

**THE EFFECTS OF THE LOCATION PERMIT ON URBAN LAND MARKETS:  
A Case Study in the Jabotabek Area, Indonesia**

by

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Submitted to the Department of Urban Studies and Planning in  
partial fulfillment of the requirements of the degree of

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# THE EFFECTS OF THE LOCATION PERMIT ON URBAN LAND MARKETS: A Case Study in the Jabotabek Area, Indonesia

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## ABSTRACT

This thesis calls attention to a form of inequality less generally mentioned by planners than inequality in earned income or in capital assets, but more directly linked than those to planning practice: inequality in access to information. By exploring how institutions interact in the peripheral land conversion process (e.g. the location permit), I will describe how lack of information has affected the land market.

The government of Indonesia issues a location permit as a prerequisite for developers entering the formal housing market. This permit is meant to facilitate developers in acquiring and converting rural land, and gives developers an exclusive right to purchase land in a certain area.

In practice, the location permit gives problematic results and has not accomplished what it was intended to. First, although the location permit has facilitated the developers, several studies have suggested that the permit has given developers a monopsonistic position and has caused land to be held off from the market. Second, the permit has not been effective as a tool for development. As an example 1) the new development is fragmented, and uncoordinated, and 2) developers have not build housing according to the requirements of the permit, a proportion of 1:3:6 (high : middle : low income housing). Third, contrary to the requirement to acquire land directly from the land owners, Real Estate Indonesia claims that about 90% of developers acquire land through brokers (*calo tanah*).

I look more closely into the institutions involved in the land acquisition process. Brokers (*calo tanah*) play a great role in the land conversion process. My argument is that lack of information and knowledge on land markets is one of the reasons why brokers have become so dominant in the process. In the situation of lack of information, brokers have been able to fill this gap. Although brokers play an essential role in identifying and assembling land in the periphery, lack of information on market prices has enabled them to use the location permit as a vehicle to capture huge profits.

Thesis advisor: Dr. Bruce Ferguson

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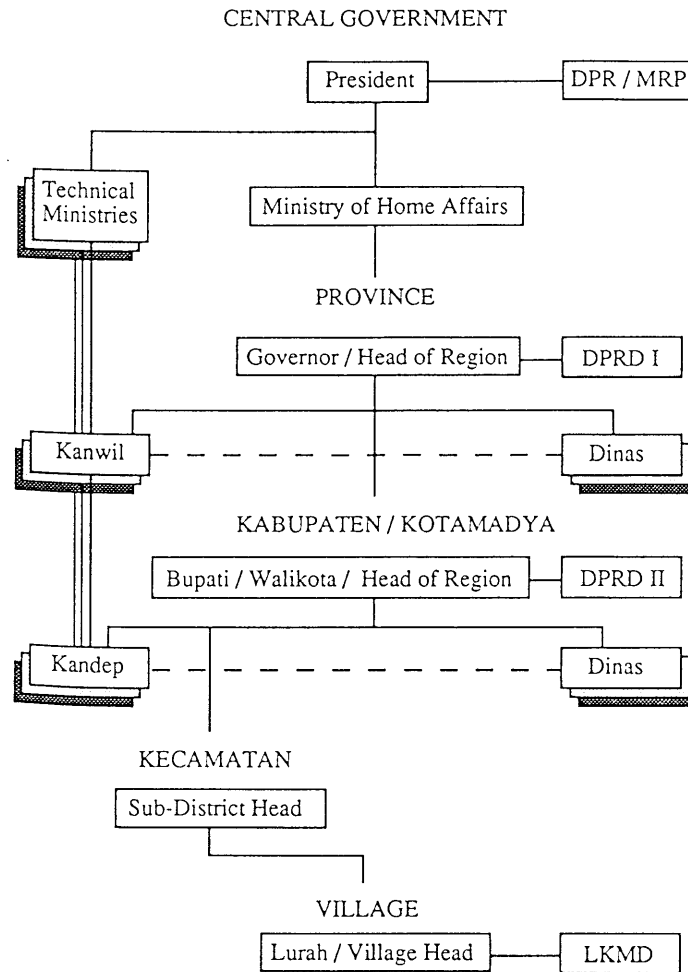
Finally, I thank my parents and my husband Dewo for their love, support and encouragement.....

## GLOSSARY

<i>Bappeda</i>	<i>Badan Perencanaan Pembangunan Daerah</i> /Local planning office
<i>Botabek</i>	refers to the three districts surrounding Jakarta: Bogor-Bekasi-Tangerang
<i>BPN</i>	Badan Pertanahan Nasional (National Land Office/Ministry of Agraria)
<i>calo tanah</i>	land broker, also called mediator
<i>camat</i>	sub-district head
<i>desa</i>	village
<i>dusun</i>	sub-village
<i>girik</i>	a customary land title that if registered is equivalent to ownership title ( <i>hak milik</i> )
<i>ha</i>	hectare (1 hectare = 2.47 acre)
<i>Ijin lokasi</i>	location permit
<i>Ijin prinsip</i>	principal permit
<i>Jabotabek</i>	abbreviation for <u>J</u> akarta- <u>B</u> ogor- <u>T</u> angerang- <u>B</u> ekasi
<i>jaro</i>	sub-village head
<i>kampung</i>	village housing cluster
<i>Kantor Pertanahan Daerah</i>	Local Land Office
<i>Kasiba</i>	<i>Kawasan Siap Bangunan</i> / ready-to-use sites
<i>kabupaten</i>	regency
<i>kecamatan</i>	district
<i>kotamadya</i>	municipality
<i>lurah</i>	village head
<i>ojek</i>	motorcycle transportation mode
<i>pak</i>	Mister
<i>Pakto 2/1993</i>	<i>Paket Deregulasi no. 2/23</i> October 1993 Deregulation Package
<i>Perum Perumnas</i>	<i>Perusahaan Umum Pembangunan Perumahan Nasional</i> The National Housing Corporation
<i>PMDN</i>	<i>Peraturan Menteri Dalam Negeri</i> Ministry of Home Affairs Regulation
<i>pola dasar</i>	structure map
<i>propinsi</i>	province
<i>REI</i>	Real Estate Indonesia (developers' association)
<i>RT (rukun tetangga)</i>	community association (smaller than RW)
<i>RUTR</i>	<i>Rencana Umum Tata Ruang</i> (Spatial Plan)
<i>RW (rukun warga)</i>	neighborhood association
<i>tokoh masyarakat</i>	informal community leader
<i>UUPA 1960</i>	<i>Undang-undang Pokok Agraria 1960</i> / The Basic Agrarian Law (BAL 1960)

Deconcentration

Decentralization



### Structure of Regional and Local Administration

SOURCE: Nick Devas in *Financing Local Government in Indonesia*. Ohio University Monograph in International Studies. Southeast Asia Series no. 84. Ohio, Athens, 1989.

**NOTE:**

- DPR/MPR      People's Representative Council
- DPRD I      People's Local Representative Council Level I (*Provincial*)
- DPRD II      People's Local Representative Council Level II (*Kabupaten Kotamadya*)
- Kanwil      *Kantor Wilayah*/Local office of central ministry in province
- Kandep      *Kantor Departemen*/ Local office of central ministry in *Kotamadya/Kabupaten*
- Dinas      Local Government Level I and II (*Provincial or Kabupaten/Kotamadya*) Department Agency
- LKMD      *Lembaga Ketahanan Masyarakat Desa*/ Village Council

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background

Indonesian newspapers have been filled with anecdotes on increasing land prices, land disputes, problems in land appropriation and developers pressure on land owners to sell their land. While *Perum Perumnas* (The National Housing Corporation) complains that it is difficult to find cheap land for affordable housing, sanctions that require developers to build affordable housing are not being enforced. Middle-income people have to pay developers high prices for formal housing and appear increasingly priced out of the market, yet small landowners appear to be selling their property to developers at below-market prices. Some studies suggest that location permits give developers monopsonistic controls over land, decrease land supply, raise land prices to the final consumers, and disrupt the land market in other ways (Hoffman and Ferguson, 1992).

The Indonesian government mainly uses the location permit to facilitate land acquisition by private developers who convert rural land to urban use in the peripheries of its major cities. This permit gives a developer the exclusive right to acquire land within the permitted area. The location permit is a prerequisite for any developer or company intending to acquire land exceeding 5 hectares for housing development.

Location permits are most often granted in areas where there are already land owners. According to Hoffman (1990) unlike other landowners in the urban fringe, the landowners within the location permit are faced with distinctive constraints. For example, landowners in the urban fringe have the opportunity to keep their property or sell at market price. In contrast, most landowners within a location permit are (1) either pressured to sell even when they do not want to, (2) forced to sell at below market prices, or (3) if they do not sell to the permit holder, they will find it difficult to sell their land to

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## Team set up to handle Tangerang land dispute

TANGERANG (JP): A team has been set up to investigate reports about the illegal transfer of rights to 110 hectares of state land in Tigaraksa district here.

"The investigation is not yet completed, but the regency has not lost (ownership) of the land," Ismet Iskandar, first assistant to the secretary of the regency, said Saturday.

The team consists of officials from a number of agencies, including the Tangerang office of the National Land Agency, and heads of the villages affected by the appropriation of land for the development of a new capital of the regency.

He told *The Jakarta Post* that the land has been divided into a number of small-

er plots that make identification of the rightful owners difficult.

The case of the "missing" land was reported following the appropriation of 3,000 hectares of land in Tigaraksa by PT Panca Wira Sakti. The company has obtained a license to develop the area into the new capital of Tangerang regency.

Apart from appropriating the land, the company has built various facilities for the planned capital, including a nearby 100-hectare golf course near Tapos village. It has also prepared ready-to-build plots to be sold at between Rp 40,000 and Rp 60,000 (US\$19.12 and \$28.68) per square meter. (13/tem)

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Figure 1.1 Jakarta Post, July 12, 1993

another party. Hoffman recorded in his research that one farmer in the Jabotabek<sup>1</sup> area stated that he did not want to sell his land, but sold it anyway because the village head said that he should. Location permits appear to seriously constrain the operation of urban land markets.

## 1.2 Objectives

This thesis calls attention to a form of inequality less generally mentioned by planners than inequality in earned income or in capital assets, but more directly linked than those to planning practice: inequality in access to information. By exploring how institutions interact in the peripheral land conversion process (i.e., the location permit), I will describe how lack of information has affected the land market.

Originally, I started my research with the main questions of whether land owners within the permitted areas were selling their land to developers at below market prices. During field research, identifying the boundaries of the permit area was difficult. In collecting data on land prices and trying to identify where the permitted areas were, I realized that another problem was more seriously disrupting the land market; it was lack of information. It was a surprise to me that one village office had no map of their village. A few villagers complained that the location permit boundary was blurred. Different sources gave different information on land prices. There was a high level of uncertainty among the officials concerning the implementation of the permit. I began to explore the outcomes of the regulation and how the institutions involved in the process have interacted with this lack of information.

Farvaque and McAuslan (1992, p. v) defines land as a "unique commodity, which is affected by the forces of demand and supply." Unlike other markets, ease of entry and exit is closely controlled by local and national government policies. They describe a well-

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<sup>1</sup>Jabotabek is the abbreviation of Jakarta-Bogor-Tangerang and Bekasi. Botabek refers to those cities surrounding Jakarta.

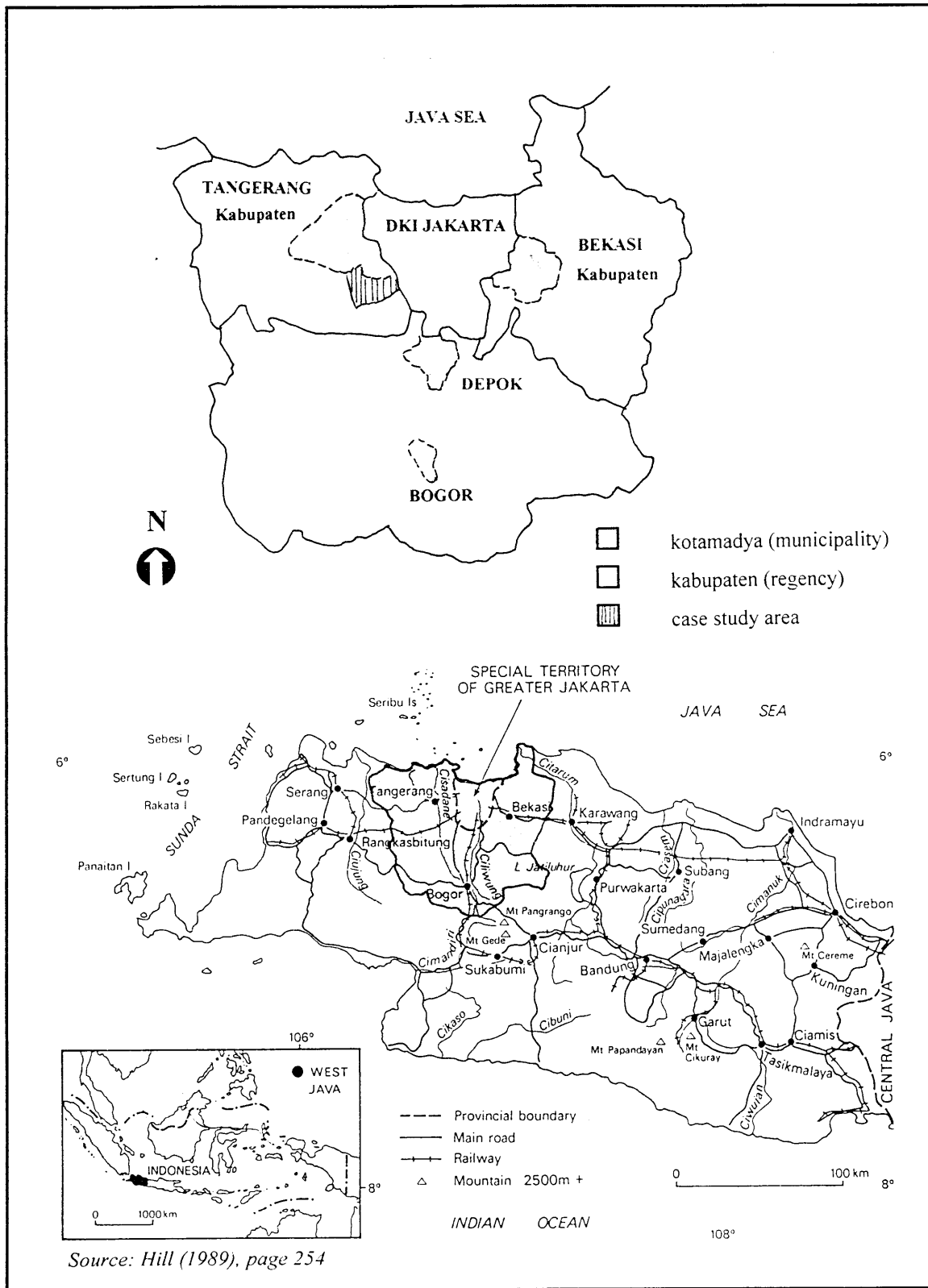


Figure 1.2 The Jabotabek Area and Location of the Case Study Area

functioning land market as characterized by 1) the level of ease and entry into the system, and 2) ease of carrying out land market transactions. Both depend on the availability of adequate land information, secure tenure arrangements, and appropriate registration mechanisms. They identified several problems in a non-performing land market: 1) over centralization of management and administration; 2) inappropriate and inflexible regulatory and framework; 3) lack or inappropriate use of resource and political will to tackle problems; 4) administrative systems lacking efficiency, equity, accountability; and 5) a failure or reluctance to encourage participation from the urban poor.

### **1.3 Outline of thesis**

I have arranged my chapters in a constructive way according to my own process of understanding the problem. First, I describe what a location permit is. Second, I state the quantitative results of my research; third, I show how the institutions interacted, and fourth, I end with conclusions and recommendations. In chapter 1, I will briefly describe the Jabotabek development including why I have chosen it as my case study area, the method of research, and my main findings and conclusions. Chapter 2, will explain about the location permit: how it came about and evolved, and its theoretical objectives. In chapter 3, I will discuss my main findings in research. Chapter 4 will describe the institutional aspects of the actors involved in the process and why local agents or brokers (in Indonesian referred to as *calo tanah*) have been so dominant in the peripheral land conversion process. I will give my conclusions, recommendations and explore some future research topics that emerged from this thesis in chapter 5.

### **1.4 The Jabotabek development**

Jabotabek is a term used to describe the greater Jakarta area and its three surrounding districts in West Java, namely Bogor, Tangerang and Bekasi. The Jakarta 2005 Master Plan is guiding the city's growth towards the east and west boundaries,

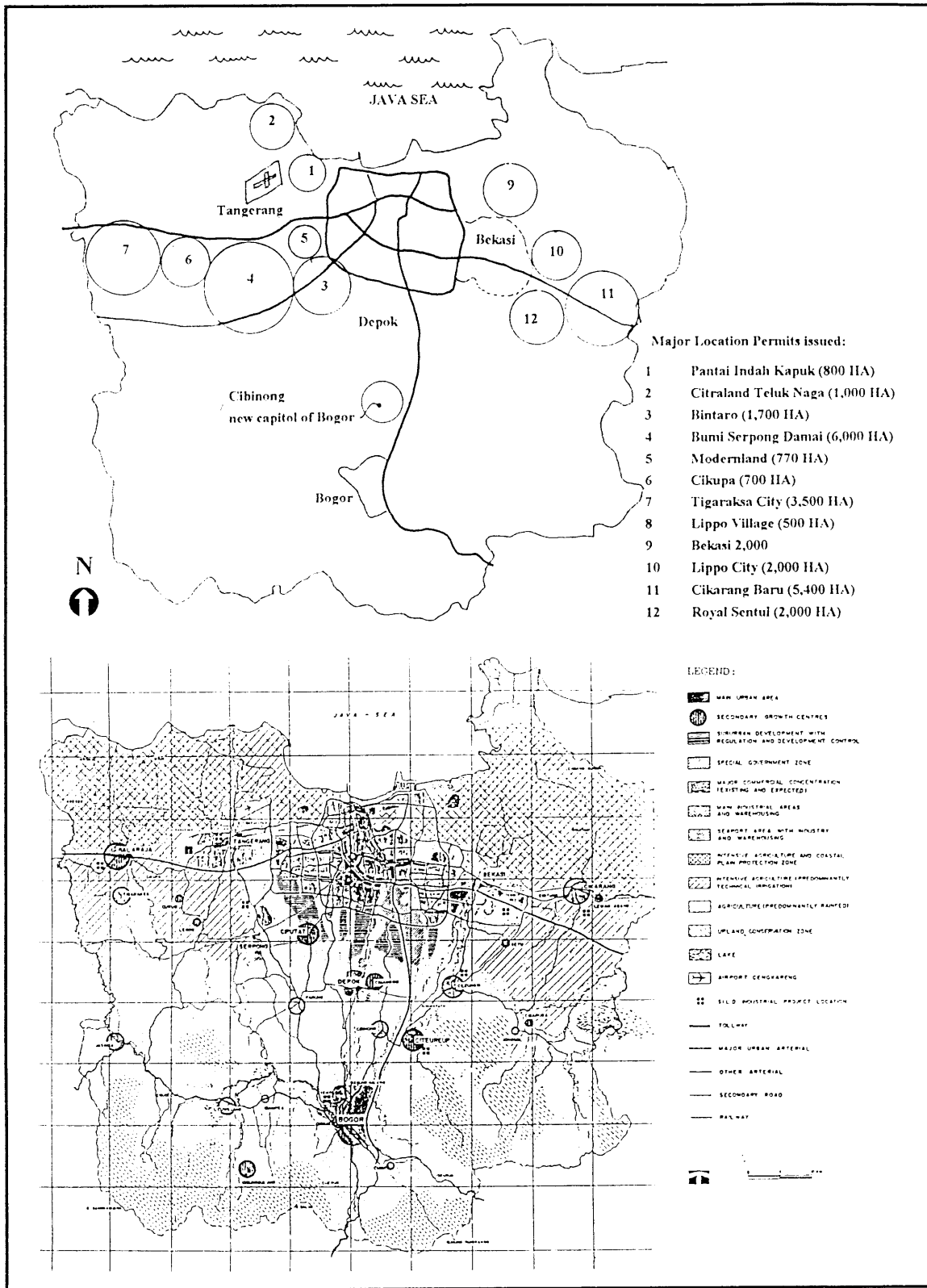


Figure 1.3 Comparison of Intended Zoning and Major Location Permits Issued in Jabotabek.



mainly Bekasi and Tangerang. The major development occurs along the main corridor of the Jakarta-Merak Toll Road (west), Jakarta-Cikampek Toll Road (east) and Jagorawi Toll Road (south). The development of activities along these corridors form a ribbon pattern. In the west axis, the growth is signified by the development of a new town, Bumi Serpong Damai (6,000 ha), Central Research of Science and Technology (*Puspiptek*, 100 ha), housing estates such as Modern Land (700 ha), Lippo Village (500 ha) and the Bintaro housing estate (1,700 ha). The government has issued location permits further west, e.g., Cikupa Estate (700 ha) and Tiga Raksa City (3,500 ha). Small and medium size housing estates, ranging from 5 to 200 hectares have mushroomed between these larger developments. (see Figure 1.2)

Acquiring land is one of the main issues to accommodate development and the main method is by converting rural land to urban use. According to Marulanda (1991), the pressure of growth is reflected in the number of rural villages converted to urban villages in the district of Tangerang and Bekasi in the past decade:

Table 1.1 Growth of Urban Villages

Year	1980	1990
Tangerang	19 urban villages	117 urban villages
Bekasi	6 urban villages	59 urban villages

Ferguson and Hoffman (1992) estimated the land appreciation in the urban fringe averaged 20-33% between the period 1985-1989 (or 5%-8.25% annual increase). Real estate brokers, developers and appraisers interviewed in the Urban Fringe Area Report (1993) estimated land prices in the urban fringe to increase 30-50% per year. This report further sites Perumnas' (The National Housing Corporation) experience in acquiring land for their housing extension. The price of land adjacent to their site doubled within the same year of their housing construction.



Figure 1.4 Paddy fields in *Kecamatan* Pondok Aren.

This dynamic growth in Jabotabek led me to do my research in *Kecamatan* Pondok Aren, Tangerang - one of the districts with the highest number of location permits issued for housing. \*

### 1.5 General description of the case study

Tangerang is divided into *kotamadya* (municipality), and *kabupaten* (regency). *Kotamadya* Tangerang consists of 8 *kecamatan*s (districts)<sup>2</sup>, and is headed by a *walikota* (mayor). *Kabupaten* Tangerang consists of 15 *kecamatan*s, and is headed by a *bupati* (regent). *Kecamatan* Pondok Aren is one of the four districts in *Kabupaten* Tangerang with the largest area (in terms of proportion to the village area) under location permits (see Table 1.2). Unlike a closer *kecamatan* such as the urbanized Ciputat, *kecamatan* Pondok Aren still has many areas between location permit areas that consist of farmland (dry land and paddy fields) and informal housing.<sup>3</sup> Pondok Aren's rural characteristic allows a better view of the physical changes of the land conversion and the impacts of the location permit.

