries (Iran, Fiji Islands, India, Iraq, Jordan, Korea, and Pakistan) have signed a cooperation agreement in the field of: community participation in planning and governance, participatory urban slum upgrading, working group on delivery of MDGs for water and sanitation, financing sustainable housing and urban development, and the role of communities in addressing climate change (the 3rd Asia Pacific Ministerial Conference on Housing and Urban Development-APMCHUD, 2010).

However, the financial sustainability of local governments to solve slum problems is still on big question. Currently, there is no sufficient data about the plan of local budget allocations for slum improvement at the local governments a few years in the future. One alternative is to make cooperation among local governments. It is the time for local governments to think about up-scaling slum upgrading, so that the funding needed to finance slum upgrading programs can be covered together with other local governments. The minimal role of provincial government can be maximized at the up-scaled slum upgrading. This up-scaled slum upgrading program needs central government's support, backed by corresponding national budgetary allocations, subsidy policies and human resources.

About the continuity of international funding is still debatable in Indonesia. In one side, some actors suggest the benefits of international funding. The head of NUSSP's Project Management Unit (PMU-NUSSP) said that international funding is still needed in Indonesia because the number of slum areas must be handled in the future are huge. If this problem is handled solely by central or local

governments, it will take a long time and may not pursue the MDGs targets (Dewi Chomistriana, 2010).

Moreover, if depending too much on international loans, there is the risk of Structural Adjustment Program where public spending in health and education would be cut to pay the loans. This condition will worsen the living condition of the poor. NUSSP experience proved that the housing micro-credit component that funded by the Asian Development Bank's loan was unsuccessful because the communities can not afford to pay the high interest rates of this credit. High interest rate is caused because Indonesian government should bear the cost of LIBOR (the average of international interest rates), the administrative costs, and the hedging risk-cost (see Chapter 4).

5.9. Alternative Ways for Preventing Slum Formation

"*Upgrading existing slums and preventing new slums are twin objectives of slum improvement policy. Until land and housing policies are changed to eliminate barriers for the poor, new slums will continue to occur*" (Cities Alliance, 2010). Therefore, cities need to introduce proactive measures for producing viable alternatives to slums. Slum policies should inline with poverty-reduction policies to support the livelihoods of the urban poor, by enabling urban informal sector activities to flourish, linking low-income housing development to income generation, and ensuring easy access to jobs through pro-poor transport and low income settlement location policies.

The performance of Indonesian governance towards this principle is good enough. The government realizes that the effective way dealing with slums is by solving the root cause of the problem which is poverty. Indonesian government executes other programs that can support slum upgrading goals such as the improvement of rural infrastructure, the development of rural growth centers, the development of new settlement sites with the ideal proportion of 1: 3: 6 (luxury : medium : small), one million housing development programs, the development of one thousand tower for low income communities, free health and education programs, micro-business lending programs, and so on.

5.10. Infrastructure Investment

Infrastructure is a physical approach to improve the environmental habitability of slums and to enhance economically productive activities. "*It is important to invest in a community infrastructure that helps build community cohesion. Investing in infrastructure demonstrates a government's commitment to an area and brings dignity back to a neighborhood. If a government invests poorly, people will not respect the infrastructure*" (Cities Alliance, 2010).

Indonesian performance of governance regarding the principle of infrastructure provision is very good. There is already a lot of infrastructure built in the current slum upgrading program. In total (loan and government counterpart funds), more than USD 51,3 million have been disbursed for infrastructure works and over 2.000 civil works contracts have been awarded. This can be understood because most slum upgrading programs in Indonesia are handled by the Ministry of Public Works that specialize on infrastructure investment. On NUSSP, the type of infrastructure

allowed to be built is limited to seven types of infrastructure which are: path, road, water supply, drainage, street lighting, communal bathroom (MCK), and trash. The infrastructure allowed to be built is less flexible, it means that it is not based on the community needs. In the process, other types of infrastructure may be allowed to be build as long as there are still remaining construction funds.

Based on Table 3.3, the performance of Indonesian governance in realizing the principles of successful slum upgrading can be displayed briefly in the next table.

