

## THE FUTURE OF KAMPUNG IN INDONESIA: COSTS AND BENEFITS OF ILLEGALITY

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### ABSTRACT

Salah satu karakteristik penting kampung, sebagai satu bentuk pemukiman urban di Indonesia adalah statusnya yang kompleks dan tidak selalu jelas. Kebanyakan kampung berada dalam status 'abu-abu' legal pada satu atau beberapa aspek (misalnya status tanahnya), tapi tidak legal dalam aspek lain (misalnya: bangunannya tanpa ijin). Status ini merepotkan, terutama berkaitan dengan masa depan kampung dan upaya perbaikannya. Penelitian ini mengkaji keuntungan dan kerugian status yang kabur ini serta merekomendasikan kebijakan apa yang sebaiknya diambil. Berdasar kajian terhadap kampung di sepanjang sungai Code di Yogyakarta, penelitian ini menemukan bahwa status legal dan formal kampung sangat kabur, kompleks dan tidak cukup hanya dipahami berdasar aturan-aturan formal-hukum yang ada. Dimensi sosial-kultural legalitas atau illegalitas kampung harus dipahami dengan seksama sebelum proses perbaikan kampung akan dilakukan. Penelitian ini menyarankan bahwa proses formalisasi dan legalisasi kampung harus hati-hati dilakukan, oleh karena dapat membawa implikasi yang negatip bagi penghuni kampung, khususnya mereka yang tingkat ekonominya rendah.

### INTRODUCTION: SETTLEMENT IMPROVEMENT AND LEGALIZATION: BETWEEN DE JURE AND DE FACTO

One important characteristic of popular settlement is that people gradually improve their settlements over time, as resources permit. According to Turner (1976, 1972) this process of incremental improvement depends fundamentally on the security provided by legal land tenure. Since insecurity of tenure and fear of eviction are considered to be serious obstacles hindering settlement improvement (often termed 'consolidation'), providing tenure security and freedom from eviction is the natural means for removing this obstacle (Angel, 1983:111). Regularization or legalization is, therefore, promoted on the assumption that security of tenure encourages individuals to put their own energy and resources into improving their shelter and surroundings.

Under the idea of urban productivity promoted by the World Bank (World Bank, 1991), the emphasis on properly regulating aspects of urban development, including those relating to land and housing, is perceived as necessary to increase the efficiency of the market. Legalization policies for informal settlements are therefore believed necessary, not only because they generate settlement consolidation, but also because they increase the efficiency of the housing market in general.

Tenure security and legalization issues are, however, often subjective and complex.<sup>2</sup> A feeling of security cannot be quantitatively measured and generalized, as it depends upon an individual's needs and expectations (Doebale, 1987). Empirical evidence suggests that the relationship between legalization and settlement consolidation is not a simple one and that the granting of legal tenure is not in itself sufficient to generate settlement improvement or consolidation (Fitzwilliam Memorandum, 1991).<sup>3</sup> It is perhaps true that legalization often leads to housing improvement. However, it is not always true that legalization is necessary for housing improvement. The level of security perceived by a settlements' residents does not always accord with the degree of formality or legality of the settlement, as defined by its conforming to the state's laws or regulations. In other words, security is more a function of perception than of strict legal-formal categorization (Varley, 1987; Garr, 1996).

In this context, as Leaf (1994:13) has suggested, it is important that research on informal settlement consider the difference between *de jure* and *de facto* forms of tenure status; that is, the distinction between tenure claims according to written law and according to practical circumstances. As planners and policy-makers in developing countries such as Indonesia are working within a complex legal setting, it is necessary to understand why and how these *de jure* and *de facto* forms of tenure status work. This, in turn, requires an understanding of the historical development of laws and the possible 'discretion' applied by officials in enforcing laws and regulations.

In brief, as De Soto (1989) has clearly stated, the informal-extralegal system<sup>4</sup> is a fact, but not something that should be idealized or romanticized. For informal settlement development to be effective, therefore, an understanding of the socio-

<sup>2</sup> In his analysis of the economic benefits of illegality, Baross (1990) shows that, in general, the price of land in informal housing schemes is comparatively low. This is because of the illegal nature of land development; the avoidance of overhead costs; and the low level of servicing required. Mitra and Nientied (1989) argue, however, that the only benefit of illegal development is a much better distribution of the costs. The total amounts spent on housing and related costs, after a number of years, turn out to be lower in formal housing options.

<sup>3</sup> Many studies have been done to document the costs and benefits of regularization. Several examples are: Smart in Hong Kong (1986); Varley in Mexico (1987); Glen et al. in Trinidad (1993); Lagos in some countries in Latin America (1995); Pamuk in Turkey (1996); and Glenn and Wolfe in Caribbean countries (1996).

<sup>4</sup> De Soto (1989) called this a 'system of extralegal norms.' He defined this system as the 'law' that has been created by residents of informal settlement to regulate and order their lives and transactions and, as such, is socially relevant. Consisting essentially of informal, customary law and of rules borrowed from the official legal system when these are of use, the system is called on to govern life in the informal settlements when

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political complexity of the legal system is necessary. This includes extra-legal elements, such as clientelist politics based on personal and hierarchical networks and exchanges, in which legal structures and procedures are manipulated by the various actors involved.