Table 1.2 Location Permits Issued in Four *Kecamatan*s in Tangerang until 1990 (in Ha)

<i>Kecamatan</i>	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Total
LEGOK	0	0	0	5150.0	300	150.0	80.0				5680.0
SERPONG		25.0		36.6	3108	2465.0	20.0	193.7		1300	7148.0
CIPUTAT	88.7	117.8	220	147.5	31	81.2	71.0	25.5	35		817.7
PONDOK AREN		35.0	20	20.0	169	30.0	101.2	20	0	15	410.2

Source: Urban Fringe Area Study, 1993.

Note: The location permits in *Kecamatan* Legok and Serpong are concentrated in a consortium of ten developers, engaged in the development of Bumi Serpong Damai New Town.

<sup>2</sup>Indonesia is divided into 27 provinces. Each province is divided into *kabupaten* (regency) and *kotamadya* (municipality). *Kabupaten* and *kotamadya* are divided into *kecamatan*, and *kecamatan*s are divided into *kelurahan* (urban village) or *desa* (rural villages). For further information on regional and local government structure, read "Financing Local Governments in Indonesia", by Nick Devas (1988).

<sup>3</sup>This is one of the criteria that I set-up for my case study area.

## 1.6 Method of research

The main methods of gathering information were 1) a review of secondary data, 2) direct observations to the case study area, and 3) unstructured and structured interviews. During the field research period (January 1994), I was able to interview about 35 people, including government officials from the institutions involved in the location permit process (i.e., Ministry of Agraria, local planning office, local land office, village officials), Real Estate Indonesia (developers' association), consultants, developers, legal land experts, property appraisers, landowners and brokers. I was assisted by two surveyors (one acted as a guide since he lives in a nearby village and knows many landowners and brokers), who helped me collect the data and interview landowners and brokers. The interviews were based on questionnaires I had prepared, with the purpose of finding quantitative data on land prices, and qualitative data on the perceptions and problems in the land transaction process. The reliability of all this information is questionable because I was unable to find sufficient hard evidence on the land transaction prices to support these figures.<sup>4</sup> The samples I obtained from interviews with land owners were insufficient to do a statistic analysis. These limitations meant I could not use the data quantitatively. Therefore, I will use the data to gain a better understanding of the institutions involved in the land market.

The unstructured interviews focused on the process of developers' acquiring land, the government's views on the peripheral land conversion process, and how the players interacted with each other. The main difficulty in conducting this research was obtaining data on land prices and identifying the boundaries of the location permits. Local officials were reluctant to show the land transaction records. Developers were reluctant to reveal their land costs and land acquisition process. Because of the sensitivity of the research topic, several government officials refused to give information or reveal the problems of

---

<sup>4</sup>Dry land 1 is located within 500 meters of the main road and dry land 2 is located more than 500 meters from the main road. These categories are usually used in rural areas to describe the type of land and relative distance to the road. Infrastructure in these villages are minimum.

land acquisition. The local land office has a very unsystematic land recording system where the location permits are only shown by numbers. To see the exact location of the permits, one would have to open the individual permit files. Village offices did not have a detailed map of their area (or even any map of their area), making it difficult to identify the landowners. The maps available were on a scale of 1 : 3,000 with minimum level of detail that should accompany this map scale.

### **1.7 General findings**

My main findings of this research is that lack of information has created serious problems in the land market. Although it is not the only factor that disrupts the land market, it is one of the most noticeable factors I found during research. First, there is a lack of understanding and misperception of what the location permit is, and what its intended objectives are. Second, information concerning the permit and land markets in general, is unevenly distributed. In many cases, information is deliberately concealed. Actors with more information are able to use the location permit as a vehicle to gain large profits. These artificial bottle necks in the flow of information as disequalizing, prevents the free flow of land into the market. Other factors that decrease the effectiveness of the location permit are the weak administrative capacity of local governments, lack of enforcing sanctions, and the fragmented planning.

Local government officials lack basic information required to conduct and monitor the permit regulation, such as adequate maps on the existing land use, information on land owners and boundaries of land ownership, future road and infrastructure networks, the real demand for housing, and environmental constraints of the area.

The government has yet to define several terminologies used throughout the regulation, such as the "social function" of land, and the negotiation process

(*musyawarah*).<sup>5</sup> A meaningful and contextual social function of land depends on a social plan, and how the new development or land use affects and benefits society as a whole.

Developers lack information on land ownership within the permit area, which makes it difficult for them to approach the land owners. Because local governments are unprepared with detail plans of street patterns and infrastructure networks, developers design their own site plans. Besides information concerning the location permit, landowners lack basic information on land prices, the future land use of their land and its opportunity cost. In many cases, they lack knowledge of their land rights and administrative procedures related to land registration and transactions.

Land brokers or *calo tanah* (and often referred to as mediators) have been able to fill the gap of information between land owners and developers. This finding contradicts the regulation that developers must negotiate directly with land owners. Brokers act as an extended agent of the developer. They identify land owners, negotiate with land owners and to some extent, assemble land for developers. The unawareness of land owners on land prices has enabled land brokers to obtain huge profits.

The following are recommendations to improve the processes of land acquisition. First, increasing the level of information among the institutions involved in the land conversion process, including a) creating a reliable method of land assessment, b) disseminating information on land prices, land rights, and the land acquisition process (regulations, administrative procedures), c) clarifying the process of *musyawarah* to land owners and developers, c) improving the land cadastral system, clarifying land and permit boundaries, d) decentralizing and simplifying land registration procedures to the *kecamatan* level, and e) disseminating information on future land use and development plans.

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<sup>5</sup>*Musyawarah* is a process of discussion among the community to reach an understanding or agreement.

Second, increasing the technical skills and capability of the administering officials by a) providing technical training in land management and information systems to local officials, and b) enforcing sanctions against non complying developers. Third, preparing a detailed land use plan, infrastructure plan and implementation plan that can be used as a guideline for development.





## CHAPTER TWO

### THE LOCATION PERMIT

#### 2.1 The Indonesian Land Law

Any discussion on land regulations must start with the Basic Agrarian Law of 1960, or *Undang-Undang Pokok Agraria 1960* (hereinafter referred to as BAL). BAL is derived from *UUD '45*/article 33 (Constitution), which states that land has a "social function", meaning that public interests must be put before private interests, but cannot disregard the rights of the landowners, and that all land matters are controlled by the state, as the representative authority of the people of Indonesia.

The state can transfer this right, referred to as *Hak Menguasai Negara*, which includes the disposition, utilization, supply and conservation of land, to the local authorities or community of customary law, as long as it does not conflict with state interests and coincides with state regulations. (Harsono, 1960)

Although BAL abolishes the dualism of the previous land law (statutory/western and customary)<sup>6</sup>, it acknowledges the customary land law and incorporates it into the BAL. All land with customary titles should be registered and converted into *hak milik* (right of ownership), the strongest right to land. Legal bodies or corporations can hold all the land titles derived from the BAL 1960, except for *hak milik*. Table 2.1 shows the land rights established under BAL. The *hak milik* cannot be held by non-Indonesian citizens, nor Indonesian or foreign corporations. Customary rights, such as *girik*, evidenced by tax receipts and letters by local officials, can be registered as *hak milik*. Most rural land

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<sup>6</sup>Indonesia was a Dutch colony for 350 years, up till 1942. Statutory law is applied to expatriates - the Dutch, Europeans, the Chinese and the Indians. Customary law was not written down and varies between communities and ethnic groups. In rural areas, the Dutch administration made use of the village head (*lurah*) to control tax collection and tenancy arrangements. (Dale, 1988)

Table 2.1. Land Rights Established Under the Basic Agrarian Law of 1960

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I. Hak Atas Tanah (Land Rights)	
A. Primary titles (derived directly from the state)	
1. <i>Hak Milik</i>	right of ownership
2. <i>Hak Guna Bangunan</i>	right of building
3. <i>Hak Pakai</i>	right of use
4. <i>Hak Pengelolaan</i>	right of management
5. <i>Hak Guna Usaha</i>	right of exploitation
B. Secondary Titles (granted by other title holders)	
1. <i>Hak Sewa</i>	right of lease
2. <i>Hak Usaha Bagi Hasil</i>	right of sharecropping
3. <i>Hak Menumpang</i>	right of lodging
4. <i>Hak Gadai</i>	right of land pledge
II. Hak Jaminan atas Tanah (Security Rights)	
1. <i>Hak Tanggungan</i>	right of security

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Source: Struyk et al. 1990

holders have *girik* titles to their land, but due to the relatively high processing costs, have not registered them as hak milik.

In interviews with villagers, besides the high administration costs, I found that many landowners felt it was unnecessary to register their land because in their opinion, *girik* shows strong proof of their ownership rights.

Since corporations are prohibited from holding the *hak milik* title, after buying the land from the original land owners, these corporations must release the land to the state (*pembebasan tanah*) before they can obtain another title to the land. The new title is the master HGB (*sertifikat induk HGB*). See Figure 2.1.

## **2.2. The Location Permit**

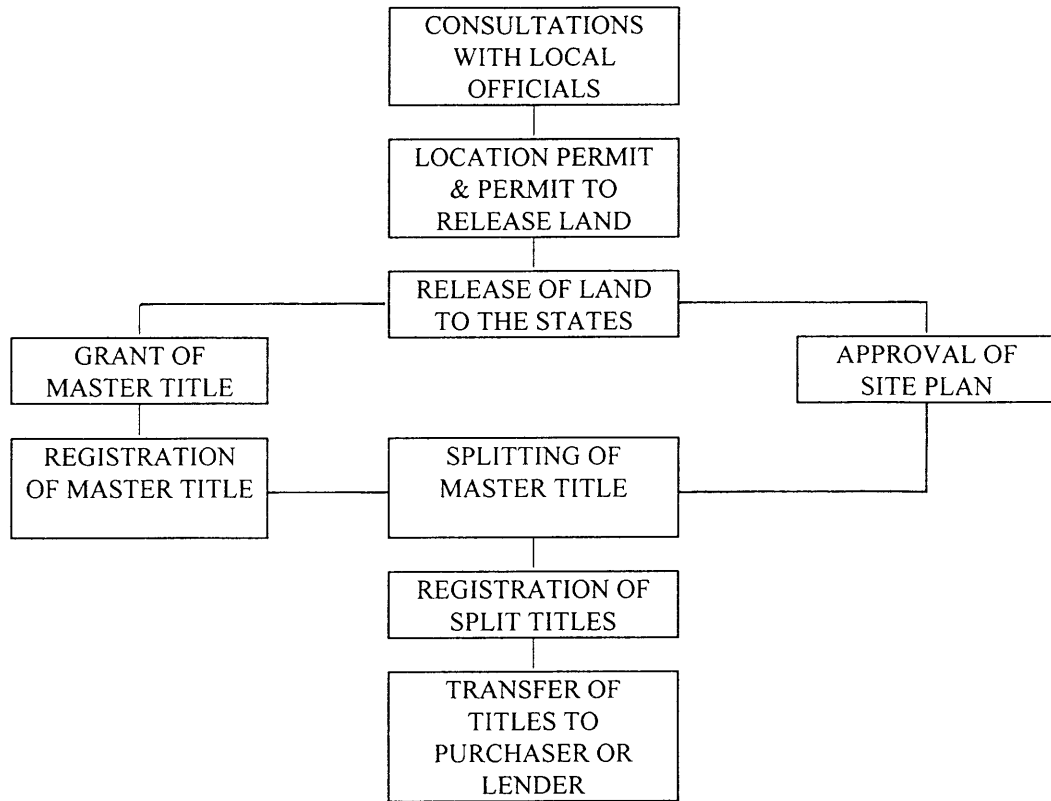
### **2.2.1 Historic Overview**

As explained in section 2.1, the state can transfer their right to acquire land to private companies as long as it supports a social function. PMDN no. 2/1976 regulates the procedure of land appropriation by private corporations that support housing development. These regulations control the procedure of acquiring land, while the agreement law (*hukum perjanjian*) under the civil law (*hukum perdata*), controls the rights and obligations of each party involved in the land transactions (Harsono, 1991).<sup>7</sup>

The above regulation underwent revisions, starting in 1987 when the government issued PMDN no. 3/1987 in an attempt to decentralize the titling procedure. This regulation stipulates that all real estate companies must acquire a land release permit and location permit either from the local authority (if the land required for development is less

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<sup>7</sup>Harsono further argues that in practice, the actors involved have a misperception on the function of the regulations. As an example, some people think that these regulations give the governor full legal authority on land prices. According to the agreement law, landowners have the right to not accept the land price and if landowners do not agree on the land prices, the developers must find another piece of land for development.



Source: Struyk et. al., 1990

Figure 2.1 Steps in Land Titling (Release and Granting)

than 15 hectares), or the provincial authority/governor (if the land exceeds 15 hectares).<sup>8</sup> Prior to this regulation, all application for housing development exceeding 2,000 square meters had to go to the Governor.

### **2.2.2 Main Purpose and Objectives of the Location Permit**

The policy rationale for the location permit was to give developers an incentive to build housing. By giving the developers an exclusive right to acquire land, the government expected developers to follow housing policies that required providing affordable housing according to the proportion of high (1) : middle (3) : low income housing (6).

The main purpose of the location permit is to designate an area for housing development, which meets the local policies and development plans. In theory, the location permit serves both as an incentive to promote formal sector housing development and as a planning device to control development. The goal of the permit is to make sure that: 1) future development complies with local development plans, 2) prime farmland is avoided, 3) non fertile land is utilized, and 4) environmental pollution is avoided.

This permit forces the developer to communicate with the government agencies that have a role in housing development, so that the developer can gain permission to begin acquiring land for their project. The regulation further states that developers should negotiate directly with the land owners and buy land through voluntary bargain and sale. If the project supports a public function (such as roads, highways, school) the developer may also use a Land Appropriation Committee.<sup>9</sup> If land owners are unwilling to sell their land, the developer must offer them the option of resettlement or participating in a land readjustment scheme. In chapter 3 and 5, I will explain the effects of the location permit

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<sup>8</sup>The regulation further states that if the land is over 200 hectares, the governor must obtain the approval of the Ministry of Home Affairs.

<sup>9</sup> Ferguson and Hoffman also recorded that private developers use this committee to acquire land.

on its economic objectives, land use and environmental objectives, and administrative consequences.

### 2.2.3 Streamlining the process: *Pakto 2/1993*

"The new policy on deregulation is a revolution in acquiring permits," said Ciputra, one of the biggest developers in Indonesia, when speaking about the new regulation to streamline bureaucratic procedures.<sup>10</sup> Before the deregulation, his company spent 2-3 years to get location permits.

Since October 1993, the government has revised the regulation for acquiring the location permit. Unlike the previous procedure where the amount of land requested determines which agency issues the permit, the new regulation (referred to as *Pakto no. 2/1993*) gives the local land office (*Kantor Pertanahan Daerah Tingkat II*) full authority to issue location permits.<sup>11</sup> The local land office coordinates the relevant agencies to evaluate the request (e.g., the local planning office, district office of Public Works, and other technical departments). The amount of time to issue the permit is defined maximum 12 working days and developers can only extend their permit once (per year). The regulation only concerns administrative procedures for obtaining location permits and land titling, and is mainly aimed at streamlining the process.<sup>12</sup> All parts of prior

<sup>10</sup>Interview in *Bisnis Properti*, November 1993, page 74-76.

<sup>11</sup>This regulation is part of the central governments deregulation package to promote foreign and local investment. The package consists of deregulation's for: 1) export and import, 2) import tariffs, 3) capital investment, 4) permits, 5) pharmacy and 6) environmental impact analysis.

<sup>12</sup>Up till 1993, many developers have complained that the process of obtaining a location permit is time consuming. According to Hoffman (1991), the average length of time required to obtain a location permit in Bogor, Tangerang and Bekasi respectively were 5.3 months, 8.3 months and 5.3 months - ranging from a minimum of 0.5 months in Bogor and a maximum of 42.5 months in Tangerang. This lengthy process has increased the carrying costs of the developer. The following table shows the length of time to obtain the location permit (in months) :

<u>Location</u>	<u>Agency estimate</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
Bogor	0.5 - 1	5.3	0.5	24.8
Tangerang	0.5 - 1	8.3	1.4	42.5
Bekasi	0.5 - 1	4.9	0.8	14.6

regulations concerning those 2 issues are replaced by *Pakto 2/1993*. Since this new regulation was recently issued, it is too soon to know whether the local land office will enforce sanctions against non-complying developers. In the past, developers easily obtained extensions on their permits even though they had not built anything.

Variations concerning coordination in issuing the location permit occur within the Botabek area. For example, following the issuance of *Pakto 2/1993*, the local planning office in Tangerang (*Bappeda*) requires developers to obtain a principal permit (*ijin prinsip*) as a prerequisite before obtaining the location permit. The purpose of the principal permit is to allow the local planning office more control over development. This prerequisite is not required in Bogor or Bekasi. Since Tangerang's master plan only shows land use zoning, and contains no information of a detailed infrastructure plan, this prerequisite has not been effective.<sup>13</sup> I will explain this in more detail in chapter 5.

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<sup>13</sup>The literature on land use planning shows that many plans cannot be implemented because they do not contain the guidelines for its implementation and are not integrated with land management.





## CHAPTER THREE

### THE CASE STUDY

"Rising prices are only symptoms,  
they are not the cause of urban problems."  
Alan Walters (1983).

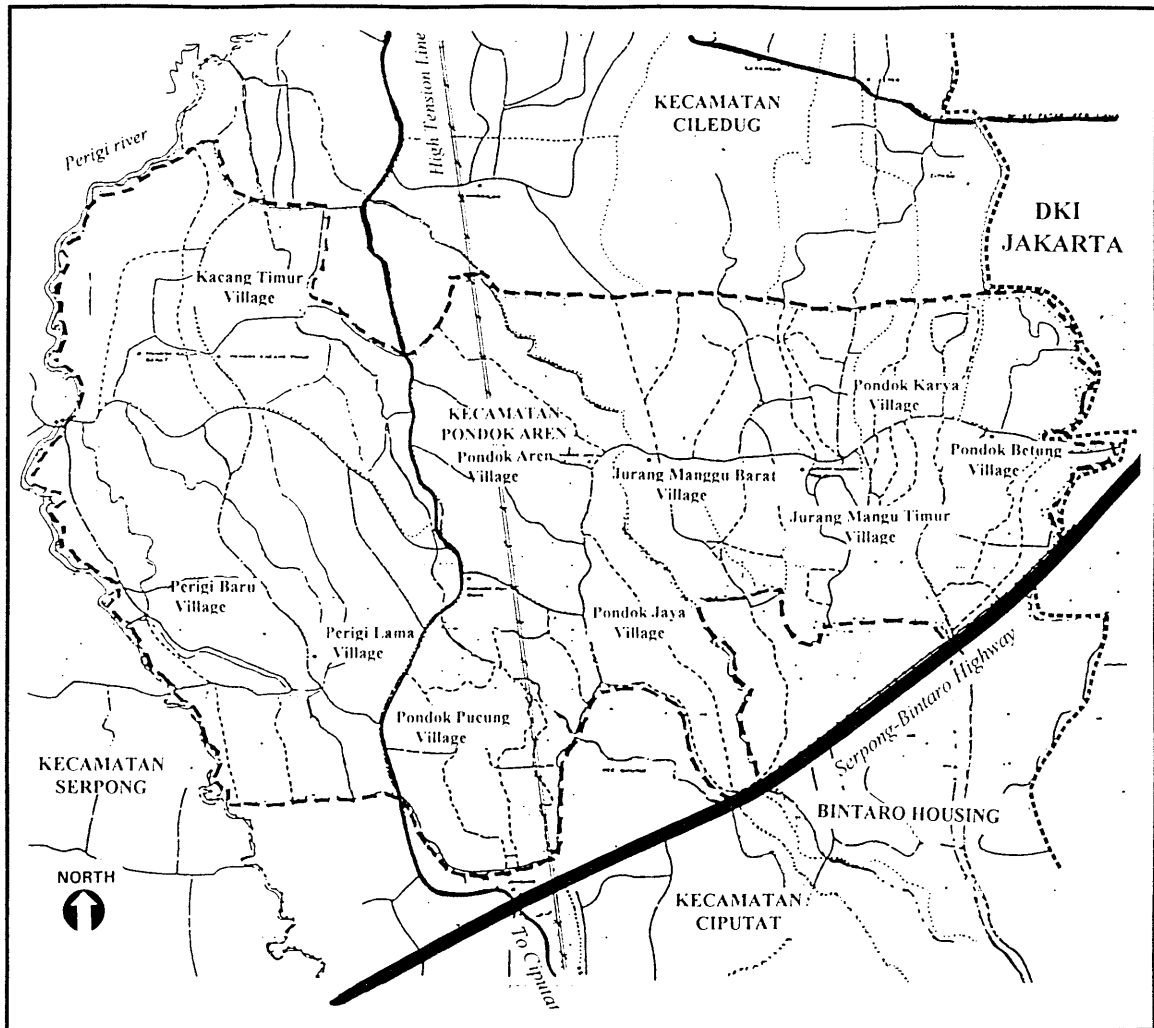
In this chapter, I will describe my field observations, interviews with land owners and main findings on land prices. Access to information and connections play a major role in the land conversion process. The unequal distribution of information has enabled certain actors to gain profit from their knowledge and give them bargaining power. I argue that the unequal distribution of information has caused a wide variance of land prices and results in a situation where there is no market price.

#### 3.1 The Case Study Area

There are 11 villages (*desa*) in Kecamatan Pondok Aren.<sup>14</sup> The field research focused on Pondok Aren and Pondok Pucung Village. My research team (with the assistance of a local village official) interviewed 24 land owners who had sold their land between 1980-1994. In addition, we also interviewed five land owners that have yet to agree to sell their land to a developer, one new land owner, two land owners in resettlement areas, brokers (three in the case study area and one from another village), three developers within the case study area, and two developers in other *kecamatan*. In addition, I also observed the development of Bumi Serpong Damai (a 6,000 ha new town development) located in an adjacent *kecamatan*, interviewed the developer, and a few landowners who owned land within their permit area.

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<sup>14</sup>Until 1993, Pondok Jaya village (the eleventh village) was part of Pondok Aren village.



- Boundary of kecamatan (district)
- Boundary of village

Figure 3.1 Case Study Area: Pondok Pucung and Pondok Aren Village

The total area of *Kecamatan* Pondok Aren is 2,395.4 hectares, while Pondok Aren village and Pondok Pucung village total 224.4 hectares and 292 hectares respectively. The total population in kecamatan Pondok Aren has grown from about 65,000 in 1988 to 113,029 in 1992. The population in Pondok Aren village in 1993 was 7,330 made up of 1940 households, while Pondok Pucung village has a population of 7,656. The general land use plan for both villages is for residential development. Infrastructure services are basic, with no connection to the main water supply system.