Table 5.1 The performance of Indonesia governance towards successful slum upgrading

No.	Principles of Successful Slum Upgrading	Indication of Governance Performance	The Degree of Governance Performance
1.	Acceptance of slums	The acknowledgement of the rights of urban poor in the highest legislation, for example in state constitution and ideology	In national level : good (supported in the highest legislation) In local level : fair (only limited number of cities still using eviction as measures)
2.	Political will, commitment, and leadership	The presence of political pronouncement, for example: statements by country's leader or commitment in Spatial Planning Act and other lower legal instruments	In national level: good (shown in multilateral and international agreement) In local level : low (the absence of explicit commitment)
3.	Integration of slum upgrading in urban plan and other policy intervention	The presence of slum upgrading settings in spatial plan, especially in Spatial Plan for Shelter Strategy (SPSS)	Low (very limited number of cities who have SPSS)
4.	Partnership, cooperation and coordination	- The balance and working coordination between stakeholders both in vertical and horizontal tiers - The presence of innovative partnership with private parties	- Fair (coordination is working with gaps in provincial level) - Fair (limited options for private parties involvement)
5.	Security of tenure	The presence of any kinds of policy intervention dealing with land tenure, for example: land reform, land subsidiarity, land administration, etc.	Low (no viable policy intervention dealing with security of tenure)
6.	Community participation	The occurrence of community participation events in planning, implementation, and management stages	Good (during planning and implementation process, but no evidence during management stages)
7.	Continuity and institutionalization	The presence of slum upgrading initiatives in future national, provincial, and city plan or in further development agenda	In national level : good (replicable national program, clear agenda) In local level : low (non replicable, no clear agenda)

No.	Principles of Successful Slum Upgrading	Indication of Governance Performance	The Degree of Governance Performance
8.	Financial sustainability	The increasing of national, provincial, or municipal allocation budget for slum improvement programs	In national level : good (stated in long-term national development plan) In local level : low (only small number of cities incorporating SU program in the medium investment plan (RPIJM)
9.	Alternatives to new slum formation	The presence of any other initiatives, programs, or policy intervention that inline with slum upgrading effort	Good (the presence of poverty alleviation program, rural development, proportional settlement, walk-up apartments, health and educational program, etc)
10.	Infrastructure investment	The increasing in the number and types of infrastructure built during implementation process	Good (exceed the target)

5.11. Concluding Remarks

Determining whether a slum upgrading initiative has been successful depends on expectation and what the goals of the initiative are. For example, in South Africa, the goal of slum upgrading is the provision of urban services by which people who had no urban services were supplied with water, sanitation, and access to housing. In Brazil, access to land has been a fundamental issue in slum upgrading programs. In many Brazilian slum upgrading, slum dwellers were given a right to the land and had a real sense that they would not be evicted. In Latin America, the goal of slum upgrading programs is crime is to reduce crime and increase public safety (Cities Alliance, 2010).

In Indonesia, the experiences of slum upgrading programs have shown that they focus more on the provision of infrastructure or basic services. The implementation of slum upgrading is always delegated to the Ministry of Public Works and their agency at the local level. Although the slum upgrading program was equipped with a comprehensive and integrated concept, the case study showed that other important components such as home improvements, security of tenure, and new site development (reserving land for poor people) are still not running optimally. One of the causes of this condition was the lack of coordination between the Ministry of Public Works, the Ministry of State Housing, and the National Land Agency. Each of these government institutions have separate programs that actually are both oriented to the improvement of life quality of the poor.

The analysis of governance performance toward the ten principles of successful slum upgrading showed that the performance of governance at the national level is good enough, whilst the performance of governance at the local level showed mixed results. Although some local governments already performed well in committing and conducting the program, the majority was not doing the same. This suggests that the capacity of governments and other stakeholders at local

level in dealing with slum problems are not yet sufficient. This is quite crucial in the era of decentralization when the housing and settlement issues are mostly delegated to local governments. Therefore, we need better strategies to increase the capacity of local governments to achieve optimal implementation of slum upgrading.

Chapter 6

CONCLUSION, RECOMMENDATION, AND THEORETICAL REFLECTION

6.1. Conclusion

Slum as one of the consequences of rapid urbanization nowadays has become a global issue that requires strong commitment and good cooperation from various parties. High economic growth in urban areas does not necessarily improve the welfare of urban residents equally. A research from UN Habitat indicates that more than a third of the world's urban population currently lives in slums, even in the future the growth of slum is expected to be worsen. The existence of slums is considered a serious problem because it causes environmental degradation, spatial segregation, social conflicts, health problems, crime and so on. Despite its weaknesses, slum holds potencies such as informal economy and social capital that are quite large. So, do they still have a hope?