The objective of the paper is to explore the complexity of legal status over kampung in Indonesia and to suggest appropriate policy to address such issue. Employing case study research of kampung located along the Code river in Yogyakarta, this paper documents the legality and illegality statuses over kampung. This paper argues that the illegality of the kampung should be understood beyond the present formal-regulatory framework. The socio-cultural background of such illegality should be better understood in order to develop policy for the future of kampung.

### RESEARCH PROBLEM: SOME AMBIGUITIES AND INCONSISTENCIES CONCERNING THE ILLEGALITY OF KAMPUNG

Burgess (1985) points out that at least three laws are important in determining the legal status of a settlement: (1) laws regulating the ownership of land; (2) laws regulating the transfer of land; and (3) laws regulating land development. Some settlements are categorized as illegal because they do not conform with formal procedures and standards concerning land and building aspects; some settlements are identified as being legal in respect to the laws regulating rights to ownership of land and its transference, but are illegal in respect to the laws regulating land development (i.e. zoning and building codes). Settlements are usually categorized as squatter, as the land for the settlements was invaded illegally and does not legally belong to the residents. Further, such settlements are also considered to be sub-standard or classified as slum if they do not follow the building standards imposed by the government.

In the case of the kampung in Indonesia, however, some ambiguities and inconsistencies exist concerning this issue. The first of these concerns the land issue. The problem in Yogyakarta is that land tenure is complicated by the fact that both the modern and the traditional systems are operating together simultaneously. In the kampung studied, the situation is further complicated by the fact that the *ngindung* system is still widely practiced, as well as the fact that the inheritance of land does not usually follow a legal or formal procedure.<sup>5</sup>

It therefore becomes very difficult to state clearly whether a kampung should be considered legal or illegal with respect to land tenure. In the kampung observed in this study, two different types of kampung can be distinguished. The first is kampung that are developed on public land without permission or legalization. They can be categorized as squatter settlements, since people invaded the land illegally and built on

<sup>5</sup> Although not always brought to court, land disputes among family members is believed to be increasing in the kampung. As explained by the head of BPN Kotamadya, many such conflicts are caused by factors such as: the lack of a formal certificate which defines the legal owner of the land, the lack of a formal letter stating that the land has been given to the owner's children, and the lack of clear boundaries between land sub-divisions. As suggested by Doebele (1994:51), since the inheritance system of land in developing

it without building permits. The second type of kampung is more complicated, as it contains both legal and illegal elements. In this kampung, some people clearly occupied the riverflat area without legal or formal permission from the government, and therefore could be considered illegal. However, most of the land in this kampung is legally owned by kampung people. Some plots of land may not be registered, some may be under dispute, and some may be held under the *ngindung* arrangement, but this does not mean that the kampung people do not have a right to their land.

The second ambiguity concerning the illegality of the kampung relates to the building standards imposed by the government, or the building permit procedure (IMB).

The IMB in Yogyakarta is based on Local Regulation No. 5, 1988 (Perda 5/1988). It is stated in article 2 of this regulation that all individuals and agencies should have an IMB before they can start construction; buildings without such permits can therefore be considered as illegal. In Yogyakarta, however, only about 30 per cent of the total number of buildings were constructed with IMB (Ditako, 1995). Such a situation, of course, creates ambiguity and difficulties, since the majority of buildings in the city can technically be classified as illegal.

Further, another ambiguity concerning the illegality of kampung can be seen from the city planning perspective. On the one hand, the government officials held that such an area was not suitable for living, and therefore should be free of any development. On the other hand, the community and Romo Mangun held that, since means could be developed to protect the area from flooding, there was no reason why the kampung should be removed. This kind of controversy represents the ambiguity that exists concerning land use planning in the city. As in other Indonesian cities, the municipality of Yogyakarta has developed a very rigid land use plan. This plan strictly designates areas within the city for specific purposes. Such an 'ideal' city plan was inspired by Western planning concepts. However, the fact that the city itself is formed largely by kampung shows how unrealistic such a plan is.

Finally, there is the ambiguity of kampung status related to the socio-administrative issue, particularly the establishment of RT or RW. Although some kampung were developed 'illegally' on government land, the government continued to facilitate the establishment of RT or RW for these new kampung. Socially and politically, this process is very important, as it gives settlers a feeling of security. Further, the establishment of the RT or RW also facilitates the development of a sense of community, as these structures enable the mobilization of internal resources for community projects. From the formal, legal perspective, however, the establishment of RT and RW reveals another ambiguity concerning the legal circumstances of kampung. Even though the kampung are illegal in terms of land occupation and building standards, still the RT or RW themselves are established by the government and recognized as legal community organizations.