### **3.2 Developers with Location Permits**

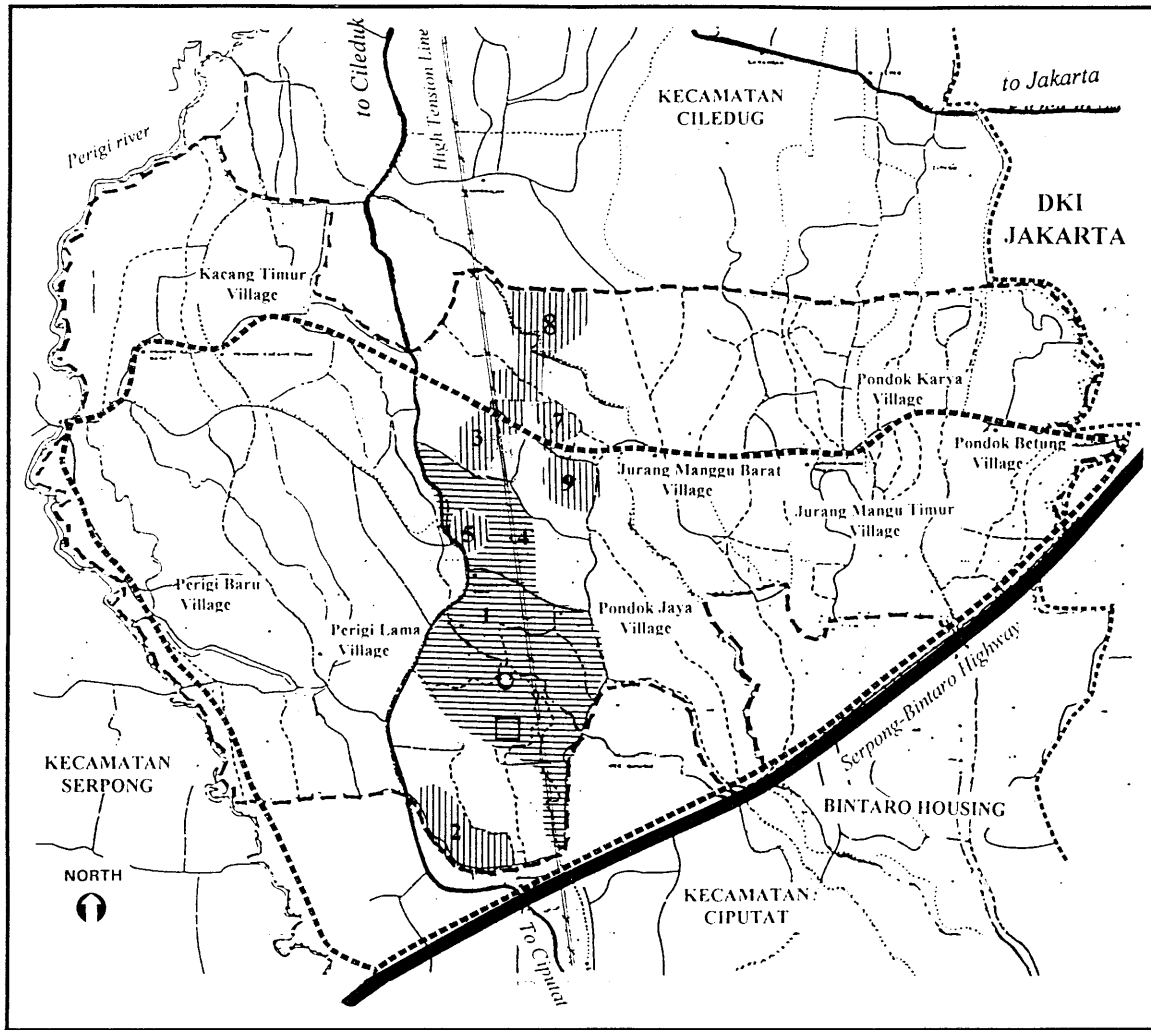
The area under location permits amount to about 60% of each of the village's total area. Table 2.2 and 2.3 show the list of housing developers and the area under their location permits. Of the 7 developers in those two villages, two developers are still expanding their housing development, and have received permit extensions. Despite regulations, one developer has left its land idle for 12 years,<sup>15</sup> with no sanctions enforced against them. It is too soon to know the results of the new regulation to limit extension of the permit to one year, since it was issued October 1993.

As explained in chapter 2, overlapping of permit areas is common. Three of the 7 housing developments are located within Bintaro's (a real estate company) permit area, the largest housing development in these villages. Bintaro's total permit area is 1,700 hectares in 14 villages. They have purchased 1,000 hectares of land and developed 456 hectares.<sup>16</sup> Out of the three, two developers obtained Bintaro's permission to develop that land in 1982. As I will explain in the following paragraph, the boundaries of the permit area are unclear.

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<sup>15</sup>Although the regulation supposedly has a time limit on extensions, in practice developers can obtain extensions on their permit if they can afford to pay (informal) fees. Large developers (> 500 hectares) normally can do so.

<sup>16</sup>According to the developers, Pondok Indah (a real estate in South Jakarta), Bintaro and Bumi Serpong Damai will be connected by the Serpong-Bintaro highway.








-  Permit area of Bintaro (village head's version)
-  Boundary of Bintaro's development plan
-  Permit areas of other developers
-  Location of sub-divisions
-  Location of Pak Ali's land

Figure 3.2 Unclear Permit Boundaries.

According to the village head of Pondok Pucung and Pondok Aren village, Bintaro's location permit only covers 140 ha and 33 ha, respectively in each village. However, Bintaro's site plan seems to include the whole village and almost all of *kecamatan* Pondok Aren. The numbers inside the rendered area correspond to Table 3.1 and Table 3.2. They may not indicate the boundary of the permit, but rather the area acquired by the developer.

Table 3.1 Developers with Location Permits in Pondok Pucung Village  
Source: Pondok Pucung Village Office

PERMIT HOLDER	NAME OF HOUSING ESTATE	Permit Issued in	Permit Area
1. PT Bintaro Jaya/Jaya Property	expansion of Bintaro Jaya	1979	140 ha
2. PT Duta Dharma Bakti	Pondok Pucung Indah	1982	20 ha
	T O T A L		160 ha

Total area of Pondok Pucung Village = 292.85 ha

% area under location permit = 54.6 %

According to the village head, Bintaro has already bought 56 hectares in Pondok Pucung.

Table 3.2 Developers with Location Permits in Pondok Aren Village  
Source: Pondok Aren Village Office

PERMIT HOLDER	NAME OF HOUSING ESTATE	Permit Issued in	Permit Area
3. PT Bina Nusantara Raya	Arinda I and II, Pondok Aren Indah	1982	12 ha
4. PT Bintaro Jaya	expansion of Bintaro Jaya	1979	32 ha
5. PT Gembala Swasti	Perumahan Wisma Pondok Aren	N/A	5 ha
6. Karya Gemilang	Taman Mangu Indah	N/A	17 ha
7. PT Bina Bangun Pondok Lestari	Palm Village	1985	24 ha
8. PT Japos Graha Lestari/ PT Benua Birunusa	Villa Japos	1990	27 ha
9. Kavling Pembangunan Mekar Utama (PMU)	idle land	1982	24 ha
	T O T A L		131 ha

Total area of Pondok Aren Village = 224.39 ha

% area under permit = 58.3%

Note: PT Bina Nusantara Raya obtained permission from Bintaro to acquire land in that area.

According to the *lurah*, PMU's permit is under Bintaro's permit. Bintaro is still negotiating to buy the land from PMU. They are asking for a price 30% higher than Bintaro is willing to pay. I was unable to obtain information on how much land was acquired by each developer.

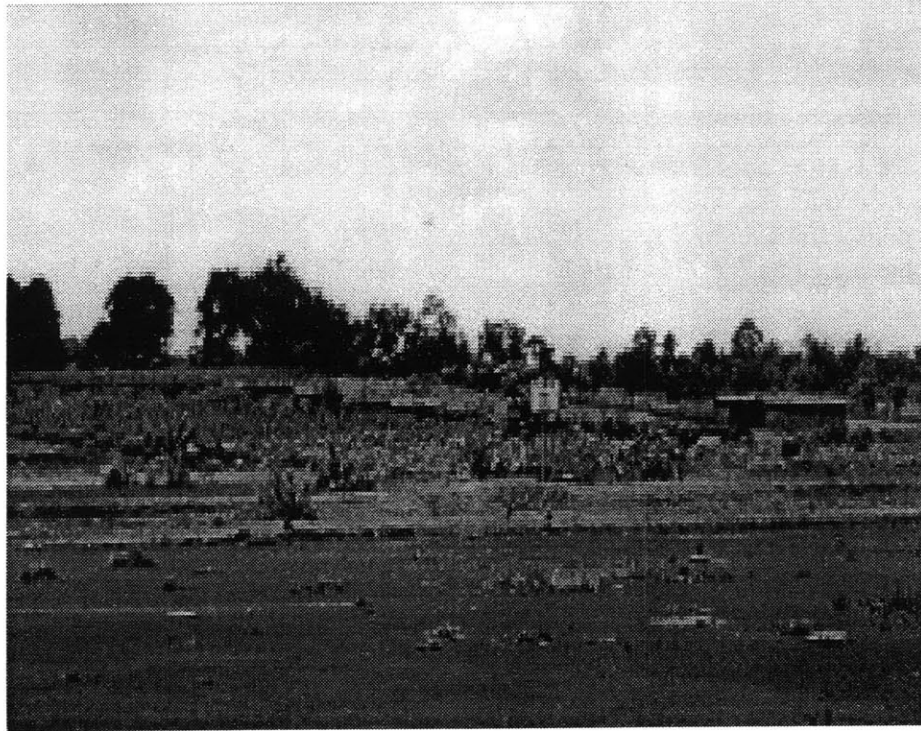


Figure 3.3 Defining Property

After purchasing land, developers usually build a wall surrounding their property and put up a sign.

### 3.3 Problems in Defining Permit Boundaries

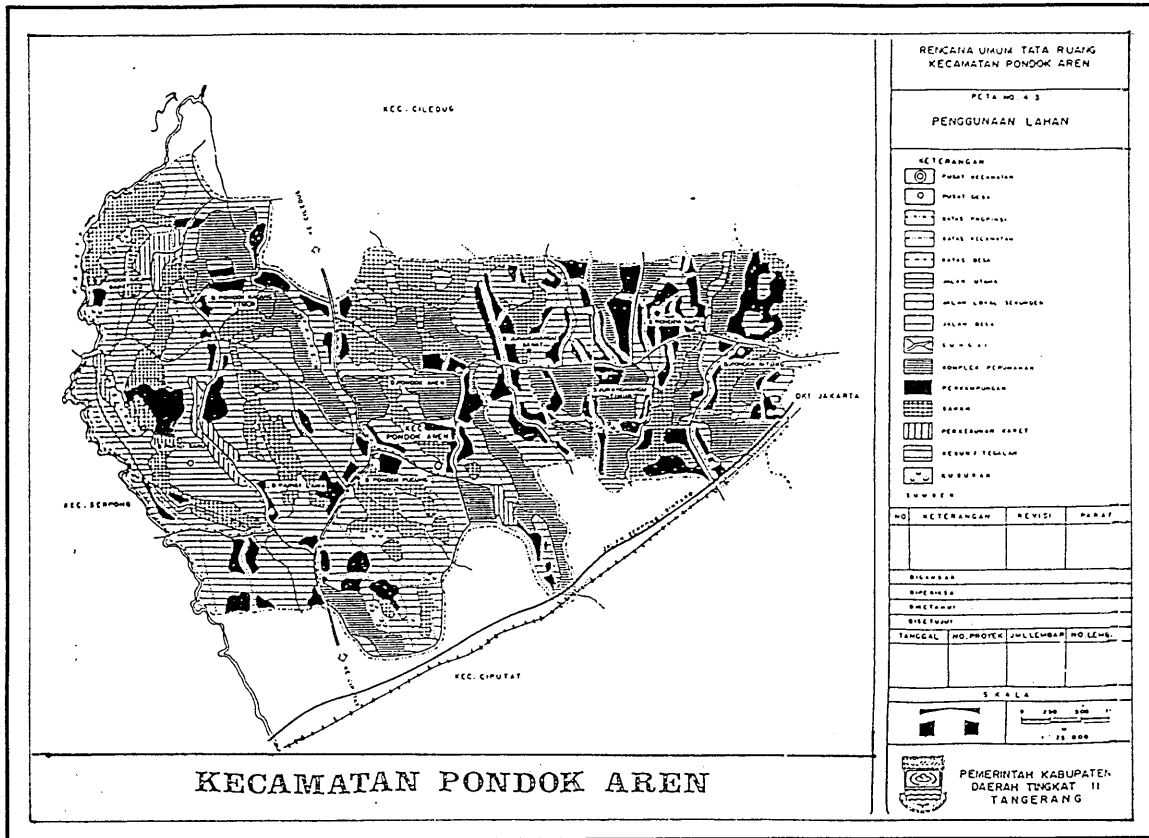
It was difficult to obtain information on the permit boundaries. The local land office does not consider it as public information. The local planning office only has a zoning map that shows designated residential areas with numbers representing the developers with permits in the area (in Pondok Aren Village the whole area was rendered as residential area). Each village office has different levels of information regarding their own village. As an example, the village office of Pondok Aren village had no map of their village.

The village head at Pondok Pucung had a larger scale map (1 : 3,000) of his village showing the boundaries of two location permits areas in his village. This map was different from the information that I obtained from the local planning office. In addition, not all the developers I interviewed would show me their permit boundaries. After several visits, Bintaro showed their site plans, which appear to include almost all of *kecamatan* Pondok Aren in their design. This contradicting information creates problems in land acquisition, especially for land owners that are presumably located outside the permit area. The village head confirmed this confusion of permit boundaries. He said that developers would often draw maps that include areas outside their permit area. (See Figure 3.2)

The problem of unclear boundaries also hinders potential buyers who want to enter the informal housing market.<sup>17</sup> If the boundaries were unclear, this means that areas that are actually outside the permit area can be mistaken for the permit area. Thus, potential buyers might hesitate to buy land around housing estates. The problems I encountered in obtaining information on location permit boundaries also confirmed that

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<sup>17</sup>Informal housing markets refers to the housing market outside formal housing built by developers. It includes legal subdivisions and housing built by individuals.



Source: Rencana Umum Tata Ruang Kecamatan Pondok Aren, 1993

Figure 3.4 Existing land-use in Kecamatan Pondok Aren (1993). The accuracy of this map is questionable. Some of the land rendered as housing are idle land, and some of the land rendered as rice fields are actually housing.



the lack of sufficient information is a more significant problem in the land market. My research continued to explore the prices in this unbalanced land market.

### **3.4 Land Classification**

When I asked information on land prices, local villagers asked me what kind of land was I interested in buying. Normally, villagers refer to land types of dry land or cultivated land (*tanah darat*) and paddy or rice fields (*sawah*). They also categorize the land into classes, that generally refer to the soil type and distance from the main village road. As an example, a parcel of land located more than 500 meters from the main village road is classified as dry land II. If the land level was subject to flooding, that parcel of land is classified as dry land IV, and the land price would be lower. This however is not always true. In her study of 51 land transactions, Marulanda (1992) found several cases where larger plots located further away from the main road were more expensive than smaller plots located very near the main road. She also found two transactions in the same village where even though the infrastructure provided is the same, the larger plot got a higher square meter price. Usually, for land with the same characteristics, the larger the plot the lower would be the price per square meter. During my interviews with land owners, I found two parcels of land of different land types (dry land and paddy fields) that were located near each other, sold to the same buyer for the same price (see Appendix 4, land owner P1 and P2).

The *bupati* (head of *kabupaten*) issues official land prices every year. The land prices are based on the existing land use and land quality, namely residential, farming, commercial and trade, and industry in each village. Each category is broken down into four or five classifications of land quality (I to V). In general, the official land prices in one village are based on the distance of the village from the main city and the condition of infrastructure. In my conversations with the various actors, the official land prices are

Table 3.3 Percentage Land Price Increase (1987-90, and 1990-93)

<b>Real Land Price</b>			
<b>Village Head's (lurah) version</b>			
	1987	1990	1993
Dryland 1	72,173	97,314	120,000
Dryland 2	40,096	45,413	50,000
Paddy field	12,831	15,570	40,000

<b>Percentage Price Increases</b>		
<b>Village Head's (lurah) Version</b>		
	1987-90	1990-93
Dryland 1	35%	23%
Dryland 2	13%	10%
Paddy field	21%	157%

<b>Percentage Price Increases Per year</b>		
<b>Lurah</b>		
	1987-90	1990-93
Dryland 1	12%	8%
Dryland 2	4%	3%
Paddy field	7%	52%

<b>Broker 1</b>			
	1987	1990	1993
Dryland 1	8,019	58,388	80,000
Dryland 2	6,415	51,901	65,000
Paddy field	5,613	19,463	45,000

<b>Broker 1</b>		
	1987-90	1990-93
Dryland1	628%	37%
Dryland 2	709%	25%
Paddy field	247%	131%

<b>Broker 1</b>		
	1987-90	1990-93
Dryland 1	209%	12%
Dryland 2	236%	8%
Paddy	82%	44%

<b>Broker 2</b>			
	1987	1990	1993
Dryland 1	9,623	19,463	50,000
Dryland 2	8,019	16,219	45,000
Paddy field	6,415	12,975	40,000

<b>Broker 2</b>		
	1987-90	1987-90
Dryland 1	102%	157%
Dryland 2	102%	177%
Paddy field	102%	208%

<b>Broker 2</b>		
	1987-90	1990-93
Dryland 1	34%	52%
Dryland 2	34%	59%
Paddy	34%	69%

<b>Broker 3</b>			
	1987	1990	1993
Dryland 1	8,019	19,463	55,000
Dryland 2	7,217	16,219	45,000
Paddy field	5,613	12,975	40,000

<b>Broker 3</b>		
	1987-90	1990-93
Dryland 1	143%	183%
Dryland 2	125%	177%
Paddy field	131%	208%

<b>Broker 3</b>		
	1987-90	1990-93
Dryland 1	48%	61%
Dryland 2	42%	59%
Paddy	44%	69%

<b>Developer</b>			
	1987	1990	1993
Dryland 1	17,642	28,545	57,000
Dryland 2			
Paddy field	12,831	23,355	50,000

<b>Developer</b>		
	1987-90	1990-93
Dryland 1	62%	100%
Dryland 2		
Paddy field	82%	114%

<b>Developer</b>		
	1987-90	1990-93
Dryland 1	21%	33%
Dryland 2		
Paddy	27%	38%

	1987	1990	1993
Exchange Rate 1US\$ =	Rp. 1,650	Rp. 1,900	Rp. 2,100
Interest rate	21.67%	17.30%	21.03%
Inflation rate	8.90%	9.53%	9.70%
Difference	12.77%	7.77%	11.33%
CPI	62.35	77.07	100.00

mostly used as reference in public land acquisition and in assessing property taxes. The village heads commented that official land prices are becoming more accurate over the years.

The official land transaction records are an unreliable source to find the market price. Marulanda (1991) cross checked 10 recorded land transactions, and found that 7 out of the 10 transactions recorded were more than 50% lower than the actual transaction price. She also recorded that the purchaser and seller stated to have paid or received a different square meter price, which indicates the involvement of a broker. The village heads confirmed this information and said that the tendency to lower recorded transaction prices is to avoid paying higher taxes.

### **3.5 Land Prices**

I asked many different sources on price trends in their village. Their answers reflected their experience and knowledge regarding land transactions (see Table 3.4). I obtained information on land prices from the village head (*lurah*), brokers, developers and land owners. The reliability of this information is questionable because I was unable to find sufficient hard evidence on all the land transaction prices to support these figures. The land prices obtained from my interviews with land owners were insufficient to do a statistic analysis. Therefore, I will only use the data to gain a general understanding of the land markets and the institutions that support the land conversion process, which I will explain in detail in Chapter 4.

The village head's version reflected his judgment on the land prices of individual sales within the village. Of the three brokers I interviewed in Pondok Aren village, two gave similar land prices, based on their experience in buying land from original land owners to be sold to one of the larger developers. They were both financed by an investor in Jakarta. Broker #1 gave land prices based on his experience in individual land transactions and transactions to a developer. All these brokers admitted that they gained

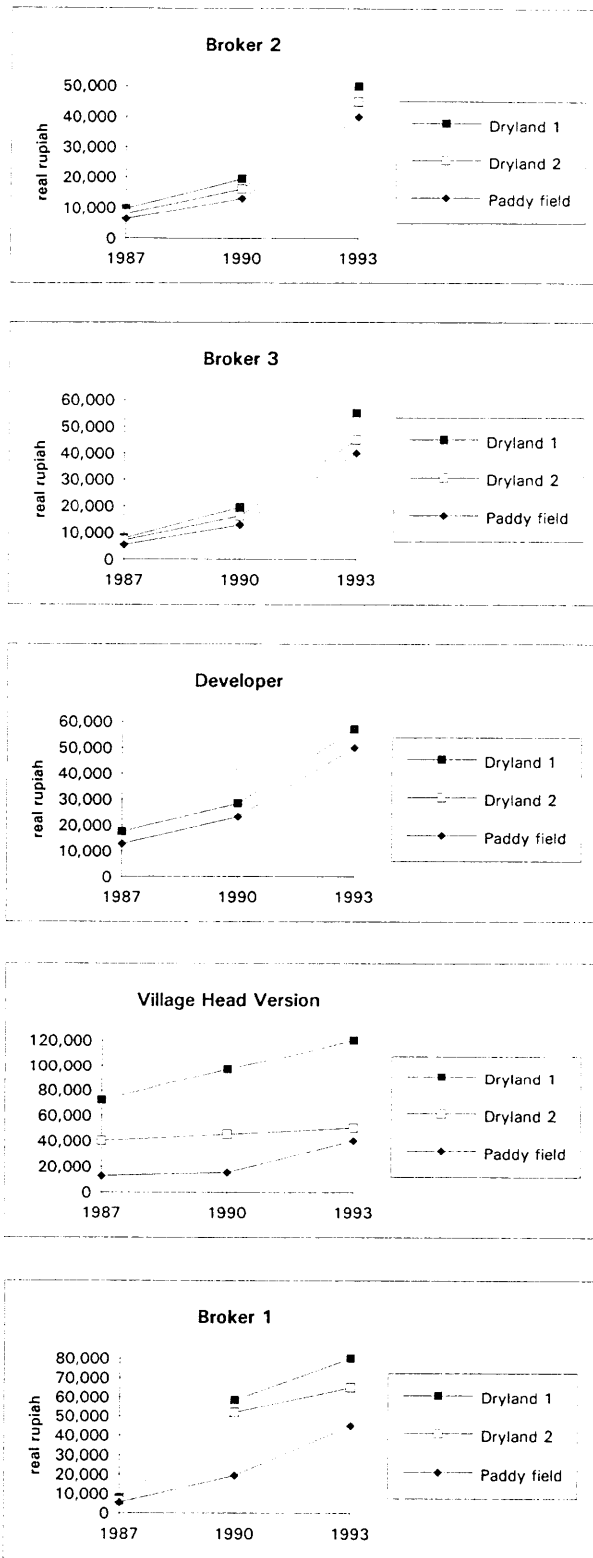


Figure 3.5 Land Price Trends According to Different Actors (in real Rupiah)

profit from increasing the land price to the buyer. I was unable to obtain direct information from them concerning their profits, but I was able to obtain information regarding land transaction prices from that particular developer, which was the largest developer in that area.<sup>18</sup>

### 3.5.1 Land Prices for Large Scale Housing Development

As mentioned above, one of the objectives of this thesis is to gain a better understanding of the institutions involved in the land conversion process. Therefore, the most sufficient data I obtained to discuss this process is the information from the developer and from broker #2 and #3. Both brokers bought land from local land owners in the same village to sell to the same developer continuously within a certain time period. These brokers admitted that they tried their best to conceal the developer's identity from the land owners. Appendix 4 shows the nominal and real prices of land prices according to brokers and a developer, based on transactions between 1987 and 1993.