Various attempts to solve slum problems have already been done. The efforts to eliminate slum like eviction that was done by many countries during 1950-1970s proved to be ineffective in reducing the growth of slum, instead of made their situation worsen than before. Then, the efforts to eliminate slum has moved to the era of slum upgrading, where slum communities are facilitated to improve their living conditions and environment in a self-reliant and participatory manner. Since 1970s until now, various slum upgrading programs in many developing countries has been carried out with the aids from international organizations. Nevertheless, the evaluation of these programs showed that community-based development can not walk alone without strong support from government and other parties. A UN Habitat's research on slum upgrading experiences in over a hundred countries also showed mixed results, but lead to the same conclusion that governance is the most decisive factor in determining the success of slum upgrading.

Success in slum upgrading means that the results of the program can be maintained and enhanced, so that the number of slums can be diminished gradually and ideally, in the end, there will be no slums anymore. It is clear that the participatory manner of actors involved, including governments, private parties/non-governmental organization, and communities, is needed and must be fostered continuously. The problem that often happens is that participation is only seen as a way of how slum upgrading works (participation as means), thus participation is fostered only at planning and implementation stages, while at the end of the program it gain less attention. This condition causes the results achieved are not sustainable. Therefore, participation must also be viewed as the outputs of slum upgrading (participation as ends) together with other physical outputs, such as housing and basic services.

This study aims to analyze governance performance in the implementation of slum upgrading that can adequately contribute to the success of the program. In Chapter 2, there are ten principles abstracted from the various concepts of successful slum upgrading, namely: (1) acceptance of slums; (2) political will, commitment, and leadership; (3) integration of slum upgrading strategy in urban plan and policy; (4) partnership, cooperation, and coordination; (5) security of tenure; (6) community

participation; (7) continuity and institutionalization; (8) financial sustainability; (9) alternative ways for preventing slum formation; and (10) infrastructure investments. The ten principles are expected to help realizing a successful slum upgrading so that the number of slums in the world can be reduced gradually and no more slum at the end. The application of these principles of course will be different in every country, depending on the circumstances or contexts in each country such as: the ideology, the planning system, the form and structure of government, the legal framework, and the socio-economic condition.

Indonesia is one of developing countries which have experienced slum upgrading programs for almost four decades. The history of slum upgrading in Indonesia exists at the two shifting periods of governance, from centralization to decentralization. Kampung Improvement Programs (KIP), which was held in the centralization period initially showed a significant result and is considered a quite successful project in the eyes of global community. However, the peak performance of KIP did not last long. Problems such as the lack of maintenance from the community, land conversion as increasing land price, corruption, and others inhibited the sustainability of the program outcomes. Then, there was recognition that the top down-approach should be combined with bottom-up approach (Werlin, 1999). This understanding was born along with the beginning of decentralization era in Indonesia, where the local governments are given greater authority to handle planning and development tasks, particularly in spatial and residential sector. The concept of slum upgrading is then refined and tailored to the aspiration of decentralization. The hierarchical arrangement between government tiers is becoming less important, while coordination between government tiers and community participation is becoming more important. One of slum upgrading programs born in this era is Neighborhood Upgrading and Shelter Sector Project (NUSSP). NUSSP is financed by Asian Development Bank's loan which is then given as a grant from central government to local governments who are willing to implement slum upgrading and able to provide counterpart fund for this program. Although it uses shared financial scheme between central and local governments, but the implementation is fully delegated to the city or district governments.

There is no general prescription to answer the question whether slum upgrading programs implemented in decentralized system would be better than that implemented in centralized system, and vice versa. A research carried out by UN Habitat also showed that countries that succeed to reduce the number of slums continually are the countries with centralized system and also the countries with decentralized systems. It seems that each system have equal opportunity to realize the principles of successful slum upgrading. How was Indonesian slum upgrading?

As a transition state, decentralization has become a challenge to implement the principles of successful slum upgrading consistently. On the one hand, local governments better understand the conditions and needs of slum communities in their area so that it is very reasonable if the implementation is fully delegated to the local government. On the other hand, the devolution of power without equipped with sufficient capacity is difficult. Strengthening the capacity of local institutions and organizations requires a long process, while the commitment to reduce poverty and slum growth in Indonesia that will be achieved by 2020 (MDGs target) and 2025 ("*Indonesia without Slum"*) is still far from expectations.