The developer confirmed that most of their land was purchased through brokers and the information on land prices reflects the average purchasing price. In some cases the brokers acted as mediators and the land transactions were done directly with the land owners. In other cases the brokers bought and assembled the land before selling it to the developer. On average, the developer bought the land at a much higher price than the brokers bought from the land owners.<sup>19</sup> The average price difference can be seen in the following table:

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<sup>18</sup>PT Bintaro obtained its location permit in 1979. Their total permit area is 1,700 hectares. They began their housing development in Ciputat, and gradually started expanding west and northwest, towards *Kecamatan Pondok Aren*. In 1984-85, they were able to buy land for Rp. 1,500-Rp. 2,000 per m<sup>2</sup> (about Rp. 3,600 in real price). In 1987, the average real land price increased to Rp. 15,237 per m<sup>2</sup>, and in 1990 and 1993, it increased to Rp. 25,950/m<sup>2</sup> (70% increase) and Rp. 52,500/m<sup>2</sup> (102% increase) respectively.

<sup>19</sup>This price does not reflect the total cost to acquire land. Developers must pay official fees to the village and *camat* office, and informal fees to various actors involved in the process. Hoffman (1990) recorded that informal fees in acquiring land amount to 20% of total development costs.

Table 3.4 Comparison of Average Land Price for Broker and Developer (in real *rupiah*)

Year	Broker Original Land Price per m <sup>2</sup>	Developer Land Price per m <sup>2</sup>	Broker's Gain	In percentage
1987	Rp. 7,484	Rp. 15,237	Rp. 7,953	106 %
1990	Rp. 16,219	Rp. 25,950	Rp. 9,731	60 %
1993	Rp. 45,833	Rp. 53,500	Rp. 7,666	16.7%

As we see in the above table, the brokers are getting less profit through the years. One possible explanation is that the distribution of information concerning land prices is becoming more transparent. As the housing development expands, land owners become more aware of the demand for their land and are more informed of its opportunity cost. Therefore, brokers must buy the land from the original land owners at a higher land price. According to the developer, beginning 1990, land owners of paddy fields were unwilling to sell their land at a lower price than dry land.<sup>20</sup> This information explains why paddy fields increased more rapidly at 69% per year compared to dry land, which increased 50% per year between 1990-1993.

In the interviews with land owners, 2 out of the 24 land owners said that they waited until the land price was "right", before they went to the developer to sell their land. A common phenomenon in land conversion in the urban fringe is the "waiting game."<sup>21</sup> Land owners sell only part of their land, and wait until the land prices increase before they sell other parts of their land to the developer. Marulanda (1992) also concluded that many land owners assume that the new developments will overrun their properties and that they tend to wait for the best offer to sell their land. Although 48% of the 51 land owners she interviewed were farmers, they were not cultivating the whole parcel and had only small scale gardening.

<sup>20</sup>Several of the land owners I interviewed sold different types of land to a developer for the same price.

<sup>21</sup>According to Michael Kitay (1985), the waiting game is a result of urban land values. Land owners keep parcels of urban land vacant until there is a dramatic boom in the selling price.

### 3.5.2 Price Trends

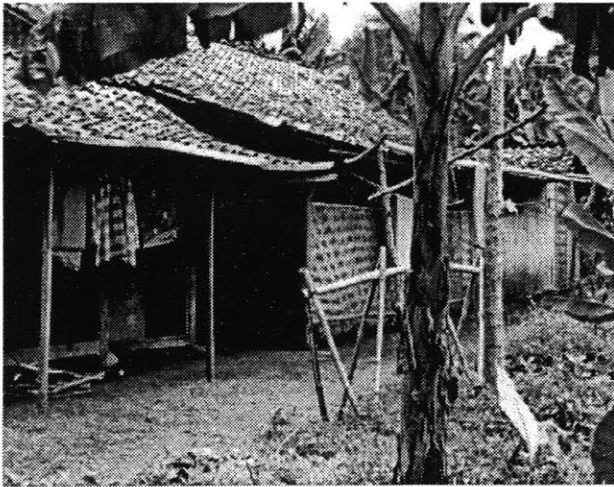
The information on land prices in individual transactions given by the village head and broker 1 have the widest range of prices. Both estimations are higher than the land prices given by the developer, broker 2 and broker 3. Individual land transactions occur on smaller plots, which usually sell for a higher price per square meter than larger plots. Since I could not obtain sufficient data on land prices to confirm the information from the village head and broker, I can only speculate that the main reason for such a wide price difference is the different level of information between the actors.

Price trends of land differ depending on the involvement of the actor. Brokers provoke the highest price increases, while the village head version has the smallest increase compared to the other versions (4%-12% p.a. between 1987-90 and 3%-52% p.a. between 1990-93). In general, land price increases are highest and have the most widest range between 1987-1990 (4%-236% p.a.).

According to the broker's and developer's land price estimation land in the urban fringe area seems to be an attractive investment, and is increasing at a higher rate than inflation. For the developer land prices increased 21%-27% p.a. between 1987-90 and 33%-38% p.a. between 1990-93, while for broker #2 and #3 land prices increased 34%-48% p.a. between 1987-90, and 52%-69% p.a. between 1990-93. As a comparison, interest rates in 1987, 1990 and 1993 respectively were 21.67%, 17.30% and 21.03%, while inflation rates were 8.9%, 9.53% and 9.7%, respectively. (See Table 3.3)

### 3.5.3 Land Speculation

Information from two brokers gave evidence of land speculation. These brokers were financed by an investor in Jakarta. They started buying the land when they obtained information of Bintaro's plan to expand its development in *kecamatan* Pondok Aren. The lag of time in building the housing estate and knowledge of future development plans had allowed speculators to buy up land before developers. Before 1987, they bought various



A typical rural house made of wooden structure with walls of traditional woven bamboo called "gedek".



A small village housing cluster.



The market place in Kecamatan Pondok Pucung. The building conditions and infrastructure are poor. Although regulations require that developers provide public facilities, they tend to cater to middle and upper middle income groups by building supermarkets, shopping malls, tennis courts and golf courses.

Figure 3.6 Existing village housing and market place in Kecamatan Pondok Aren.



types of land (paddy fields, dry land) at the price of Rp. 4,000 to Rp. 6,000 per m<sup>2</sup> (nominal *rupiah*). When the developer started to acquire land in that area, they were able to sell the land at a much higher price, about Rp.11,000 per m<sup>2</sup> (nominal *rupiah*). I will explain why brokers are able to buy land at such low prices in chapter 4.

Developers tend to conceal their development plans for reasons of avoiding land speculations. In my opinion, this induces land speculation because information on development is unequally distributed to land owners. Therefore, people with knowledge of a certain development can take advantage of the information they have and buy up land at cheap prices.

### 3.5.4 Concentration of Land Holdings

In general, the total number of land owners decreased from 2,503 in 1987 to 2,108 in 1990. The number of land owners with land under 500 m<sup>2</sup> and between 500-1,000 m<sup>2</sup> also decreased between 1987-1993. Land holdings between 1,000-2,000 m<sup>2</sup> and greater than 2,000 m<sup>2</sup> showed opposite behavior. The number of land owners with land between 1000-2000 m<sup>2</sup> increased between 1987 and 1990, while the number of land owners with land greater than 2000m<sup>2</sup> decreased. Between 1987-1990, the number of land holdings between 1,000-2,000 m<sup>2</sup> decreased, while the number of land holding greater than 2,000 m<sup>2</sup> increased. In percentage, land holdings greater than 2,000 m<sup>2</sup> are higher in 1990 suggesting that there are concentrations of land holdings.

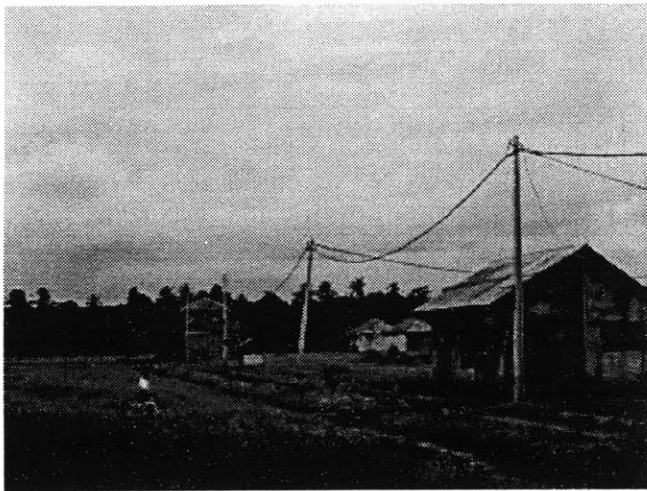
Table 3.5 Composition of Land holdings in Pondok Pucung Village in 1987, 1990 and 1993

	1987		1990		1993	
Number of landowners	2503	100%	2276	100%	2108	100%
Composition of land holdings						
< 500 m <sup>2</sup>	413	16.5%	413	18.2%	331	15.7%
501 < x < 1000 m <sup>2</sup>	1564	62 %	1365	60 %	1231	58.4%
1001 < x < 2000 m <sup>2</sup>	301	12.5%	341	15 %	290	13.8%
> 2000 m <sup>2</sup>	225	9 %	177	7.8 %	256	12.1%

Source: Pondok Pucung Village Office



A new house built by a non-villager in the surrounding area of a formal housing estate. This house is built on sub-divided land within a developer's permit area.



This is a low-income housing complex for employees of a large batik company, PT Batik Keris. The company provided plots with minimum infrastructure.



Typical middle income housing provided by a developer. The lot sizes for the above houses are about 90 square meters.

Figure 3.7 Types of new housing that emerged in the urban fringe area.

### **3.6 Results of Questionnaires and Interviews**

Fifteen out of the 24 land owners were unaware of the future land use plans for their area. Two land owners sold their land to support the housing development. They complained that the location permit boundaries were unclear and suggested that the local government disseminate more information on it. Lack of financial resources was the main reason for selling their land. It is common for rural land owners to sell parts of their land to obtain additional income. Marulanda's study also confirmed that even though the majority of land owners she interviewed were farmers, the fact that they have additional income from selling land indicates that their land is not productive enough to secure their living. The types of farming I observed were rice and small crops (fruits, corn, cassava, etc.), which only covered a small portion of their land. Farmers would sell what ever they grew. In one of my interviews, the sub-village head said that many of the villagers worked as laborers on the new road constructions, or temporarily migrated to the city to work as street vendors or day labor.

From the respondents' answers on why they needed money, most land owners used the money to improve or build their homes, as capital for business or for family reasons (school tuition, ceremonies, etc.). For these land owners, it seems that selling land is the easiest way for them to obtain additional income. If they were to borrow from the bank, they might not be able to obtain a loan (bank regulations only allow registered land with certificates as collateral) or pay back the installments.

In selling their land, two out of the 24 land owners put up a sign in front of their house. Fifty percent of the land transactions involved brokers and 9 out of 24 transactions were to developers. Of the 9 transactions to developers, only two land owners went directly to the developers.



Figure 3.8 Developers would have liked to buy the land along this main road, but many land owners chose not to sell. These land owners (shown on the left side of the photo) have land within the permit area. Some of the new housing development can be seen on the right side.

### **3.6.1 Land Subdivision within Permit Areas**

One land owner who had land within Bintaro's permit area, subdivided his land and sold parts of it to individuals. Despite the fact that his neighbors sold their land to the developer, this land owner had no problem selling his land to third parties. The parcels were about 300-500 m<sup>2</sup>. The new land owner is building a house and had no problem obtaining a building permit. He bought the land because of its location near Bintaro, and it was much cheaper than buying land from the developer. The new land owner bought the land in 1993 for Rp. 120,000 per m<sup>2</sup>.<sup>22</sup> As a comparison, Bintaro at that time was selling serviced land for Rp. 450,000 per m<sup>2</sup>. The local planning office had issued the building permit based on their judgment that it was unfair to deny someone the opportunity to build a house. Since the parcel was under 2,000 m<sup>2</sup> it did not require any approval from the local authorities. The developer, on the other hand said that their land acquisition team had overlooked this area, because they were concentrating land acquisition in another part of the village. They also said that they will try to incorporate the existing formal housing development into their future development plans through a land readjustment scheme. (see Figure 3.7)

### **3.6.2 Bargaining power**

The prices that the land owners receive depend on their bargaining power. Their power, I argue is a function of 1) their knowledge and information on the land market, 2) the staging of the development (priority area to develop), and 3) the land owners social relationship with the brokers, officials or community leaders. As an example, in PT Blue River (Box 4.1), relatives of the mediator can get the highest price, while the other land

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<sup>22</sup>Concerning infrastructure: electricity is available in this part of the village and water is not a problem because wells are the main source for water.

owners, who are unaware of the current land price, get much less. "The art of bargaining," is one of the talents a broker must have.<sup>23</sup>

According to the respondents' answers, brokers are selling land at much higher prices than the original land owners. In 1993, the average price of direct individual sales was Rp. 58,541/m<sup>2</sup>, while the price of sales made through brokers was Rp. 74,070/m<sup>2</sup> (21% higher). In 1994, the price for direct sales was Rp. 59,048/m<sup>2</sup>, while sales made through brokers was Rp. 103,610/m<sup>2</sup>. (See Appendix 5)

### **3.6.3 Social Relationships**

Another reason why the average price of direct sales is lower is that these transactions sometimes occur between neighbors or friends. It seems that social relationships affect the land price. Six of the 24 respondents bought land in the same village at a lower price than they sold to the developer. Generally, land owners always sell their land at a lower price to local villagers.

The land owners in Rawa Buntu village (a village within Bumi Serpong Damai new town yet to be purchased), told me that they would sell their land to local villagers for Rp. 60,000 per m<sup>2</sup> and to the developer for Rp. 80,000/m<sup>2</sup>.<sup>24</sup> I suspect that because brokers are local villagers, they can buy land at a lower price. One broker admitted that they usually put effort to gain the land owners' trust, so they can bargain and obtain lower prices.

Of the 12 direct sales, two land owners put signs in front of their house, two informed the lurah that they wanted to sell their land, two land owners offered their neighbors the chance to buy their land, and one land owner was approached by a buyer.

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<sup>23</sup>Interview with brokers.

<sup>24</sup>This land owner also said that if the highway company (PT Jasa Marga) offered to buy his land, he would ask Rp. 500,000 per square meter. His rationale was that the highway company would be making profit from the toll fares. In his opinion, toll-highways are not public highways because people must pay to use it, and small people like himself who use a pull cart are not allowed to go on the highway.

"Word of mouth" is how information on land for sale gets around. Brokers have their own network and keep their information as confidential as possible. Several land owners asked their neighbors for information on to whom to sell their land. Two land owners asked their neighbors to sell the land for them. These situations show that land owners typically lack enough knowledge and information to effectively sell their land.

### **3.7 Conclusion**

Distorted land prices are largely due to lack of information among the actors involved. The village head knows the future plans of the area and opportunity costs of buying/selling land in his village. A knowledgeable and informed person such as the village head, for example, gave higher land prices compared to less informed residents.

Unclear location permit boundaries' result in uncertainty among the prospective buyers and sellers. This has made it difficult for informal as well as small scale formal housing development to enter the market. It decreases the land supply, and increases the land price to individual buyers.

Brokers had taken advantage of landowners lack of knowledge on land markets. The brokers knew about the developers plan to acquire land, yet deliberately hid the buyers identity from the land owner.

The lag time between land purchases in large scale developments allows speculators to buy up the land. Then, as the land value increase, these speculators start selling the land to the developer. Another possible reason for sudden increase of land prices, is that as the villagers become more aware of the development and future land use of their area, they also become aware of its opportunity costs. Thus, they become more informed, have more bargaining power, and demand higher land prices.





## CHAPTER FOUR

### INSTITUTIONS OF THE PERIPHERAL LAND USE CONVERSION

"In the information age, the ability to manipulate and manage information is equated not only with power and economic advantage, but also with developed nation status."  
(Palmer, 1992)

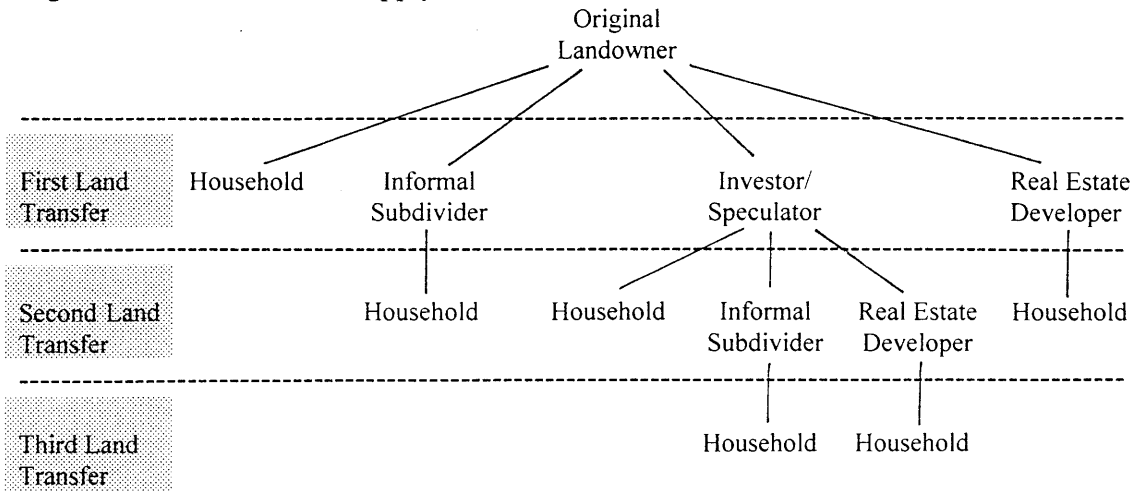
One of the major findings in my research was that lack of information has created a new area of commodity; in which brokers use their knowledge of the location permit as a vehicle to gain huge profits. In this chapter, I will describe the relationship of the institutions involved in the land use conversion, and its linkage with information. I argue that brokers have used the gap of lack of information to assist developers in obtaining land. There are different degrees of brokerage, and to a certain extent land owners also rely on brokers to negotiate their land transactions. Again, this is also due to the land owners' lack of knowledge and information of their land rights, land markets, and future opportunities.

#### 4.1 Mechanisms of Land Acquisition

In the study area, the land transactions were a combination of transactions from original landowners to households, original landowners-speculators-real estate developers, original land owners-sub dividers-households and original landowners-real estate developers. Unfortunately, these paths of land supply were not as clear cut as the diagram that Hoffman prepared. (See Figure 4.1 and 4.2)

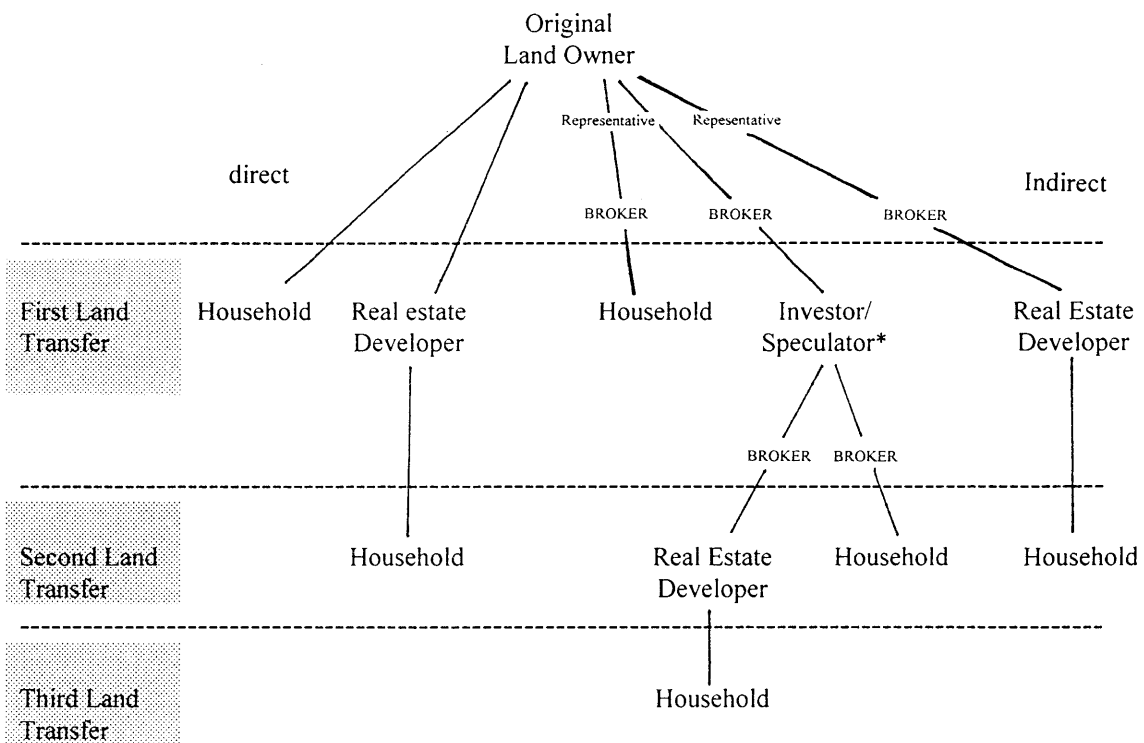
A major finding in the research was that the majority of land transactions were conducted through brokers. Real Estate Indonesia confirmed that 90% of the land they acquire goes through land brokers. This finding contradicts the regulation on land acquisition that requires developers to negotiate and acquire land directly from the land

Figure 4.1 Paths of Land Supply



Source: Hoffman, et al. *The Market for Shelter in Indonesian Cities* (1990)

Figure 4.2 Chain of Land Transfers Observed



\*Brokers are also referred to as mediators.

\*Indirect land sales can involve a representative and a broker.

\*Speculators often finance land acquisition without transferring the land title in their name.

owners. The degree of involvement of these brokers ranges from finding land and identifying the land owners, to negotiating on behalf of the developers and sometimes, if they are financed, assembling the land and holding the land for speculation.

## **4.2 Institutions in the Land Conversion Process**

### **4.2.1 Brokers**

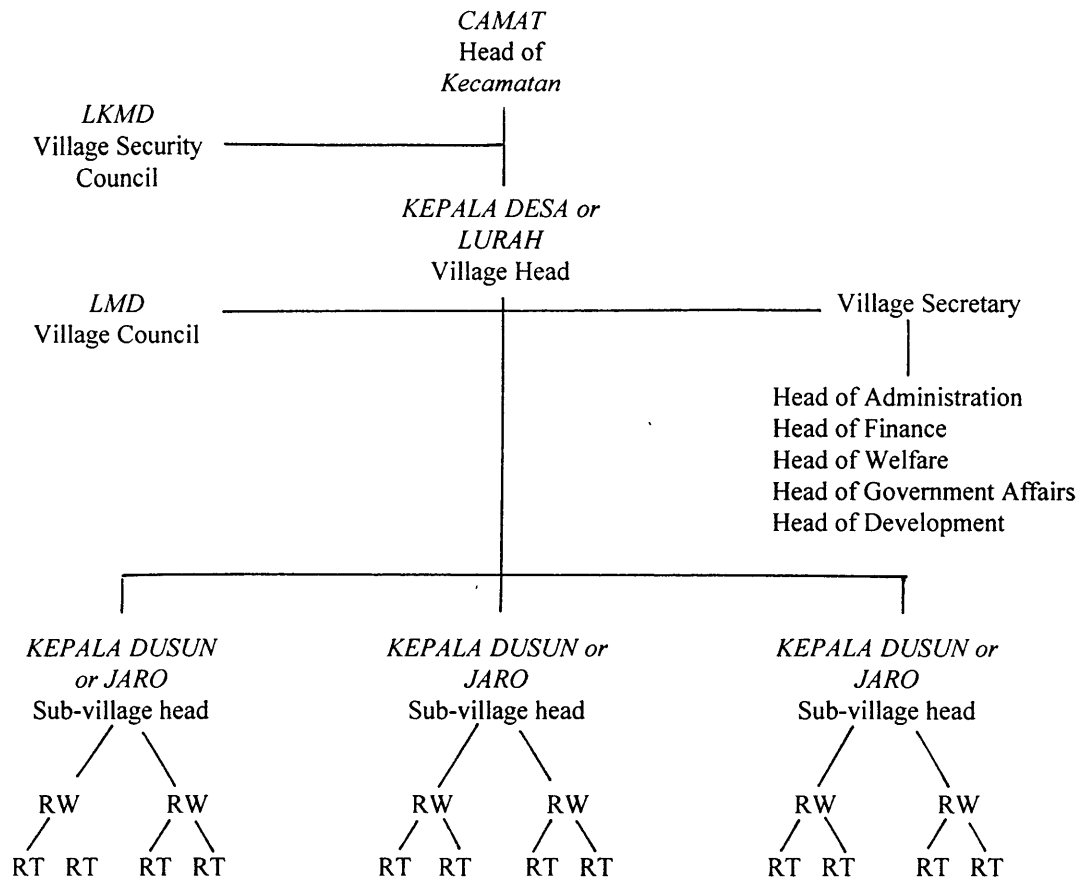
Brokers have various degrees of involvement in the land acquisition project. A number of activities were identified during field research:

- finding land for potential buyers
- obtaining information concerning the land owners, and boundaries of land ownership
- approaching the community leaders
- bargaining and negotiating with the land owners
- assembling land (if they are financed)

#### **a. Who are the land brokers?**

They can be a local villager, the sub-village head (*jaro*), relatives or close friends of a local official, a community leader (*tokoh masyarakat*) or a motorcyclist (*ojek*). They have a higher degree of knowledge and information concerning land markets, because they are well informed of the villages plans.

Each broker has his own territory. In large scale land acquisition, they work together, informing one another of their progress with a developer or of new areas under location permits. According to one of the brokers I interviewed, this is a good system because it allows each broker to obtain profit from his own territory. Some brokers work individually, some work together with village leaders, some are employed by a developer, some work on a contract basis with a developer, and some are financed by an investor (land speculator).



SOURCE: Pondok Aren Village Office

The village head is appointed by the local government, while the *jaro* is elected by the community through the *musyawarah* process.

Figure 4.3 Structure of Village Community

### **b. How do brokers get their information?**

Professional brokers usually hang around the village head's office, waiting for inside information and prospective buyers. These brokers are local villagers. They know the area very well and know most of the land owners. They depend on their connections for information. Many of the brokers and village officials are related to one another. For example, one of my surveyors is a distant relative to the village head of Pondok Pucung, and Pondok Kacang Timur. He has several relatives working as sub village heads, who sometimes act as mediators. Information of a development can easily spread through this system of "word of mouth."

Another popular method of obtaining information on land for sale is through a motorcyclist. These motorcyclists, called "*ojeks*", are one of the public transportation modes in the villages. Because they travel around the villages, they know about pieces of land for sale and development trends. Some *ojeks* have side jobs as brokers.

Information that a large developer requires land spreads quickly among brokers and interested parties. These brokers take advantage of the unknowing land owners. Small land owners often are uninformed of the land markets because of their remote location from the village office and activity centers. In several of the land transactions that I recorded, these land owners asked the opinion of someone they knew and trust on land prices. Many of these brokers use personal approaches, to gain the land owner's trust.

### **c. Fees and Commission**

In urban areas, a broker's commission is 2.5 % of the sales price. The seller usually pays the commission, but sometimes the buyer and seller may negotiate and split the fees. In the urban fringe areas, brokers' commissions vary ranging from 1.6% to 100% of the land transaction price. As an example, one broker received a 2.5% commission (he has been a mediator for about 9 years and his commission varies from time to time, but on average it is about 2.5%). Another example is PT Blue River (see

#### Box 4.1 PT Blue River (fictive name)

PT Blue River built its first housing project in Tangerang in 1987. At that time they were joined in a consortium under a different name. They wanted to extend their housing and obtained a location permit to acquire 15 ha in 1990. They were able to buy 7 ha, but because of financial problems in the main company, the physical development was delayed. The consortium broke up in 1992, and they decided to continue the housing development on their own under a different name: PT Blue River. They applied for a location permit under that name and received a permit in March 1993. Up till the end of 1993 they have been able to build 100 units.

The land acquisition was done through a mediator, in this case an influential and respected community leader (relative of the *jaro*). The developer and mediator signed an agreement, and a price ceiling was fixed (Rp.14,000 per square meter). The reason why the developer used a mediator, is because they could not identify who the landowners were and did not want to spend their time negotiating with the land owners. Also, since the mediator knew all the landowners, it would be easier for him to approach and negotiate with the landowners.

The land transaction was held between the land owner and the developer. Two landowners chose to exchange their land for another piece of land, instead of receiving cash. The developers negotiated and agreed to exchange 60% of the land value, because they would use 40% of land for infrastructure and social services, which is not considered as profit (this composition is commonly used in land barter). The landowners finally found land further away from the village at a much lower price. Despite receiving only 60% of land value, these land owners were able to obtain bigger pieces of land.

Two other land owners were able to sell their land to the developer at the price ceiling, because they were relatives of the mediator. In the other cases, the mediator bargained with the landowners and was able to buy the land for Rp. 11,500 per m<sup>2</sup>. The mediator got the difference of the price ceiling and the price agreed upon with the land owner. His total commission was about 18.2% of the total price the developer paid to the landowners and for the land exchange.

The developer also had to pay the official fees to the village head and *camat* office (5%), and informal fees (5%) to the parties involved in the process-which amount to about 10% of the land costs. In sum, if the land was bought at Rp.14,000 per m<sup>2</sup> from the landowners, the total costs of the developer to acquire the land were Rp.18,500 per m<sup>2</sup> (30% higher). This does not yet include the costs for acquiring the location permit, principal permit and converting the land rights or obtaining building permits.

PT Blue River is planning to buy more land, but land prices have gone up. The land owners in the surrounding area are asking Rp. 50,000 per square meter (end of 1993). The developer is allocating Rp. 60,000 per m<sup>2</sup> as the price ceiling. The land acquisition will begin early 1994. As a comparison, the land price after development was Rp.175,000 (May 1993) and rose to Rp.225,000 per m<sup>2</sup> (December 1993). The developer plans to increase the sales price of land every six months.

box 4.1). The mediator and developer agreed on a price ceiling, where the mediator would get the difference of the negotiated price and the price ceiling. This mediator was able to negotiate the land prices with the original land owners, and receive a commission of 18.2% of the total land price paid by the developer.

The brokers I interviewed said that there is no standard rate on their commissions. In large housing development projects, they operate based on the developers' priority areas, and the price ceiling negotiated with the developer. They gain their profit by bargaining with land owners, where the more uninformed the land owners, the more profit they can get. Although two brokers would not reveal their commission, I was able to ask them the land price they paid to land owners, and whom they sold the land to. Both of them gave similar answers. I contacted the developer and was able to obtain the average land price in Pondok Aren village for the years 1987, 1990 and 1993. By comparing the figures from the brokers and the developers, I was able to estimate the profit that the brokers made. In 1987, the price difference was 106% higher than the land price to the land owners. In 1990, it was 60% and in 1993 it was 16.67%. (See Table 3.4)

#### **4.2.2 Developers relation with brokers**

Once a developer obtains the location permit, the next step is to survey the area and make a map of land ownership in their area. Developers can afford to buy aerial photographs or a base map of their location permit area from the national land office. The developers would usually pay someone from the *camat* or village office to compile a map of land ownership within the permit area.

The developers I interviewed admitted that it was more efficient to work with brokers, rather than acquiring land by themselves. They do not have to spend too much time in approaching the community in the different villages. For medium and large scale developers, acquiring as much land as possible in a short time is crucial. As an example, a permit area of 1000 hectares might consist of about 10-12 villages. Each village

comprises of about 6-8 sub villages consisting of several neighborhood clusters (see figure 4.2) To acquire the first 500 hectares, the developer must approach about 10 village heads, 60 sub village heads and 600 land owners. Information on the land owners are available at the village office, but limited to the names and area that the land owners own. Village offices do not have maps that show the boundary of land ownership. However, brokers are able to fill this gap of information by identifying and contacting land owners.

A small developer said they use brokers only to identify the land parcels and land owners, and introduce them to the village head. The developer then negotiated directly with the land owners. Since it was a very small development (location permit 12 ha and land acquired about 3 ha), there were only about 10 land owners approached. Another small scale developer (PT Blue River-see Box 4.1) said that they didn't want to be bothered with the process of negotiating with the community. "We don't want to spend our time doing that, it will take too much of our time to approach and talk to them. We think that using a broker that is familiar with the community is more efficient."

Developers often ask the sub-village heads (*jaro*) to inform the community of their intentions. Sometimes the developers might approach a respected community fellow (*tokoh masyarakat*), and ask them to inform the community of their intentions and negotiate the land prices. In other cases, the sub-village head might already have a line of brokers (relatives, close friends) waiting to start land acquisition. "Brokers assist the process of obtaining land, it is speculators that are distorting the land market by demanding extremely high land prices," said one developer. That developers use brokers to obtain land is contrast to the location permit regulation that requires developers to negotiate land prices and buy land directly from the land owners.

In large scale developments, after the first stages of acquiring land, the word spreads around and brokers often approach the developer and offer their services. The brokers have their own territory and know the community well enough. Developers make



use of these brokers. They would inform the brokers of the priority areas to acquire and negotiate an agreement with these brokers.

These brokers (or often referred to as "mediators") would contact the land owners, negotiate the price with them, and ask the land owners to come to the developer's office to sign the transaction deeds and collect their money. Some brokers would go a step further by collecting the *girik* letters (if a developer or an investor financed them) and pay a down payment to these land owners.

#### **4.2. 3 The Land Owners' View**

For a developer, approaching and negotiating with the community usually means only approaching the *camat* or the village head. Developers and brokers rely on the assistance of these officials to contact the community. The approach is very top-down, and varies per village. In one village, the village head contacted the sub village head to discuss the intentions of the developer and let the sub village head inform the community of the development. Afterwards the village head introduced the developer to the sub village head and allowed the developer to negotiate directly with the community. In another village, I found that most of the land owners were unaware that their land was under a permit until brokers contacted them. The village head in that village had informed the sub-village head, who then informed his friends (brokers) of this opportunity.

From the legal point of view of the location permit, the land owners' position is very weak. First, there are no sections in the location permit regulation that describe the land owners rights and second, the regulation excludes the community in the decision making process. There is also no remedy if land owners are unwilling to sell their land, except the option of participating in land readjustment.

From the interviews, I discovered that many land owners would ask someone they trust to negotiate on their behalf. It can be the head of RT/RW (neighborhood cluster), the *jaro*, or a community leader (*tokoh masyarakat*). The reason why they ask someone else

to represent them is because they realize that they do not understand the complicated administration and procedures of land transactions. They understand that negotiating through a mediator would involve a commission, and that is the price they must pay for not being involved in the administrative procedures. Thus, the land owners' lack of information on land transaction procedures and land rights, is a disadvantage.

The above described lack of information and transparency on land ownership, and the unclear boundaries of the location permit, have supported land acquisition through brokerage. Even in individual land sales, the tendency to involve brokers are great because of the lack of information for both the buyer and seller. A buyer would want to know which land is for sale and who owns the land, while a prospective seller would want to know the current land market price and administrative procedures for selling land. In the city, buyers and sellers can use the media (e.g., newspapers) or professional broker to buy or sell land. The circumstances are quite different in the rural area. Many land owners are unaware of the various mechanisms for selling land. In my interviews, most land owners were approached by brokers. Several land owners informed their neighbors of their intention to sell land, and two land owners put a sign in front of their house. Land owners interested in selling land might inform the village head of their intentions. The village head will pass the word to any one that stops by his office (many of them brokers who hang out at the village head office).

Land owners who are relatives of local officials or brokers, have the advantage of obtaining higher land prices. Thus, knowledge (information) and connections are the bargaining power of land owners. A third factor that increases the bargaining power of a land owner is whether the location of their land is within a developer's priority acquisition area. Land owners located within priority areas of a developer's development, can resist selling and demand higher prices for their land.

#### 4.2.4 The governments view

Several officials at the local land office briefly stated their opinion that many people tend to misunderstand the goals of the location permit and its implementation conflicted with the civil law, but it was not their responsibility to monitor the land acquisition process. Although the regulation states that developers should negotiate land prices directly with the landowners on the basis of *musyawarah* (negotiation to reach an understanding and decision among the community), the mechanisms for conducting *musyawarah* have yet to be defined. Brokers in their opinion are disrupting the land market, by pressuring land owners and demanding high prices to developers. Government officials at the local land office consider that the land acquisition process is the responsibility of the local officials (*camat* and village head).

The officials I talked to at the local land office were aware of the brokerage and speculation in land acquisition, but consider those issues beyond their responsibility. Some officials agreed with Harsono and Nasution, that there was a misperception on the implementation of the location permit. Local officials at the village level are ambiguous about the permit. On the one hand they feel that they must support the development and are subordinate to the higher bureaucracy, on the other hand they must be of service to the villagers. The permit has become a "*surat sakti*" (powerful letter). One village head said: "They (the villagers) don't understand the importance of this new housing development." This shows that village heads are already supporting developers.

As explained in section 4.3, the methods of approaching land owners vary and depend on the initiative of the village leaders. One village head expressed his concern in conducting *musyawarah*. Depending on the way it is conducted, the *musyawarah* process can either be useful to disseminate the appropriate information to land owners or a disadvantage to the land owners. He said that sometimes the developer only approaches the *camat*, which then orders the village head to inform the community of the new housing project and negotiate the land prices. Many of these informal meetings tend to

exhort the importance of the new housing development and stress the social function of land, rather than explaining the rights and options of the land owners.

### **4.3 Conclusions**

Brokers have been able to fill the gap of lack of information, bridging the communication between land owners and developers. The lack of information on brokers' fees and market land prices has enabled brokers to obtain huge amounts of profit from the land transactions. Developers have used these brokers to their advantage in acquiring land, since it is more efficient work this way. The lack of information on land owners and their boundaries has made it impossible for developers to approach land owners directly.

Even though there is sufficient information on land markets, some degree of brokerage is necessary. Brokers can have a legitimate role in development, as long as information concerning land prices and their commissions are transparent. Given the limited time and financial resources to acquire land in large scale developments, working with brokers can be more efficient.<sup>25</sup>

Government views brokers as opportunists, who are gaining huge profits by suppressing land owners and demanding high prices to land owners. Their accusations have not taken into account lack of information as the cause of this phenomenon and has ignored the fact that it is partially due to the governments' own mechanism of issuing the location permit. The government does not have the sufficient information to issue the permit and has been unable to use the permit as a tool to control development. Lack of information on registered land, land owners, sufficient maps and sound physical plans hinders the operation of the permit.

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<sup>25</sup>As a comparison, the land acquisition process for the development of the city of Columbia (14,000 acres) in Maryland, involved half a dozen realty agencies, who bought land for James Rouse. The main purpose of using brokers was to speed the land acquisition process. Each realtor was in charge of buying land in a certain area. The identity of the buyer was kept a secret from the farmers, to avoid the sudden increase of land prices. Rouse also set-up dummy corporations as camouflage. (Breckenfield, 1971)

## CHAPTER FIVE

### CONCLUSIONS

"Institutions affect human choice by influencing the availability of information and resources, by shaping incentives, and by establishing the basic rules of social transactions."  
(Nicholson, 1988)

#### 5.1 Theoretical Objectives and Practical Problems

During field research, I found many issues out of line from the intended goals of the location permit. Lack of information on land markets, and weak institutions complicate the implementation of the location permit. Some of the issues that I identified are economic, planning, environmental, social and administrative consequences. In the sections below, I will describe these effects and discuss whether the location permit has reached its intended objectives.

##### 5.1.1 Economic

###### 5.1.1.1 Theory

Theoretically, the location permit gives a developer priority to acquire land in the permitted area in a certain time period (maximum 2 years after the issuance of *Pakto 2/1993*), and there is no competition from other developers. However, this is not a guaranteed right, because land owners have the option not to sell to the developer and participate in a land readjustment scheme with the developer. The permit allocates land to many developers in the housing industry. The government's rationale of issuing the permits is to support housing development.

An official at BPN (National Land Agency) admitted that the location permit gives a monopsonic position to the developer, however the new regulation has limited the

# Lowering the boom on land speculators

Vice President Try Sutrisno has warned land speculators against treating their land as a commodity by which to make money unfairly.

"The action of refusing to cultivate your land and selling it when prices go up cannot be tolerated," he said in Banjarbaru, South Kalimantan, last week.

The statement was aimed at non-resident land owners who control huge areas in the province and elsewhere in Indonesia but do not want to cultivate it due to what he saw as unfair profiteering.

Most of those land speculators reside in Jakarta and other big cities.

The Vice President urged the provincial government and National Land Agency (BPN) to take stern legal action against such people, sparing only those who are serious about developing their land for worthwhile purposes.

The ultimatum followed a warning by Agrarian Affairs Minister Sony

Harsono, who has threatened to revoke housing developers' land use permits for similar reasons.

At least 40 percent of the land licensed for development has been left untouched by profit-seeking individuals and housing developers, according to BPN statistics.

Sony Harsono said if the developers continued to operate in this way, the Government would revoke their licenses permanently.

Reacting to the threat, Enggarstiasto Lukito, who chairs the housing developers' organization Real Estate Indonesia (REI) said none of his members had arbitrarily treated land in such a way.

Lukito said the Government has yet to define clearly what it means by "unproductive land"; and without adequate clarification it is difficult to determine whether a certain plot of land can be considered unproductive, he said.

In a related development, Public Housing Minister Akbar Tanjung said that as of April 1994 housing developers



Try Sutrisno

will not be allowed to conduct land clearance activities. Such activities will be conducted only by a state-owned enterprise, he said.

He did not name the enterprise but hinted that it could be an entirely new company. Tanjung said this policy would constitute part of a government ordinance to be issued in April which would complement Law No.4/1992 on the establishment of Kawasan Siap Bangun (Kasiba), meaning ready-to-be-developed areas.

Kasiba will encompass designated plots of land, roads, electricity lines, building permits and related necessities. Developers would only be allowed to build housing complexes in such areas and would not be free to clear extra plots of land for other purposes.

Observers say that the policy is designed to prevent protest-drawing land clearance programs, conducted by large-scale housing developers, from recurring. It would also reduce — if not eliminate — the operations of land speculators making fortunes while ordinary people complain about insufficient compensation.

Once the policy is implemented, housing developers will have to buy land from the appointed state-owned Kasiba authority.

The policy is to be implemented nation-wide, meaning that the government will have to provide a huge amount of funds to compensate for land cleared all across the country. (EBR/PA)

time to a maximum of two years.<sup>26</sup> He argues if there is no permit, the land market could worsen as conglomerates buy up all the rural land. After the permit expires, the land owners can sell to the market. On the other hand, many people believe that without the location permit, small rural landowners would have the advantage of a competitive land market because there would be more opportunities for other buyers to enter the market.

### **5.1.1.2 Practical Problems**

#### ***a. Concentration of Land under A Few Permit Holders***

Developers have found ways of acquiring large tracts of land. Developers sometimes establish smaller companies that apply individually for permits less than 200 hectares (to avoid application to the Ministry). As a result, the majority of land under location permits are concentrated in the hands of a few large developers. Hoffman and Ferguson (1992) in their research on land regulations, found that ten large developers dominate the formal housing industry in Indonesia. An article in *Bisnis Properti*<sup>27</sup> states that Ciputra, the largest developer in Indonesia, has 15,000 hectares of land under location permits. The total amount of land under location permits exceeding 500 hectares is about 33,650 hectares.<sup>28</sup> (See Appendix 1)

In the past decade, local governments have issued permits to larger scale developers (>200 hectares), that cater to middle and upper income households. Several other developers have been given location permits for "new town"<sup>29</sup> developments such as Tiga Raksa City (3000 ha), Gading Serpong (1,000 ha), Lippo Village (500 ha) and Citraland Teluk Naga (1,000 ha) in Tangerang; Cikarang Baru (5,400 ha), Bekasi 2,000

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<sup>26</sup>Since the time constraints just started October 1993, there is not yet evidence on its enforcement.

<sup>27</sup>*Menguak Peta Bisnis Para Raja Properti* in *Bisnis Properti*, February 1994, p. 6-7.

<sup>28</sup>*Membatasi Luas Penguasaan Lahan Developer* in *Bisnis Properti*, December 1993, p. 6-8.

<sup>29</sup>The term new town refers to the physical aspects of a town, and not administrative.

(2,000 ha), Lippo City (2,000 ha) and Royal Sentul (2,000 ha) in Bekasi. (See Figure 1.3 and Appendix 1)

**b. *Limits on Possible Market for Sellers***

Hoffman and Ferguson's (1992) study suggested that the permit makes it difficult for land owners to sell the local villager's land to a third party. Theoretically, the permit gives the developer exclusive rights to obtain the land. Legally, all third parties must obtain permission of the developer to acquire land and build within the location permit area.

However, I found variations on the implementation of this regulation. In priority areas of the developers land acquisition plan, land owners such as *Pak Ali* (see Figure 3.2) were unable to sell their land other than to the developer. *Pak Ali's* land is located on the main street of a housing development. In another area within the developers' permit (this information is also blurred because there were several versions of the location permit boundary), I found land owners who had sub divided their land into lots (less than 1000 m<sup>2</sup>) and sold it to buyers other than the developer. These buyers were able to obtain building permits from the local planning office and build their houses. The developers were not concentrating their land acquisition towards that area, so it has neither been approached by the developers or the brokers.

Villagers sell parts of their land to other villagers, who can easily build a house without a building permit.<sup>30</sup> Villagers also sell land to brokers, who speculate. Several of the land transactions that I recorded in the same area went to a developer, as well as to local villagers and outsiders.

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<sup>30</sup>The building permit regulations are not enforced on local villagers.



### *c. Excessive land held out of the market*

Numerous studies have shown that the ratio of land acquired to total area under the permit is low. The JMDPR report (1993) shows that developers in Botabek have only been able to buy 35% of the land under their location permits. While statistics from BPN show that 40% of the land licensed for development has been left idle.<sup>31</sup> Hoffman (1990) recorded in his study of 502 housing developments in West Java, under BTN financing, found that over 15,000 hectares of land was issued for housing projects through the location permit (1983-1988), but only 4,000 hectares (27%) of land had been acquired by mid 1988. This means that about 11,000 hectares of land is held off from the market.