The current slum upgrading program (NUSSP) actually has more comprehensive and integrative concept than that of former generations of slum upgrading. It includes the components of spatial planning, physical improvements, access to housing micro credit, and capacity building. But the realization on the ground showed that there are still many weaknesses that need to be eliminated in order to achieve optimal results. Based on NUSSP case study, there are several conclusions that can describe the performance of Indonesian governance in the application of successful slum upgrading principles.

First, the acceptance of slum has been reflected explicitly in the State's ideology and constitution (Pancasila and the 1945 Constitution of the Republic of Indonesia) as well as other legislation such as spatial planning law, human rights law, agrarian law, human settlement law, which uphold the rights of poor society for decent and affordable housing and health environment. However, this acceptance has not been shown in the same manner by the local governments. Some local governments are still being hostile by using eviction as solution. In contrary, there are also some local governments who are very open to the presence of slum by using slum improvement effort.

Second, the Indonesian government's commitment to address slum issues is sufficient due to the signing of the Millennium Development Goals (MDGs) as well as multilateral agreements with other countries to handle slums cooperatively. But commitment and agreement sometimes are very normative. Difficulties faced when translating these commitment and agreement into a real actions, especially in a country that just had a period of decentralization where the decision-making process related to planning and development activities is always in the arena of negotiations and political influences and conflict of interests are also there. The implementation of slum upgrading in Indonesia is not free from such influences. The small participation number of local governments who are willing to run slum upgrading program (only 7% of the total existing cities/districts) showed that there are low political will, commitment and leadership at the local level.

Third, the lower the commitment and political will of local government to handle slum, the lower their initiatives to accommodate spaces for urban poor in urban spatial plan and policy. Supposedly, the Spatial Plan for Shelter Strategy (SPSS) which is used as guidance in the implementation of slum upgrading program at the local level and ensuring the availability of land for the poor in the future should be prepared before the physical upgrading activities done. In reality, the physical improvement of slums is conducted earlier than SPSS document. One of the constraints faced by local governments is the availability of time and budget to prepare such document. In addition, the reservation of space for housing the poor is in a weak position among struggles over urban space. This is also the reason why slum upgrading in Indonesia is more focused on infrastructure development rather than providing security of tenure to slums communities.

Fourth, partnership and cooperation between government, private sector, and slum community in the implementation of slum upgrading has been going well so far. Unfortunately, the role of private parties is limited to the role as administration consultants, community assistance consultants and construction contractor. Moreover, the difficulty to find local financial Institutions that have the capability to channel micro housing loans to the community proved that the capacity of private sectors in Indonesia is still low.

Fifth, the issue of coordination is often become constraint in the implementation of slum upgrading programs in Indonesia. The organizational structure of a slum upgrading project consists of complex horizontal and vertical networking between various stakeholders. Sometimes it causes inefficiency in decision making process and weak coordination between stakeholders at different levels and sectors. For example, the lack of synchronization between similar programs initiated by the government institutions at the same level (for example synchronization between ministries) and the role of city government is superior to the provincial government.

Sixth, community participation in Indonesia provides great opportunities to the implementation of successful slum upgrading. Indonesian society is known as the people who have strong relationship and the spirit of mutual assistance. So far, the slum communities are always enthusiastic to the slum upgrading program offered by the government. With moral education, health education, planning education and construction training, a slum community has enough capacity to build their neighborhood.

Seventh, the replication of slum upgrading programs done independently by local governments has not been widely done, though slum upgrading program is partially financed by central government's grant aimed at providing stimulation for the local governments to create similar programs in future. Meanwhile, the institutionalization has been realized with the establishment of various community organizations or faith-based organizations in each cities or districts. With the formality and collectivity, the position of slum residents becomes stronger in forwarding the results of the program and accessing public services.

Eighth, financial sustainability is a very crucial issue in Indonesian slum upgrading. The budget limitation at the local level greatly affects the governance performance to other principles of sustainable slum upgrading. Until recently, the source of funding is always dependent on the foreign loans. The foreign loan does not guarantee the implementation of slum upgrading programs will be successful, instead of adding a country's debt burden and open up the risk of a structural adjustment program to cover the repayment of the debt. This is evidenced by the fail of housing micro credit component due to high interest rates set by international financial institutions.