On one hand the location permit appears to be assisting large developers as a tool to assemble land. On the other hand, it is blocking urban development because unacquired land is held off from the market (JMDPR, 1993).

Table 5.1 Developer's Acquisition of Land Under Location Permits

<u>REGENCY</u>	<u>AREA UNDER PERMIT</u>	<u>LAND ACQUIRED</u>	<u>RATIO</u>
TANGERANG	575 locations 28,219.6 ha	355 locations 11,380.2 ha	40.3 %
BEKASI	255 locations 4,358.4 ha	33 locations 762.2 ha	17.5 %
BOGOR	407 locations 5,910.4 ha	127 locations 1,399.6 ha	23.7 %
TOTAL BOTABEK	1,251 locations 38,547.9 ha	522 locations 13,570.5 ha	35.2 %

Source: JMDPR report, June 1993

### *d. Excessive location permits issued by the government*

The amount of land issued under location permits exceeds the amount of land projected for formal housing in the sixth five-year national plan (PELITA VI). The projection of formal housing supply for 1994-1999 is 674,240 units, which requires about

<sup>31</sup> Review Indonesia no. 94, 1/1994, p. 22.

20,277 hectares of land, while the total amount of permits issued for formal housing development in Jabotabek is about 51,000 hectares.<sup>32</sup> This means that the location permits issued in Jabotabek alone represent an over-supply.

The excessive location permits issued are not the fault of the developer. The local governments' lack policies concerning housing demand. They issue permits merely based on the amount requested by the developer. The local planning official that I interviewed said that: "We will issue as many location permits as the land we have." His justification was that because the Botabek area is a spill-over of Jakarta, it should provide land to support housing development."

#### *e. Exploitation made by lack of informed markets*

According to Palmer (1991),<sup>33</sup> information has been classified as an economic resource. For many developing countries, the "economic development gap" has become a "knowledge and information gap." Palmer based her argument on nations, but an analog to the local economy can be drawn from her statement: "In the information age, the ability to manipulate and manage information is equated not only with power and economic advantage, but also with developed nation status."

The existing land market is a market that is biased towards developers and lacks information transparency. Developers and middlemen have taken advantage of the land owners lack of information. The land owners I interviewed were unaware that their land was under the location permit until they were approached by the developer or their mediators<sup>34</sup>. Only 4 of the 22 land owners knew about the land use plan in their area.

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<sup>32</sup>Data from *Membatasi Luas Penguasaan Lahan Developer* in *Bisnis Properti*. December 1993, p. 6-8. There are different sources of information on the area under location permits. According to Parlindungan, the area issued under the location permit in Jabotabek is about 62,000 hectares. For further information read AP Parlindungan. *Tanah Terlantar dan Spekulasi* in *Bisnis Properti*, December 1993, p. 28-29.

<sup>33</sup>Janet J. Palmer. *Applying Information Technology to the Development Process in Urban and Rural Development in Third World Countries*. Edited by Valentine James. McFarland Publishers, 1991.

<sup>34</sup>In my interviews with brokers, they preferred to be referred to as mediators.

Landowners and villagers also lack knowledge of their land rights and administrative land procedures. Several landowners commented that they didn't know the procedures of paying land taxes and selling land. "I don't understand the system. It's done collectively through the *RW*."

What we see in the land acquisition process is that information concerning land markets and related issues are badly distributed. Many actors involved in the land acquisition process have used the location permit as a vehicle to profit from. As an example, knowledge that a certain developer has a location permit for a certain area quickly spreads among brokers, but is kept a secret from the community. One broker said: "We do our best to hide the identity of the buyer from the land owner." Brokers take advantage of the local villager's perception of land prices that are based on social relationships (see chapter 3 and 4). Land sales amongst local villagers are usually lower than to outsiders, because of these social relationships.

Speculation also occurs in large scale developments among actors who have advantage of information and financial resources. Made Yasa (1993) in his study on idle land in Semarang, concluded that out of a sample of 52 idle parcels, 40 were used for speculative intent and that the location permit was utilized for this purpose. One of the factors that makes land holding an attractive investment is the low property tax, which is only 0.1% of the assessed value.

#### ***f. Additional costs created to the developer***

All four developers I interviewed have said that although the location permit gives them an exclusive right to buy rural land, it actually increases land acquisition costs. "Knowledge of a location permit, rises land prices," said one developer. "We can buy land much cheaper if there is no location permit. Since we can't buy land all at once, many speculators buy up the land within the permitted area and hold them for higher prices." Newspapers have been rampant with news that land prices are rising rapidly and

that cheap land for affordable housing is difficult to find, as well as news that landowners are complaining about the compensation and below market land prices offered to them. The rising land prices that land owners demand after developers start acquiring land, is one of the reasons why these developers often buy land before they obtain the permit.<sup>35</sup>

***g. Higher prices to the final consumer:***

Although the new regulation has decreased some of the costs of obtaining the permit, especially in shortening the length of time to obtain a permit, developers still complain that there are informal costs and additional costs that they must bear. (See chapter 3 on land prices) Middle men usually mark up the price to developers, and added with the informal fees paid to acquire the land and register the land titles, development costs, and final sales price, the final consumer ends up paying a very high price for the development. The following table 5.2 shows the comparison of average land acquisition price and final land price to consumer in a housing estate:

Table 5.2 Comparison final consumer land price in Bintaro Jaya Estate (in nominal rupiah)

	1985	1987	1990	1991	1993
Average Land Acquisition price	Rp. 2,000	Rp. 9,500	Rp. 20,000	Rp. 25,000	Rp. 52,500
Final Land Price to home buyers	Rp. 110,000	Rp. 160,000	Rp. 250,000	Rp. 350,000	Rp. 450,000

Table compiled by author from Panangian S. and associates, and interview with developer.

Even though developers complain about the land prices and additional costs caused by the permit, the four developers that I interviewed all said that having a location permit gives them an advantage in acquiring land. "*Surat sakti*" (powerful letter) is the

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<sup>35</sup>Hoffman (1990) recorded that many developers buy land even before they apply for the location permit. Interviews with developers pointed that the location permit adds additional costs such as informal fees to officials and also attracts land speculation. See Chapter III on Land Prices.

term used to describe the location permit.<sup>36</sup> The common perception is that with a location permit, the developers already "control" the area; officials think that they must support the new development; while the landowners' lack of information on future development plans and land rights makes them subordinate in the whole process.

#### ***h. Inherent problems in administration***

In areas within the location permit, some developers have complained that speculators demand higher prices and can afford to wait until land prices have increased. These speculators are often individual investors or companies that obtained permits, but have no intention or no capability to develop the land. I found one company in my case study area that had a location permit for more than 10 years without building a single house. Some of these companies' permits are located within a larger location permit area (interview with developer).<sup>37</sup> The overlapping permits is an administrative problem due to weak institutions, i.e., inadequate documentation of land ownership, and location permits.

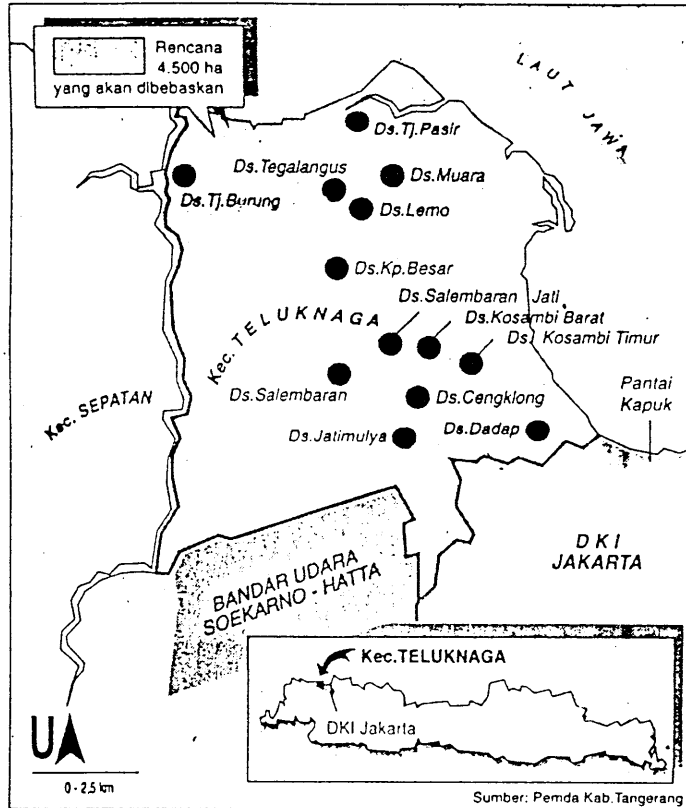
Other factors that complicate land acquisition are the low-rate of registered plots, and fraudulent dealing. Most rural land owners have customary titles to their land (*girik*), which are unregistered. The Ministry of Agraria administers land registration, while the Ministry of Finance administers land taxation. This complicates the problem of an inefficient land registration system.

Fraudulent dealing occurs when the someone sells land that they do not own. As an example, in many villages, brokers pay a down payment to the land owners and then

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<sup>36</sup>See also *Bisnis Properti*, January 1994.

<sup>37</sup>This situation mostly happens to developers with permits for large scale development, such as Bumi Serpong Damai. When BSD obtained their permit in 1985, they encountered companies with land under permits within their permit area. These companies have been unable to develop their land and yet, were facilitated by the government in extending their permit.



## Regent bars land sale

Tangerang regent Tadjus Sobirin has barred Teluk Naga district residents from selling their land to seven real estate companies, saying the companies have not yet obtained the land use permit.

"Even though the companies have been granted recommendation from the Tangerang administration, they have yet to obtain the permit from the West Java governor," Tadjus said Saturday.

The companies plan to turn the 4,500 hectares into a township. According to Tadjus, the permit was still under process by the provincial administration. "The head of the district should not sign any agreement between the residents and any of the companies or brokers for the sale of the land in the area," the regent said.

"The regency administration has been very cautious in granting recommendations to the companies because an agricultural area equipped with irrigation networks is located in the 4,500 hectare zone," said Moch. Rivai Soepriyadi, the head of the Regional Development Supervisory Agency.

He said the companies which have been granted the concessions to the land are PT Kapuk Naga Indah with 2,000 hectares, PT Citra Land with 1,000 hectares, PT Modern Land with 600 hectares, PT Kurnia Andamort with 500 hectares, PT Griya Dadap Cemerlang with 100 hectares, PT Fortuna with 100 hectares, and PT Mekar Cemerlang with 200 hectares.

Among the projects to be constructed by the companies are recreational centers, hotels and shopping centers. "The land appropriation can only be carried out by the companies after they have obtained the land use permit from the governor," Rivai said. (mnr)

Figure 5.2 *Jakarta Post*, September 29, 1993.

While the regulation requires developers to avoid prime farmland, location permits are issued in areas such as Teluk Naga, which is a productive rice area. The issuance of this permit also conflicts with the intended zoning. (See Figure 1.3)

hold the *girik* letters. He can sell the land to a speculator or a developer. The original land owner becomes the victim.

In an interview with the village head of Pondok Aren, he admitted that one of his sub-village heads (*jaro*) was holding the *girik* letters of the land owners. He had tried persuading the sub-village head to return the *girik* letters, but all his attempts were in vain. The land owners had given their *girik* letters to the sub-village who had promised to take care of the land taxes, while the sub-village head had other reasons for holding their letters. He was already informed of a developer seeking land and had personal interests to become the mediator.

## **5.1.2. Land Use Planning**

### **5.1.2.1 Theory**

Theoretically, the location permit can act as a tool to control development. The process to issue a permit involves coordination with and evaluation by relevant agencies in planning i.e., the local planning office (*Bappeda*) and other relevant technical departments such as public works (*Dinas PU*), agriculture (*Dinas Pertanian*), etc. This review provides a mechanism for implementing local plans and assures that the new development complies with zoning, infrastructure network and building regulations.

However, the local government has not been prepared for this new development. Not all local governments have master plans (*RUTR or pola dasar*) for their district, and if one exists it is often a broadly defined plan with no action plan. As a consequence, the location permit is ineffective in achieving its objective to control development.

### **5.1.2.2 Practical Problems**

#### ***a. Non-compliance with Land Use Zoning***

Several studies have shown that the issuance of a location permits to a developer does not assure that the actual land use complies with the intended zoning. Ferguson and

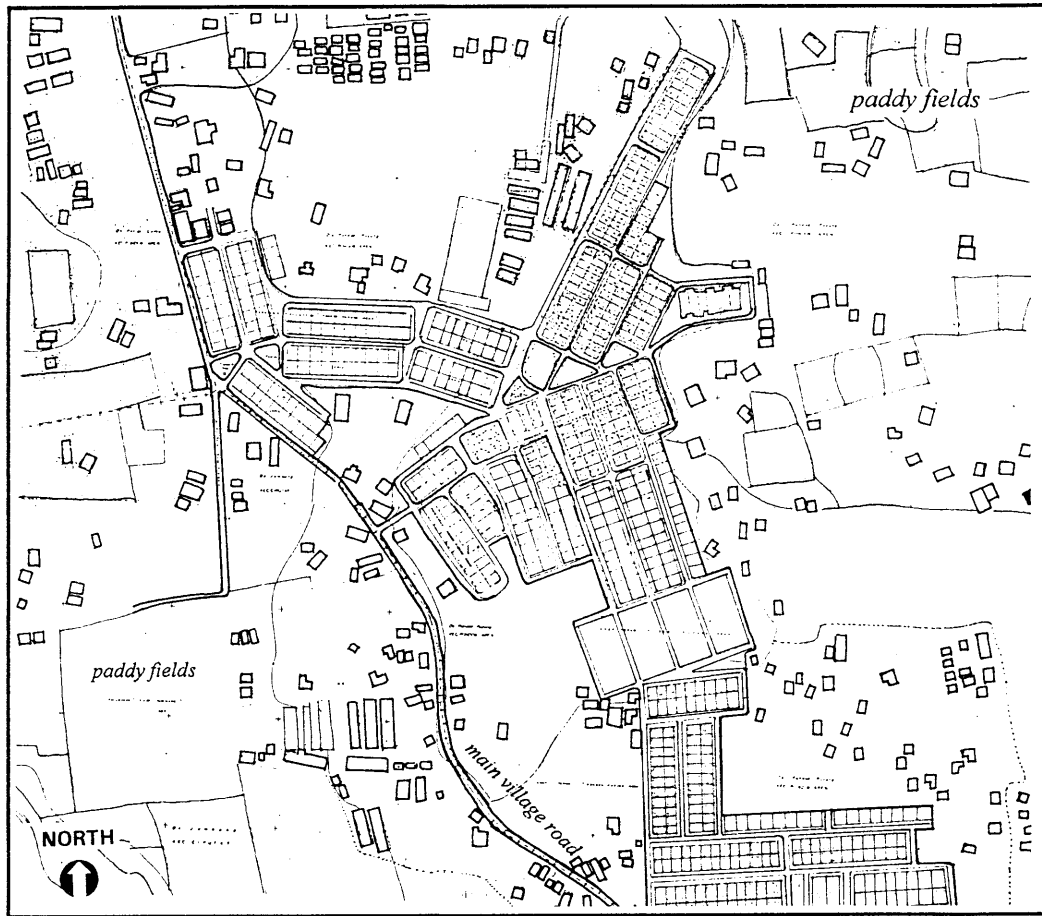


Figure 5.3 Pocket Housing Development

Pocket-shaped developments are most typical of small housing estates in the urban fringe. Most land owners along main village roads are reluctant to sell their land. Developers are unable to purchase all land within their location permit area, resulting in irregular shaped site plans. The street pattern within the formal housing development is designed to maximize the number of housing units.



Hoffman (1992) identify several reasons for this. First, the planning capabilities of many local governments are low, while the structure plan (*pola dasar*) only indicates rather than specifies land use. Second, large formal-sector developers, in particular, frequently influence government officials to change zoning. In examining zoning in Indonesia, Bertaud (1989) considers zoning regulation as written rather than practiced by developers.

Table 5.3 Acquired Land in Location Permit Areas (Housing) and Compliance with Zoning (1980-1989)

KABUPATEN	ACCORDING TO PLAN		NOT ACCORDING TO		TOTAL	
	location	Size	locations	Size	locations	Size
Bogor	2	16.4 ha	1	3 ha	3	19.4 ha
Tangerang	108	14,965.2 ha	111	13,048.0 ha	218	27,114.2 ha
Bekasi	56	1,483.9 ha	68	1,235.5 ha	124	2,718.4 ha
BOTABEK	237	17,433.5 ha	245	15,808.8 ha	403	33,338.0 ha

Source: JMDP report, 1993.

#### ***b. Unclear permit boundaries***

The ambiguous boundary of the location permit creates problems for rural land owners. If officials assume that the villagers' land is within the boundary of a developer's permit, they will have difficulty in selling their land to a third party. In addition, this unclear boundary problem hinders the entrance of small scale housing development and informal housing development.

#### ***c. Fragmentation of development and administrative agencies***

The location permit is not supported by sufficient planning tools, such as adequately scaled maps that show the existing condition and land use, nor by a detail plan of the area that shows the infrastructure network. The existing plans (structure plan or *pola dasar*) only indicate zoning with no specific details of the development. Sujana (1993) identified that the problem of planning in Indonesia, is the tendency to neglect

urban management. Developers are left to design their own plan within the permitted area.

Planning is fragmented and overlapped between the central government, local government of DKI Jakarta and the *kabupatens* of the Botabek area, complicated by weak coordination between the various agencies. In addition to the three regent governments (*kabupaten*), there are municipal governments (*kotamadya*), and several central government ministries and authorities involved in the Botabek development. Decision and approaches to deal with the Botabek development are conducted partially by the institutions involved. (Urban Fringe Area Report, 1993)

National projects in the urban fringe area such as the Soekarno-Hatta Airport, Serpong Research and Technology Center in Tangerang, the new University of Indonesia campus and Taman Mini Indonesia in Bogor are beyond the local government's authority and not integrated with the planning of the surrounding areas, resulting in spatial disintegration. Another example is that the Botabek's policy to designate residential areas to accommodate population spill-over from DKI Jakarta, was abused by DKI Jakarta's policy to develop new primary centers on the east and west side. (Urban Fringe Area Report, 1993)

Developers have been constantly demanding an improved and integrated land use plan. A larger proportion of their efforts are focused in land assembly, purchase negotiations and land permit procedures, rather than construction and development.

#### ***d. Required housing mix not enforced***

The location permit requires that the developers build mixed housing in a proportion of high (1) : middle (3) and low (6). This requirement has not been fulfilled by developers, which tend to build for middle and high income groups. In my interviews with developers, they said that the regulation was "easier said, than done." Further research should focus on why developers neglect this responsibility. For middle income

housing, affordability has also been a key issue. Developers are charging high land prices, that has filtered many potential middle income families from owning a house.

This tendency has caused problems in finding land for low-income housing. About 24,000 hectares of land in Tangerang has been allocated for housing development-most of them are middle to high income housing. While the unclear boundaries of the permit have created problems for informal housing development, land for lower income housing is pushed further and further away. This adds costs to lower income people for transportation and additional costs to the government to provide infrastructure.

***e. New government intervention in housing***

Finding land for affordable housing is a key concern of the State Ministry of Housing. On the basis of the presumption that land prices are sky rocketing, they are preparing a new concept called *kasiba* (*Kawasan Siap Bangun* or ready to use area). The basic concept is that the government (c/o a state enterprise) will decide a location for *kasiba*, buys the land, draw the network plan and subdivisions, along with the local government provide infrastructure, and sell the land to developers or cooperatives for mixed income housing. The government will control the land prices within the *kasiba*. Land owners who are not willing to sell their land must participate in a land readjustment scheme. The main purpose of *kasiba* is to prevent land prices from rising too fast and prevent land speculation.

Questions arise whether or not this degree of intervention will improve the land supply for housing- most of the land is already under location permits. The government has not conducted a study on why land speculation occurs or whether land prices are increasing more than inflation.



Excluding walls surrounding *kampungs* (village housing clusters) that are unwilling to sell their land.

A small opening is provided for the villagers' exit and entrance.



Cut and fill boundaries. Leveled land is shown in front, while existing *kampung* is shown in the rear.



View to new housing development from the existing *kampung*.

Figure 5.4 Micro-morphological effects: types of boundaries between new housing development and existing *kampung* (village housing cluster).

### **5.1.3. Morphological Consequences**

#### **5.1.3.1 Theory**

Theoretically the local government should be able to guide and coordinate the new development, since they issue principal permits and building permits. According to Courtney (1983)<sup>38</sup>, although government approval is the main way to enforce controls, many developing countries are unable to afford the luxury of a check and balance process in their control procedures. It is a tedious process that requires local officials to have sound knowledge of regulations, building, zoning codes and enforcement of sanctions.

#### **5.1.3.2 Practical Problems**

As mentioned above, local governments are unprepared for the new development. Local governments' issue permits, but are unable to control and monitor them. Developers build housing and social facilities for the purpose of the new residents only, and physically exclude the local villagers. The most obvious result of issuing location permits that are not supported by a sound physical plan are micro-morphological effects, such as uncoordinated street patterns, pocket type housing estates, wall enclosures surrounding existing kampungs, and cut and fill boundaries.

##### ***a. Micro-morphological effects***

###### **1) Uncoordinated infrastructure and street pattern**

Because there are no plans or guidelines for street and infrastructure networks, developers must design their own street pattern, which are different from one another. In one of the smaller housing sites I visited, the developers had built a wall surrounding their

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<sup>38</sup>John Courtney. Intervention through Land Use Regulation in Urban Land Policies: Issues and Opportunities. Harold Dunkerley Ed. A World Bank Publication, 1983.

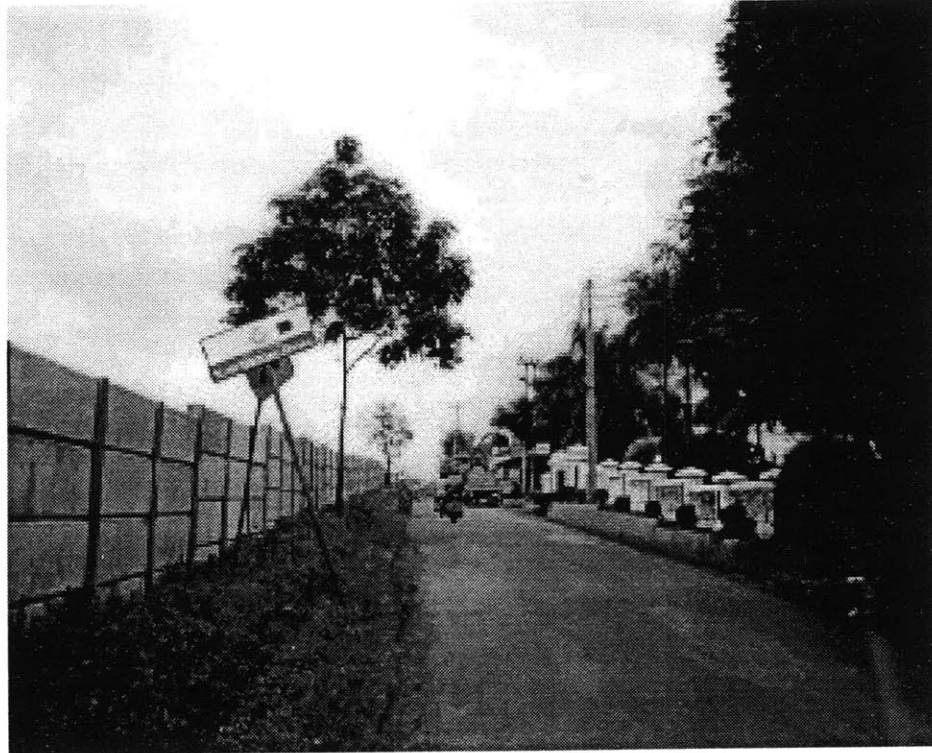


Figure 5.5 "The New Berlin Wall"

This wall was built by a developer surrounding the land that they purchased. The wall physically separates the new development from the village and excludes the villagers.

complex.<sup>39</sup> Several of the roads just ended at a wall (dead end road). On the other side of the wall was the backyard of houses from another complex. (See Figure 5.6)

## 2) Pocket shape development

I noticed that most land owners with land along the main road are reluctant to sell their land. These landowners assume that land along the main road has a higher potential value. One land owner who owned land along the main road, *Pak Ali* said that he didn't want to sell his land to the developer, because he knew the land was worth more than the price offered by the developer and that it had a higher opportunity cost.

This tendency of land owners not selling land along the main road has caused pocket shape housing developments. A small developer said that their company couldn't persuade the land owners along the main road to sell their land, and when they did sell it was at a very high price. The developer could only afford to buy land enough for the site entrance and exit. (See Figure 5.3)

## 3) Excluding walls around development

Developers define their territory by building walls around their land. In Pondok Pucung and Pondok Aren Village, one developer built a wall along the main village road, separating the village from the new housing estate. Villagers referred to this wall as the "New Berlin Wall" . (see Figure 5.4 and 5.5)

## 4) Inclusive walls around uncooperative villages

Sometimes developers would build walls surrounding a *kampung* that does not want to sell their land. The developers only leave a small opening for the villagers to come in and out of the enclosure. Legally there is no regulation that prevents developers

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<sup>39</sup>Building a wall is a typical action for developers to define their property



Cleared land is shown in the foreground. The wall in the rear surrounds a cemetery.



A wall between two housing estates.



Uncoordinated street patterns and walls between housing estates are common. This is a dead end street. Notice that the houses on the other side of the wall are parallel to the wall.

Figure 5.6 Micro-morphological effects: more walls



from building walls surrounding their territory.<sup>40</sup> Psychologically, the wall pressures land owners into selling their land. Criticism towards this method has led developers to choose other subtle methods in defining their boundaries, such as cut and fill boundaries. (See Figure 5.5)

### ***b. Macro-morphological Effects***

Another consequence of the location permit is leap-frog development. Developers cannot obtain all the land under the permit, because among others the land prices have increased considerably since their initial development occurred. The price increase does not attract other developers to enter the housing market in that area. Other developers apply for location permits in areas further away, bypassing the area surrounding the first development. Pockets of undeveloped land occur in between the developed areas. This leap frog development causes inefficiency and costs to infrastructure development. The local government must provide longer roads, piped water lines, electric lines, and telephone lines.

## **5.1.4. Environmental Aspects**

### **5.1.4.1 Theory**

All previous regulations concerning the location permit had required an Environmental Impact Assessment (EIA), flood level permit and land filling permit. The location permit also requires that the development avoid prime farmland and utilize unproductive farmland. The new regulation, *Pakto 2/1993* omitted EIA in housing projects, but still requires it for industrial estates. The possible rationale for omitting EIA was that the government does not consider residential waste a threat to the environment.

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<sup>40</sup>The "*kavling*" system (inherited from the Dutch), is the most common way of defining property. This system allows the land owner to build a wall surrounding the lot.

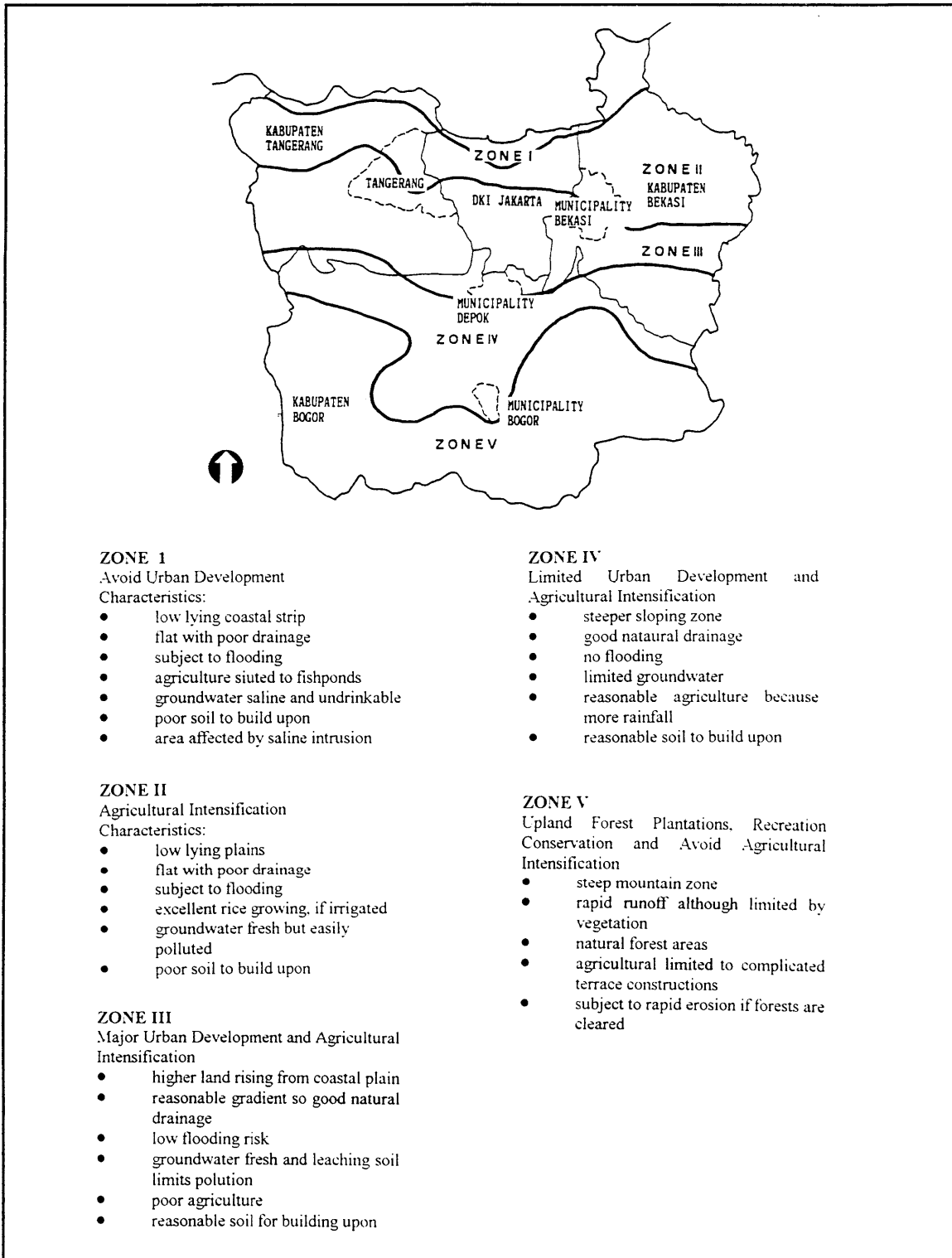


Figure 5.7 Jabotabek Physical Constraints

The additional permits (EIA, flood and land filling) are not a condition to obtain the location permit, but are a requirement to obtain a building permit. Thus, it seems that environmental aspects are not controlling the macro-development, but are considered elements of the micro-development. The consequence of requiring EIA for building permits is that the local government can restrict new development to medium and low density housing. This also means that low-income housing is further restricted because low income housing has a higher density than medium and high income housing.

#### **5.1.4.2 Practical Problems**

##### ***a. Decrease of farm and crop land***

The amount of farmland declines as more rural land is converted into urban use. The amount of farm land per person in Java has declined from 0.5 ha in 1990 to 0.3 ha on 1993.<sup>41</sup> Inconsistency with master zoning has also caused environmental problems. The Jabotabek development is constrained to limit its use of ground water in zone I, II and III (see figure 5.8). The ground water in Northern Jakarta is already infiltrated with salt water. Consequently, issuing permits for housing in these zones are a threat to the ground water level.

For example, Teluk Naga, a productive rice area located in the northern part of Tangerang, has been designated for tourism development. The developers obtained location permits to develop about 1,500 hectares. The villagers are worried about the land use change because their main income is from rice production. Although the Ministry of Agriculture has disapproved the conversion of this area for urban use, the local government still issued location permits for this development. (See Figure 5.2 and 5.8)

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<sup>41</sup>Lowering the Boom on Speculators in Review Indonesia, January 29, 1994, p. 22.

# Regency to remove soil from ponds

TANGERANG (JP): The Tangerang regency will remove soil from some ponds in Ciledug in the Pamulang district and send the bill to the real estate company which had illegally filled them.

Tangerang regent Tadjus Sobirin said that since PT Reny Jaya, the owner of the Villa Bukit Pamulang housing complex had failed to remove the soil it had filled the ponds with, by May 10 as ordered by West Java governor Yogie S. Memed, the authorities would do it themselves.

An integrated team consisting of representatives from several agencies within the administration will restore the ponds to their function as rain water catchments for Bogor, Puncak and Cianjur in West Java.

PT Reny Jaya filled in 4,905 square meters of ponds without notifying the authorities. The ponds cover a total area of around 50 hectares.

Regent Tadjus said that the development of housing complexes in Pamulang and Ciputat, near South Jakarta, has a legal limit because the area serves as a water catchment.

He said the government would take action against the housing complex developer if it kept defying the authorities.

There were 42 ponds in Tangerang regency, but only 19 are still functioning as water sources for irrigation, fisheries, drinking water and recreation.

The other 23, which covered a total area of 304 hectares, have become dry land with various kinds of buildings constructed upon them. (smb)

Figure 5.8 Jakarta Post, May 8, 1992.

### ***b. Illegal land fill***

The local government has warned several developers to remove soil from ponds throughout Tangerang. Out of the 42 ponds in Tangerang, only 19 are still functioning as water sources for irrigation, fisheries, drinking water and recreation. The other 23 ponds, which amount to about 304 hectares, have become dry land. (See Figure 5.8)

## **5.1.5 Social impacts**

### **5.1.5.1 The illusion of jobs**

The technical bias of projects is common in developing countries (Cernea, 1985). Due to this bias, many projects tend to neglect social aspects. There are two strong views concerning social impacts of housing development. One view is that the new housing development provides job opportunities in the community and the villagers can use the social and public facilities provided by the new development.<sup>42</sup>

The other view is that the land owners are becoming poorer. With less land, and no skills to work in the non-agricultural sector, these land owners end up poorer than before. (Katjasungkana, 1989) A few developers provide jobs for the villagers, but many village community leaders had to fight for those jobs. As one community leader said: "The developer promised us jobs when we were resettled here, but all the young people in my village were rejected when they applied for the jobs. They said these people lacked education and skills required for the jobs. I went to see the developers and insisted that they keep their promise to provide jobs. Finally they did."

### **5.1.5.2 Exclusion and change of living style**

In terms of physical development, villagers are isolated from the new development by concrete walls. Most of the social facilities built by the developers are

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<sup>42</sup>Interview with developer (December, 1993).



Figure 5.9 Drainage from housing estates flows into local ditches, which are not designed to accommodate heavy water flows.

not benefiting the villagers, because they cater to the higher income community. One villager commented: "I can't use any of the sports facilities in the new housing development. They are all expensive sports. I don't play golf or tennis, and I don't like the mall. I'm worried that my children will become victims of consumption. They hang out at the mall almost every day." As one village head said, "This new development (malls, golf courses) is not our life style." Until the end of 1992, there were at least 21 golf courses in the Botabek area. (Dorleans, 1992)

### **5.1.6. Administrative Consequences**

#### **5.1.6.1 Theory**

Other issues that should be considered in the implementation of the location permit, are the capacity of the local government, and the involvement of the sub district office in deciding what kinds of public facilities are mostly needed in the village. The local governments' capability is crucial because there are many value judgments involved in the location permit process that depends on the officials' intellectual capacity to analyze the justifications for the decisions.

#### **5.1.6.2 Practical Problems**

##### ***a. Misperception of regulations***

Harsono (1991) argues that, "In practice there is a misperception on the essence and function of PMDN regulation no. 15/1975 and 2/1976, as if these regulations give legal foundation and regulate everything concerned with land release and land acquisition." Theoretically, these regulations are only administrative products for internal use among the institutions involved in the permit process. All land acquisition and land release procedures should follow the *perdata* (civil) law, i.e., the agreement law (*hukum perjanjian*), which states that both parties (buyer and seller) are on equal terms. Both parties have the right to refuse or accept any terms offered to them.

Several officials at the local level bureaucracy agree with Harsono on the misinterpretation of the location permit regulation. The fact that the actors involved in the process have unequal information concerning land use plans, land rights, obligations and land prices, has worsened this situation. Ferguson and Hoffman (1992) stated that village heads tend to exhort land owners on the importance of land as a "social function." In my interviews with one of the village heads, he also gave a similar remark: "The villagers do not understand the importance of the housing development."

***b. Overlapping of permit areas***

Deficiencies of skills complement the weakness of local institutions, and hinder efficient land administration and land management. Besides the unclear boundaries mentioned above, overlapping of permit areas complicate the problem. Figure 3.2 shows that several location permits are located within a larger permit area.

***c. Non-enforcement of sanctions***

Developers have little responsibility to follow housing regulations, mainly because the government has not strictly enforced sanctions. In my interviews with government officials, they said that enforcing sanctions is difficult because the regulation doesn't explain what the sanctions are and the local government hasn't prepared any implementing regulations that complement the location permit. On the other hand, developers often use their "power" and connections with the higher bureaucracy to obtain permits and/or extensions.

***d. Lack of coordination with village officials***

The PMDN 3/1987 states that developers must build social and public facilities for the people living within the housing development. Therefore, this stresses the needs of the future home buyers rather than the existing community. Furthermore, the description



of social and public facilities in the local master plan (*Rencana Umum Tata Ruang*, issued by *Bappeda*) is vague. As an example, the plan only lists "sports facilities," and does not specify what kind of sports facility should be built or whether the decision to build a sports facility should involve asking the community what they need. The new development tends to ignore the existing community.

***e. The ambiguous role of local village officials***

Local village officials are faced with the ambiguity of serving the community and being subordinate to the higher bureaucracy. Many village heads believe that they must support the new development, yet they must be of service to the villagers.

***f. Conflict with new concept of *kasiba****

According to the PMDN no. 5/1974, the local authorities should prepare development plans and control local development. Basuki (1992) states that the level of control should have included monitoring the land acquisition process, protecting the land owners' rights as well as enforcing obligations of the permit holder. In practice, the permits are issued more as an administrative procedure, rather than as a tool to control development. The failures of the location permit to reach its intended goals in providing housing and affordable land has given the government a strong reason to intervene with new concepts of land management. The government is planning a new concept called *kawasan siap bangun* or *kasiba* (ready to use sites). Perum Perumnas will be responsible for implementing *kasiba*.

I argue that shifting the responsibilities of land allocation and development to a central government agency, appears to weaken the role and responsibilities of the local government. The local planning office in Tangerang has admitted that they have been slow in preparing themselves to accommodate the new development, however they are now preparing a detailed plan for their area, which will be ready by September 1994.

With these new plans, the local planning office hopes to achieve a better coordinated development.

## **5.2. Recommendations**

Although my analysis suggests many possible improvements, the central and most important issue is that the government should improve and increase the level of information on land regulations and land markets.

- The government should improve land administration and decentralization- improve cadastrals, simplify and localize land registration at the *kecamatan* level. These measures will increase the number of registered plots and ease the local land owners in administration procedures. If each village has a detailed map of the land owners and their land boundaries, the process of selling and buying land will be much easier.
- Disseminate information to the land owners and increase information on land prices, commission and fees of brokers. Inform land owners of their land rights, explain their options in the land conversion process, and inform them about future land use plans.
- Clarify the process of negotiating with land owners (*musyawarah*). Is it enough to discuss plans with the community leaders or should all the land owners be informed and involved in negotiations with the developer? Expand the level of information to be discussed in the process, such as land owners' rights, developers' obligations, and options for participating in the new development.
- Clarify the boundaries of the location permit and provide this information to local officials, developers and land owners.
- The government should increase the flow of information concerning land regulations, land-use planning and development plans within government agencies through training, short courses, and newsletters; and to the public, through the media: television, newspapers, magazines, etc. This information would also include expose of non-complying developers, and problems of government administration in land and

planning. More information on land issues will increase people's understanding of their land rights, obligations and future opportunities.

In addition to the above recommendations to improve the information system, the government might incorporate the following recommendations:

- Many of the land owners sold their land for financial reasons. The government should extend credit to small land owners and provide technical assistance to land owners to enable them to shift to the non-agricultural sector. This will help the local villagers' absorption into the urban job market generated by new housing development.
- The government's planning efforts should focus on the existing villages and pockets of unacquired land between housing developments. Although the location permit regulation proposes the concept of land readjustment, developers deny the responsibility to implement the scheme. The government should clarify the concept and procedures of land readjustment.
- Prepare integrated land use plans, that include road and infrastructure networks. Coordinate the plans with the overall Jabotabek development and existing carrying capacity of land in Botabek.

### **5.3 Future Research Questions**

#### **5.3.1 The Necessity of the Location Permit**

From a legal point of view, the PMDN 3/1987 and Pakto 2/1993 appear to give emphasis on the economic side of development. Land appropriation is different from voluntary bargain and sale. The land appropriation regulation (PMDN no. 15/1976 and 16/1976) fails to recognize the rights of small land owners. Further research should focus on the necessity of the regulation and how new land regulations can accommodate the rights of small land owners.

The land owners' options stipulated in the land appropriation regulations are limited and unclear. If the government should decide to continue using these regulations, policies for improving the system should also include further discussion of options for land owners. Is it possible to offer partnerships, such as community land trust, land cooperation, etc.? If yes, further research should study how can the government assist the villagers in setting up small scale enterprises or coops, and other possibilities for partnerships in development.

### **5.3.2 The Role of the Community**

What is the role of community participation in the development process? The location permit and the process of land appropriation excludes the community in the decision making process. Land appropriation committees only involve local government officials- none of the land owners are represented. This situation creates opportunities to abuse the regulation. The government should include disseminating information on land rights in their guided land development program.

### **5.3.3 The Social Function of Land**

The government should define the meaning of "social function". What kind of development is considered a social function and how does it effect the local community? Land alone cannot be considered a social function, if it is not supported by a social plan that explains the benefit of the new land development to society as a whole. Should a social project mean that the land owners are compensated at below market price? The current view that housing is a social function is too broadly defined. Many formal housing developments cater to upper middle income people and provide luxury facilities such as golf courses, and shopping malls.

### 5.3.4 Planning Issues

#### *a. Decentralization Vs centralized planning*

Officials at the central government argue that the rationale for centralized planning is that local governments are incapable of designing and implementing their own plans. On the other hand, if planning was centralized, local governments would never have the experience to develop their area. Further research should focus on the prerequisites and boundaries of the two planning views. In what way can local government have a larger role in planning? What kinds of mechanisms are required to enable both local and central governments to have proportional roles in development?

#### *b. Planning Devices*

Since traditional planning is expensive, time consuming and often not implemented, what kind of planning devices are possible? Other countries such as the USA is experimenting with performance zoning, where decisions for new development are decentralized to the local level.<sup>43</sup> The government should study these measures. A detailed plan of an area combined with enforcement of performance zoning would eliminate the necessity for a location permit.

#### *c. The Nature of Demand in Jabotabek*

Various studies have shown that there is an excessive amount of land under location permits and as a result there will be an oversupply of housing in the future. Yet, local land offices are still issuing location permits. Further research should focus on these new housing developments. What is the nature of the overall housing demand in the Jabotabek area?

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<sup>43</sup>According to Douglas Porter (1988), performance zoning exercises to some extent performance-based criteria and standards to determine appropriate uses, and provides administrative mechanisms to offer more predictable and consistent decisions.