Ninth, alternative ways to prevent the growth of slum has been conducted by the government by making poverty alleviation-related programs such as the development of growth centers in rural areas, free education programs, the development of a thousand flats for low-income people, and so forth. Although these programs also have constraints in their implementation, but the governance performance regarding this principle is considered fair enough.

Finally, infrastructure development to improve the quality of life of slum community has been carried out by the government at the national, provincial, and local levels. This is the most prominent component in the Indonesian slum upgrading because infrastructure component is the easiest component to be implemented rather than other components. However, housing and infrastructure are the two things that can not be separated. If the infrastructure has been improved but not the housing conditions, then the impression of slum will be still deeply felt and the improvement of the quality of life of the community has not been maximal.

The assessment of Indonesian governance performance against the ten principles of successful slum upgrading showed mixed results; there are several principles that have been applied well, but there are some principles that have not been well implemented because of several constraints. Governance performance assessment shows that the weak spot of the application of successful slum upgrading principle is still located at the lower levels of government, while the higher levels of government has been performed quite well. The most prominent weaknesses lie in the commitment, political will, leadership, coordination, integration in urban plan and policy, security of tenure, continuity, and financial sustainability. Meanwhile, the strengths lie in the acceptance of the slum, community participation, cooperation, partnership, institutionalization, and infrastructure investment.

6.2. Recommendation

From the above explanation, it can be concluded that the ten principle of successful slum upgrading are mutually affect one another and its success strongly influenced by the interaction among involved actors. The strength on some principles will not indicate the optimal success if the weaknesses in other principles are not eliminated soon. Several recommendations for eliminating these weaknesses are described in the following paragraphs.

First, the lack of government understanding of the existence of slums and their characteristics is one of the causes why the acceptance and commitment of local governments to make slum improvement efforts are low. Negative outlook on slums, which is considered as urban disease, must be converted into positive outlook that the slum community also has the potential to help the growth of cities, such as cheap labor and the informal economy. Therefore, there is a need of widely public campaigns that are not only targeted on slum communities but also on government officials and private parties. These public campaigns should be conducted continuously and not only on the preparation phase of the implementation of slum upgrading programs.

Second, there is an importance to fill the gaps within the legal basis for supporting slum upgrading effort so that a comprehensive slum upgrading legal framework from the highest to the lowest level of governance can be created. For example, by preparing a government regulation or local regulation providing detailed guidance on the implementation of slum upgrading in certain region. If necessary, positive and negative instruments such as rewards and punishments can be applied to strengthen the legal basis and spurred the government to continue this program forward. This is one way of strengthening the institutional capacity.

Third, look before you leap! The preparation of adequate planning is very important before the implementation process conducted. It is necessary for central government to give sufficient time for local governments to prepare pro-poor spatial planning before the slum upgrading activities executed, to facilitate local government to prepare such planning document by giving both technical and financial aids, and to encourage local government linking the program with other initiatives or policies, such as: poverty alleviation, health and education, preservation of historic city centers, environmental and sanitation improvement, city-wide infrastructure and transportation expansion programs.

Fourth, there is a need to strengthen vertical coordination by enhancing the role of provincial government. The existence of slums which are mostly found in peri-urban areas requires regional cooperation between local governments. Here, the role of the provincial government is very important as a coordinating agent. In addition, the provincial government can be involved for managing larger-scale slums (up-scaling slum upgrading).

Fifth, there is a need to strengthen horizontal coordination through the synchronization of programs that are on the same genre. For example, the home improvement programs initiated by the Ministry of State Housing and slum upgrading program initiated by the Ministry of Public Works should be able to run side by side with a clear division of duties between authorities.

Sixth, the innovations in public-private-partnership should be further developed so that private party participation is not just dwell on the role of community consultants or contractors. Land titling partnership, mixed housing development, prepaid or pay-per-use system on water and sanitation services that run in Brazil, USA, and India can become an example of innovative public-private partnership in slum upgrading (see Chapter 5). Surely these innovations need further study whether they are in accordance with the circumstances in Indonesia.

Seventh, the purpose of slum upgrading should not only focus on infrastructure development, but also security of tenure and reservation of land for urban poor in the future. Alternatives to granting security of tenure can be done through land titling, land sharing and land consolidation. Therefore, the land administration system in Indonesia needs to be improved first.

Eighth, the social capital embodied in the form of community organization is expected to be sustainable. Thus, the community organization is suggested to be involved not only as the executor of physical development but also have the liquid capital to continue to develop business which can help the economies of the poor, such as community saving organization.