## **APPENDICES**





Table 1 Developers with Location Permits > 500 ha  
Source: *Bisnis Properti*, December 1993, page 8

TABEL III DEVELOPER PERUMAHAN YANG MENGUASAI LAHAN DI ATAS 500Ha		
NO.	NAMA PERUSAHAAN/PROYEK	LUAS (Ha)
1.	PT. Panca Wiratama Sakti (Tigaraksa)	3.800
2.	Bumi Serpong Damai	6.000
3.	PT. Citra Land Teluk Naga	1.000
4.	PT. Bintaro Raya	1.700
5.	PT. Citraland Surabaya	1.500
6.	Pantai Indah Kapuk	800
7.	PT. Putra Alvita Pratama (Bekasi 2.000)	2.000
8.	PT. Metropolitan (Tangerang)	700
9.	PT. Alva Gold Land	700
10.	Lippo City	800
11.	Lippo Village (Tangerang)	700
12.	PT. Serasi Niaga Sakti	500
13.	PT. Simas Tunggal	500
14.	PT. Arangga Pertiwi	500
15.	PT. Bhineka Karya	500
16.	PT. Aneka Karya	650
17.	PT. Supra Varietas	700
18.	PT. Apta Citra	600
19.	PT. Nirmala Indah	500
20.	PT. Modernland Realty	700
21.	PT. Kapuk Naga Indah	2.000
22.	PT. Tunggal Reksa Kencana	500
23.	Kota Cikarang Baru	1.400
24.	Rancamaya	550
25.	Royal Sentul	2.000
26.	Agrowisata Nusantara	700
27.	Bukit Cinere Indah	650
28.	PT. Jakarta Baru Cosmopolitan	1.000
Jumlah		<b>33.650</b>

Sumber: Pusat Data Bisnis Properti

Table 2 List of Projects and Land under Location Permits of Ciputra (Sang Pelopor)  
Source: *Bisnis Properti*, February 1994, page 11

PROYEK DAN PENGUASAAN LAHAN DI BAWAH SANG PELOPOR	
GROUP SANG PELOPOR	LUAS AREA
<b>A. BUMI SERPONG DAMAI</b>	
1. B S D	6.000,00 ha
<b>B. CIPUTRA GROUP</b>	
1. Citra Garden I, II, III, Daan Mogot	430,00 ha
2. PT. Citraland Surya (Surabaya Barat)	1.500,00 ha
3. PT. Karya Andania (Semarang)	2,00 ha
4. PT. Citraland Sentra (Jakarta)	4,13 ha
5. Segitiga Emas Citraland, Kuningan	13,50 ha
6. Citraland Estate/Kawasn. Indus. Neglasari, Tangerang	500,00 ha
7. Citra Garden Grand City, Citraland, Teluk Naga	1.000,00 ha
	<b>3.449,63 ha</b>
<b>C. METROPOLITAN GROUP</b>	
1. Kosambi Baru	15,00 ha
2. Harapan Baru	25,00 ha
3. PT. Kawasan Industri Jababeka (Cikarang)	510,00 ha
4. Kota Cikarang Baru, PT. Graha Buana Cikarang	1.400,00 ha
5. Bekasi Metropolitan Mall	11,50 ha
6. Kalibaru, Bekasi Barat	72,50 ha
7. Medan Satria, Bekasi Barat	41,90 ha
8. Wisma Metropolitan, I, II, III, PT. Jakarta Land	7,00 ha
	<b>2.082,90 ha</b>
<b>D. JAYAGROUP</b>	
1. Bintaro Jaya	1.700,00 ha
2. Taman Impian Jaya Ancol	250,00 ha
3. Garden Residence Kemang Jaya	5,40 ha
4. Sunda Kelapa Jaya Harbour, PT. Jaya Real Properti	12,00 ha
	<b>1.967,40 ha</b>
<b>E. PONDOK INDAH GROUP</b>	
1. Pondok Indah (PT. Metropolitan Kencana dengan SIPPT tahun 1972)	450,00 ha
2. Puri Indah (PT. Antiope Maju)	180,00 ha
3. Bukit Cinere Indah	60,00 ha
4. Pantai Indah Kapuk (PT. Mandara Permai)	1.000,00 ha
5. Shangri-la Garden Batam	10,40 ha
6. Park Royale, PT. Sari Lembah Tirta Hijau	6,50 ha
	<b>1.706,90 ha</b>
<b>Sumber: Data Properti Indonesia/Bine</b>	<b>15.206,83 ha</b>

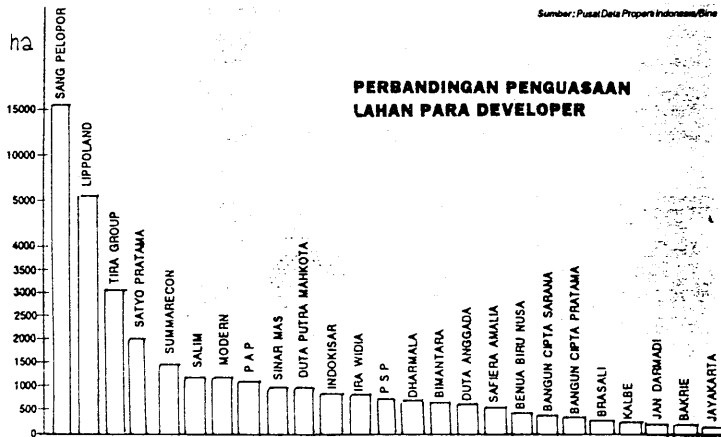


Figure 1 Comparison of Area under Location Permits issued to Developers  
Source: *Bisnis Properti*, February 1994, page 6

Land Use and Land type	1987	1988	1990	1991*		1993	
				Pd. Aren	Pd. Pucung	Pd. Aren	Pd. Pucung
<b>Farming</b>							
class I	15,000	17,500	17,500	15,000	14,000	16,000	14,500
class II	12,000	14,000	14,000	13,000	12,000	13,500	13,000
class III	7,500	10,000	10,000	10,000	9,000	11,000	9,500
class IV	6,000	7,000	7,000	7,000	6,000	8,000	7,000
Class V	3,500	4,000	4,000	6,000	5,000	7,000	6,000
<b>Housing</b>							
Class I	50,000	60,000	60,000	40,000	30,000	57,500	35,000
Class II	37,500	45,000	45,000	30,000	20,000	50,000	27,500
Class III	20,000	30,000	30,000	20,000	15,000	30,000	22,500
Class IV	12,500	15,000	15,000	15,000	10,000	22,500	15,000
<b>Commercial/ Trade</b>							
Class I	50,000	60,000	60,000	N/A	N/A	75,000	40,000
Class II	35,000	45,000	45,000			70,000	35,000
Class III	22,500	30,000	30,000			47,000	30,000
Class IV	12,500	15,000	15,000			30,000	20,000

Note:

Beginning 1991, the land prices are divided by village.

Only Pondok Aren and Pondok Pucung village are included in this table. An example of the official price issued by the *bupati* (regent) of *Kabupaten* Tangerang can be seen on the following page.

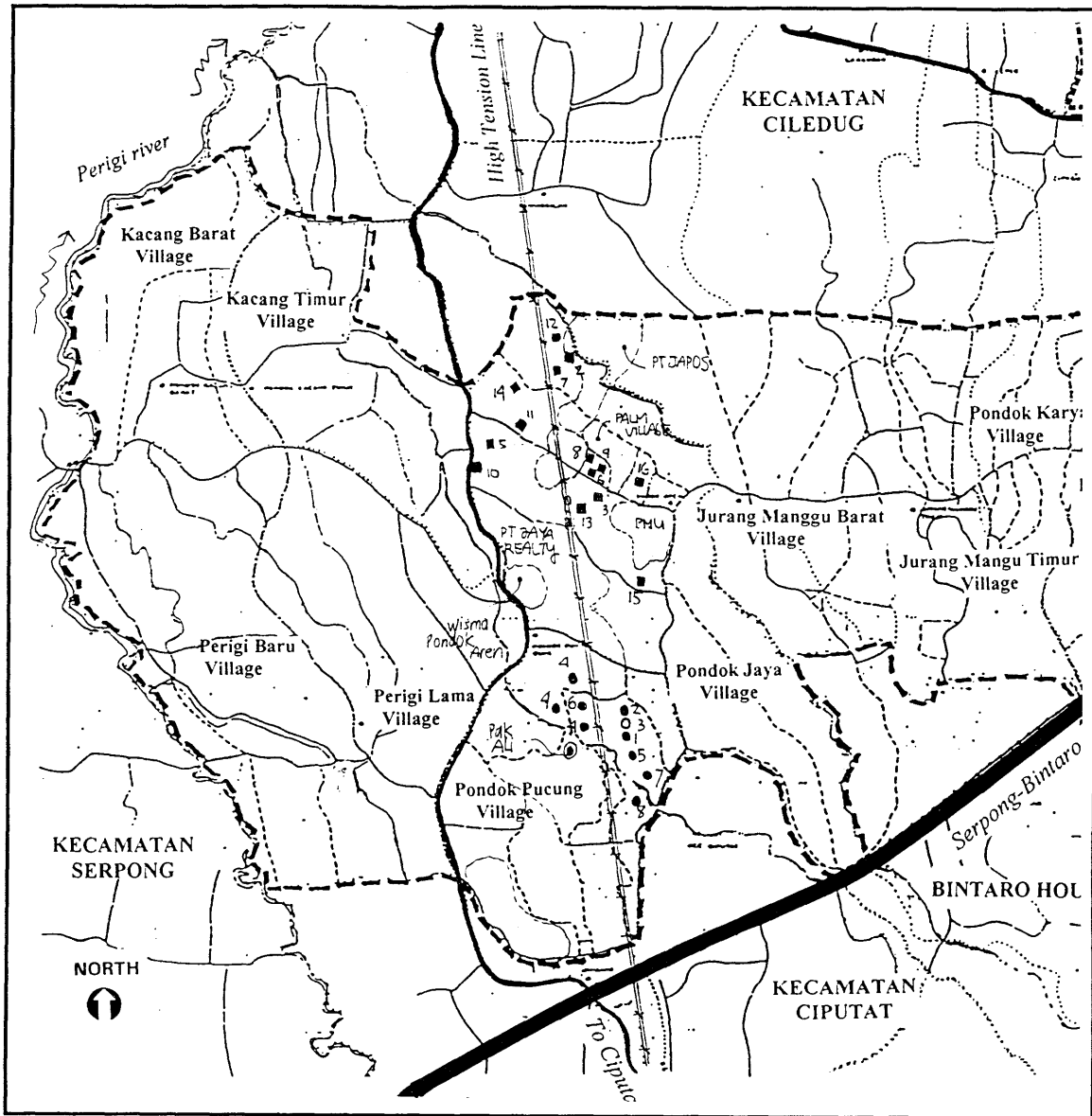
LAMPIRAN I BUKU LERENGAN BUMAH KOTA DAERAH TINGKAT II TANGERANG.  
 NOMOR : 592/SK.233-DE/1990  
 TANGGAL : 15 Desember 1990  
 TITIKAS I HAKMIL DAERAH ATAU ZONAN DI KABUPATEN DAERAH II TANGERANG.

KABUPATEN/KORINTIP KEDUNGAN	L O K A B E I P E R K O G O V N K A A M																	
	P E R T A N I A N					P E R U H A N I A N				P E R D A G A N I A N D A N J A S A			I N D U S T R I					
	K E L A S D A N		H A R A T A N A R		T I A P - T I A P		M 2 ( D A L A M R O P I A R )		I	II	III	IV	I	II	III	IV		
I. KOTA/KORINTIP TANGERANG	I	25.000	20.000	15.000	10.000	5.000	175.000	125.000	80.000	40.000	200.000	140.000	80.000	40.000	150.000	100.000	60.000	30.000
	II	22.500	17.500	12.500	8.000	4.000	125.000	85.000	45.000	20.000	175.000	115.000	65.000	20.000	100.000	65.000	35.000	15.000
	III	20.000	16.000	12.500	8.000	4.000	120.000	100.000	55.000	20.000	160.000	115.000	65.000	25.000	-	-	-	-
	IV	20.000	16.000	12.500	8.000	4.000	80.000	55.000	30.000	15.000	80.000	55.000	35.000	15.000	75.000	50.000	30.000	15.000
	V	20.000	16.000	12.500	8.000	4.000	90.000	60.000	35.000	15.000	100.000	65.000	35.000	20.000	90.000	60.000	35.000	15.000
II. KOTA/KORINTIP SERANG	I	17.500	13.500	9.000	6.000	3.000	80.000	55.000	30.000	15.000	90.000	60.000	40.000	20.000	80.000	60.000	40.000	20.000
	II	25.000	20.000	15.000	10.000	5.000	175.000	125.000	80.000	40.000	200.000	140.000	80.000	40.000	150.000	100.000	60.000	30.000
	III	17.500	14.000	10.000	7.000	4.000	60.000	45.000	30.000	15.000	60.000	45.000	30.000	15.000	-	-	-	-
	IV	7.500	6.000	4.500	3.000	1.500	30.000	22.500	15.000	10.000	35.000	27.500	20.000	15.000	-	-	-	-
	V	7.500	6.000	4.500	3.000	1.500	30.000	22.500	15.000	10.000	35.000	27.500	20.000	15.000	-	-	-	-
III. KOTA/KORINTIP MANGROVE	I	10.000	8.000	6.000	4.000	2.500	40.000	30.000	22.500	15.000	45.000	35.000	27.500	20.000	40.000	30.000	22.500	15.000
	II	6.500	5.000	3.500	2.750	2.250	30.000	22.500	15.000	10.000	35.000	25.000	17.500	12.500	-	-	-	-
	III	9.000	7.500	6.000	4.500	3.000	40.000	30.000	22.500	15.000	50.000	40.000	30.000	20.000	-	-	-	-
	IV	15.000	11.000	7.000	4.000	2.000	40.000	30.000	22.500	15.000	60.000	45.000	30.000	15.000	40.000	30.000	22.500	15.000
	V	7.500	5.000	3.500	2.000	1.000	25.000	20.000	15.000	10.000	35.000	27.500	20.000	12.500	-	-	-	-
IV. KOTA/KORINTIP BALAJA	I	7.500	5.000	3.500	2.000	1.000	20.000	15.000	10.000	7.500	25.000	20.000	15.000	10.000	-	-	-	-
	II	7.500	5.000	3.500	2.000	1.000	20.000	15.000	10.000	7.500	25.000	20.000	15.000	10.000	-	-	-	-
	III	7.500	5.000	3.500	2.000	1.000	20.000	15.000	10.000	7.500	25.000	20.000	15.000	10.000	-	-	-	-
	IV	7.500	5.000	3.500	2.000	1.000	25.000	20.000	15.000	10.000	30.000	22.500	17.500	12.500	-	-	-	-
	V	7.500	5.000	3.500	2.000	1.000	25.000	20.000	15.000	10.000	30.000	22.500	17.500	12.500	-	-	-	-
V. KOTA/KORINTIP CIBINDE	I	17.500	13.500	9.000	6.000	3.000	60.000	45.000	30.000	15.000	80.000	60.000	40.000	20.000	75.000	55.000	35.000	15.000
	II	17.500	13.500	9.000	6.000	3.000	50.000	40.000	25.000	15.000	60.000	45.000	30.000	20.000	50.000	35.000	25.000	15.000
	III	12.500	10.000	7.500	5.000	2.500	50.000	40.000	25.000	15.000	60.000	45.000	30.000	20.000	-	-	-	-

BUKTI KEPALA DAERAH TINGKAT II



Appendix 3 Official Land Prices in Kabupaten Tangerang (1990)



- Land transactions in Pondok Pucung village
- Land transactions in Pondok Aren village

Appendix 4 Location of Land Transactions Recorded in Case Study Area. The numbers correspond to the code in Appendix 5.

NO	CODE	YEAR	AREA M2	PRICE RP./M2	LAND STATUS	LAND TYPE	BUYER	BROKER
1	A6	1980	1,000	5,000	girik	darat2	developer	yes
2	A3	1984	1,200	6,000	girik	sawah	developer	yes
3	A1	1990	500	6,000	girik	sawah	individual	no
4	A5	1992	1,000	65,000	girik	darat2	developer	yes
5	A9	1992	200	75,000	girik	darat2	individual	yes
6	A2	1993	200	25,000	girik	darat2	individual	no
7	A4	1993	160	120,000	HGB	darat1	individual	no
8	A8	1993	300	60,000	girik	darat2	individual	yes
9	A11	1993	265	90,000	girik	darat1	individual	yes
10	A13	1993	200	60,000	girik	darat2	individual	no
11	A14	1993	400	50,000	girik	darat2	individual	no
12	A7	1994	200	65,000	girik	darat2	individual	yes
13	A10	1994	745	125,000	girik	darat1	individual	yes
14	A12	1994	200	60,000	girik	darat2	individual	no
15	A15	1994	120	50,000	girik	sawah	individual	yes
16	A16	1994	600	60,000	girik	darat2	individual	no

NO	CODE	YEAR	AREA M2	PRICE RP./M2	LAND STATUS	LAND TYPE	BUYER	BROKER
1	P4	1987	3,800	8,000	girik	darat	developer	no
2	P5	1987	2,000	7,500	girik	darat	developer	yes
3	P1	1990	2,000	15,000	girik	darat	developer	yes
4	P2	1990	3,000	15,000	girik	sawah	developer	yes
5	P7	1990	1,000	25,000	girik	darat	developer	no
6	P3	1992	700	35,000	girik	darat	individual	no
7	P8	1992	1,300	30,000	girik	darat	developer	no
8	P6	1993	400	30,000	girik	darat	individual	no

Note:

Sawah = paddy fields

Darat 1 = dry land 1

Darat 2 = dry land 2

Appendix 5 Land Transactions in Pondok Pucung and Pondok Aren Village

**Land Prices in Pondok Aren Village**  
(in nominal rupiah)

<b>1987</b>	Lurah	Broker1	Broker2	Broker3	Developer
Dryland 1	45,000	5,000	6,000	5,000	11,000
Dryland 2	25,000	4,000	5,000	4,500	n/a
Paddy field	8,000	3,500	4,000	3,500	8,000

<b>1990</b>	Lurah	Broker1	Broker2	Broker3	Developer
Dryland 1	75,000	45,000	15,000	15,000	22,000
Dryland 2	35,000	40,000	12,500	12,500	n/a
Paddy field	12,000	15,000	10,000	10,000	18,000

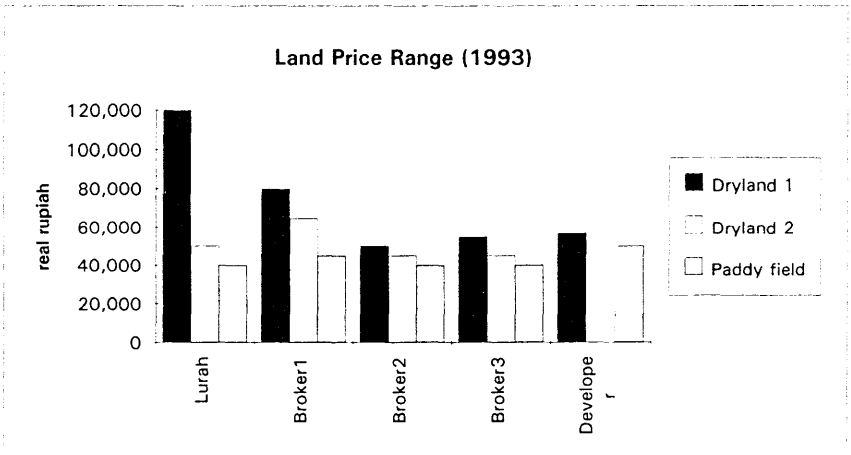
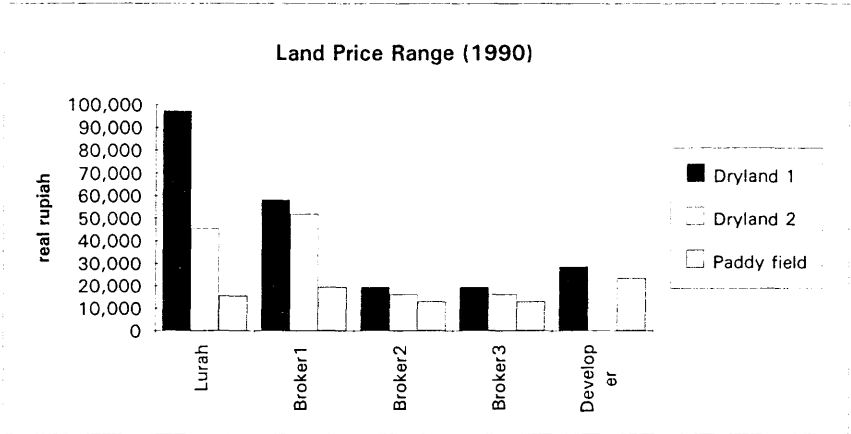
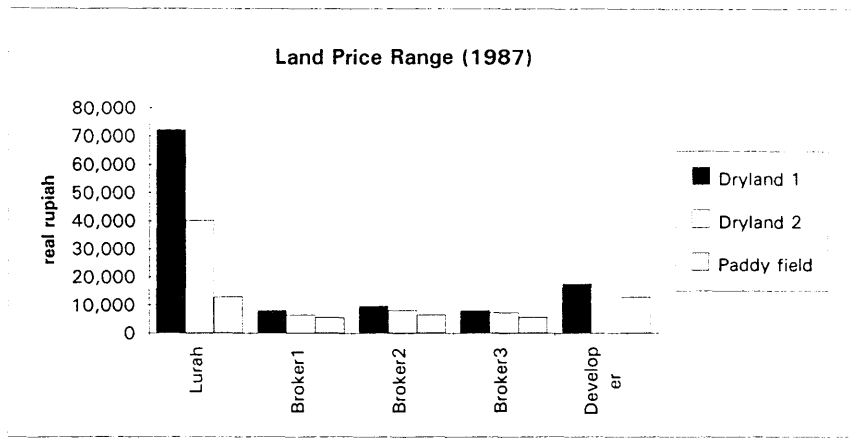
<b>1993</b>	Lurah	Broker1	Broker2	Broker3	Developer
Dryland 1	120,000	80,000	50,000	55,000	57,000
Dryland 2	50,000	65,000	45,000	45,000	n/a
Paddy field	40,000	45,000	40,000	40,000	50,000

**Land Prices in Pondok Aren**  
(in real rupiah)

<b>1987</b>	Lurah	Broker1	Broker2	Broker3	Developer	Mean
Dryland 1	72,173	8,019	9,623	8,019	17,642	23,095
Dryland 2	40,096	6,415	8,019	7,217		15,437
Paddy field	12,831	5,613	6,415	5,613	12,831	8,661
Mean	41,700	6,683	8,019	6,950	15,237	

<b>1990</b>	Lurah	Broker1	Broker2	Broker3	Developer	Mean
Dryland 1	97,314	58,388	19,463	19,463	28,545	44,635
Dryland 2	45,413	51,901	16,219	16,219		32,438
Paddy field	15,570	19,463	12,975	12,975	23,355	16,868
Mean	52,766	43,251	16,219	16,219	25,950	

<b>1993</b>	Lurah	Broker1	Broker2	Broker3	Developer	Mean
Dryland 1	120,000	80,000	50,000	55,000	57,000	72,400
Dryland 2	50,000	65,000	45,000	45,000		51,250
Paddy field	40,000	45,000	40,000	40,000	50,000	43,000
Mean	70,000	63,333	45,000	46,667	53,500	



Appendix 7 Price Ranges for Different Land Types in Real Rupiah (1987, 1990 and 1993)

**1987**

Row 1	Dryland 1	Row 2	Dryland 2	Row 3	Paddy Field
Mean	23095	Mean	15437	Mean	8661
Standard Error	12398	Standard Error	#N/A	Standard Error	1709
Median	9623	Median	7618	Median	6415
Mode	8019	Mode	#N/A	Mode	12831
Standard Devia	27724	Standard Devia	16452	Standard Deviat	3821
Variance	768612915	Variance	270684393	Variance	14597986
Kurtosis	5	Kurtosis	4	Kurtosis	-3
Skewness	2	Skewness	2	Skewness	1
Range	64154	Range	33681	Range	7217
Minimum	8019	Minimum	6415	Minimum	5613
Maximum	72173	Maximum	40096	Maximum	12831
Sum	115477	Sum	61748	Sum	43304
Count	5	Count	4	Count	5

**1990**

Row 1	Dryland 1	Row 2	Dryland 2	Row 3	Paddy field
Mean	44635	Mean	32438	Mean	16868
Standard Error	14984	Standard Error	#N/A	Standard Error	2010
Median	28545	Median	30816	Median	15570
Mode	19463	Mode	16219	Mode	12975
Standard Devia	33505	Standard Devia	18914	Standard Deviat	4495
Variance	1122599574	Variance	357757063	Variance	20202752
Kurtosis	1	Kurtosis	-5	Kurtosis	-1
Skewness	1	Skewness	0	Skewness	1
Range	77851	Range	35682	Range	10380
Minimum	19463	Minimum	16219	Minimum	12975
Maximum	97314	Maximum	51901	Maximum	23355
Sum	223174	Sum	129752	Sum	84339
Count	5	Count	4	Count	5

**1993**

Row 1	Dryland 1	Row 2	Dryland 2	Row 3	Paddy Field
Mean	72400	Mean	51250	Mean	43000
Standard Error	12972	Standard Error	#N/A	Standard Error	2000
Median	57000	Median	47500	Median	40000
Mode	#N/A	Mode	45000	Mode	40000
Standard Devia	29005	Standard Devia	9465	Standard Deviat	4472
Variance	841300000	Variance	89583333	Variance	20000000
Kurtosis	2	Kurtosis	3	Kurtosis	0
Skewness	2	Skewness	2	Skewness	1
Range	70000	Range	20000	Range	10000
Minimum	50000	Minimum	45000	Minimum	40000
Maximum	120000	Maximum	65000	Maximum	50000
Sum	362000	Sum	205000	Sum	215000
Count	5	Count	4	Count	5

Appendix 8 Descriptive Statistics for Different Land Types (1987, 1990 and 1993)



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