Ninth, it is necessary to find better financial mechanisms in slum upgrading program which do not dependent too much on international funding or loans, because it will aggravate the burden of loans that are borne by the beneficiaries due to high interest and administration cost. The loan would be better if issued by the government and national institutions, so that the interest expense is not too heavy.

Last but not least, the type of infrastructure to be built on the location of slum upgrading should not be limited on basic infrastructure like water supply, drainage, lighting, communal toilets, but also the type of infrastructure that can drive social and economic activities of society, such as traditional markets, schools, workshops, and so on. Hopefully, the socio-economic infrastructure will help hidden micro-entrepreneurs living in slums can develop their own business.

It is clear that the handling of slum requires a combination of top-down and bottom-up governance. Decentralization should not be interpreted by the central government as devolution of responsibilities to the other party without supporting the capacity to carry out these responsibilities, but must be interpreted as a 'responsible' devolution of responsibilities. This means that the central government must accompany and assist local governments in dealing with slum problems by providing technical, financial, and planning assistance. Appropriate level of assistance ad time line

should be defined. Stimulant and assistance from the central government which is too long will cause the local governments be dependently, otherwise if it is too short, the capacity of the local governments to handle slums by themselves will be premature. Vice versa, decentralization should not be interpreted by local governments as the increasing of power and freedom to use local resources, but should be interpreted as the increasing of capacity to be able to allocate local resources more efficiently and effectively in order to achieve prosperity and social justice for all societies.

6.3. Theoretical Reflection

Based on the historical development of slum upgrading in Indonesia, slum upgrading approach that is too oriented to the intervention of government or market can not work effectively. Each thought has advantages as well as weaknesses. On the one hand, the management of slum upgrading which is dominated by government actors is less able to generate community involvement to maintain the results of slum upgrading because of the lack of sensitivity to local needs and priorities and vulnerable to corruption practices. The involvement of private party which actually has both financial and managerial potency is also limited. On the other hand, the management of slum upgrading which is controlled by market forces will encourage unevenness in growth and development because housing for the poor is considered as an economic commodity and has a weak position in urban land competition. In addition, if slum upgrading just relies on community participation it would be impossible because most slum dwellers are the poor who do not have much choice.

Through the implementation of various slum upgrading programs in Indonesia, starting from the first until the latest generation, it can be proven that the concept of 'freedom to build' as the original concept of slum upgrading, promoted by Turner school (1972), can not work independently. Intervention from governments and private parties are still necessary and required to be implemented jointly with community participation. Nevertheless, to what extent the ideal intervention of each actor is still on a big question.

There is a complexity in slum upgrading. The position of slum upgrading is in a contested arena where the tension among government, private, and community actors are present. Moreover, decentralization, which divides power between central and local governments, has made the governance relationship become increasingly complicated. Successful slum upgrading requires some form of both centralization and decentralization. Market forces should be created together with public investment. Attention to the needs of local community (demand-driven aspiration) should be adjusted to the ability of government and private sector (supply-driven initiatives).

Slum upgrading requires plural governance. Conflict of interest as well as the process of domination of power will always occur in plural governance. I think the success of slum upgrading program is not only determined by how the results of this program can be maintained sustainably, as prescribed in the ten principles of successful slum upgrading promoted by the international organization (see Chapter 2 and 5), but also how to maintain the process of interaction and consensus among various actors remaining to be fair and ethical. Thus, the outcomes of slum

upgrading programs are not only infrastructure, decent housings, security of tenure, and financial sustainability, but also the participatory governance (participatory as means and ends). Complex relationship within plural governance certainly can not produce simplistic approach in slum upgrading. A particular approach that can accomodate this complexity is required and need to be elaborated in further research.

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APPENDIX

Appendix 1. List of Interviewee in Semi-structured Interview

No.	Name	Position in the Project (NUSSP)	Roles	Date of Interview
1.	Dewi Chomistriana	The Head of Project Management Unit or the project leader (Ministry of Public Works)	Conducting substantive tasks such as organizing dissemination and socialization, coordinating, supervising and monitoring all funded activities	March 11, 2010
2.	Susi Andriyani	The Head of Oversight Consultant in Sukabumi city (community facilitator)	Communicating with communities, coordinating with other local stakeholders, socializing the program, organizing community trainings, and facilitating community to make neighborhood upgrading plan	March 18, 2010