In brief, the legality or illegality of a kampung is difficult to define clearly, as it is related to several dimensions which are not always quantifiable. One thing is clear, however, that the government itself also contributes to and takes benefits from this

## RESEARCH METHOD AND CASE STUDY

This study employs a political-economy perspective which takes the view that land and housing markets are not exclusively determined by economic factors. The social, cultural and political dimensions are thought to be of at least equal importance. This study is of an exploratory and evaluative nature, with emphasis placed on a qualitative research method. A large amount of quantitative data was compiled and used in this research, most of the analysis developed in this study is based on qualitative data and information.

The focus of this study is the kampung along the bank of the Code River in Yogyakarta, Indonesia. The settlements or kampung along the Code River stretch along seven kilometers, from the north to the south of the city of Yogyakarta, and provide housing for a large member of the city's poor. Kampung people along the Code River experience the effects of environmental and economic pressures to a greater extent than do other urban dwellers of Yogyakarta, yet have the least resources to solve these problems.

The city itself can be considered as a center of Javanese culture, while its role in the development of the new Republic of Indonesia in the 1940s made Yogyakarta into a special place for Indonesians. It is now the capital city of the Yogyakarta Special Province and Indonesia's second most popular tourism destination, after Bali. In 1995, the municipality of Yogyakarta had a population of 466,313; it is, by Indonesian standards, considered to be a medium-size city.

However, as urban growth has expanded beyond the boundaries of the municipality, and the area has become the place of residence for about one million people, Yogyakarta can no longer be considered to be a medium-size city. The city is undergoing rapid development and transformation. This includes the displacement, consolidation, and transformation of urban kampung in the city center; the formation of new kampung on the urban fringe; and the incorporation and transformation of rural villages into urban kampung. As many kampung become overcrowded, the incoming migrants settle on 'marginal' land, such as river banks, abandoned Chinese cemeteries, railway embankments, and vacant land throughout the city. The process of kampung formation in Yogyakarta is still occurring and is creating massive headaches for the urban government, which wishes to develop a modern and orderly city.

The kampung along the Code River present a complex of persistent problems which are common with popular settlements in Indonesia in particular, and with those in developing countries in general; such problems are related to the issues of 'marginality,' 'informality,' and 'illegality.' The kampung along the Code River provide an example of urban settlements which are marginal physically as well as economically, compared to formal-modern 'real estate' complexes; yet socially and politically such settlements show a community's potential for further improvement and development. The development process of the kampung along the Code River shows the ambiguity of the government's attitude toward popular settlements and the inadequacy of existing legal and institutional frameworks in dealing with the complex problems represented by the

## DISCUSSIONS

### 1) Reasons for Maintaining Illegality: Why do People not Obey Laws and Regulations?

The above discussion concerning the ambiguous status of the kampung leads to another important question concerning the reasons why people obey or do not obey laws and regulations, i.e. why is it that the kampung have almost always been developed in conditions of some degree of illegality? As learned from the four case studies, five reasons appear to be significant in this regard.

The *first*, and perhaps the main reason, why people do not obey the laws and regulations is that it is only through illegal mechanisms that they can have access to resources, particularly land. Since the formal land market in Yogyakarta does not work very well, and land prices and land speculation tend to be uncontrolled, there is only a limited chance for the urban poor to get access to land through this formal market. In this situation, it is clear that the only alternative for them is to violate the law by the illegal invasion of public land.

The *second* reason why people do not obey laws and regulations is because the laws and regulations themselves are excessively complex, and are therefore beyond people's comprehension. Not only do people not understand the extreme land development standards imposed by the government, but also the long and complicated procedures create many burdens for them. The requirements for applying for the IMB, for example, are very complicated as well as time and money-consuming. Such building permits should theoretically be issued within a week, but in practice the procedure of organizing necessary back-up documentation and the actual issuing of the building permit takes several months. In brief, such administrative steps and the 'illegal' levies imposed by corrupt officials have discouraged people from obtaining formal titles for land and IMB.

The *third* reason why people are reluctant to follow laws and regulations concerning land and housing development is that, without having formal or legal certificates, people can still have access to some basic services, particularly piped water and electricity. Thus, no matter what the legal status of the land and buildings in a kampung may be, the PDAM and the PLN will provide their services, as long as people can pay the costs for such services. In other words, there is no practical benefit to having legal title to land and IMB, since basic services are provided by some government agencies regardless of the legal status of land and buildings.

The *fourth* reason why only a few people follow the formal, legal mechanisms is because sanctions are rarely applied to those who do not obey laws and regulations. In other words, since the cost of not obeying laws and regulations is smaller than obeying them, people choose the former. It is only in a case when people need a legal certificate for a bank guarantee that they then follow such laws and regulations.

The *last* reason why people choose not to obey laws and regulations concerning land and building standards, is that having legal tenure over land and IMB are not necessarily a guarantee of long term security for their housing and property. The fact

that, in many cases, housing units that are categorized as legal (meaning that the owner has legal certificates for both the land and buildings) can still be relocated by the government, makes people more pessimistic about the importance of having legal title over their land and buildings. As stated under the Basic Agrarian Law (the BAL 1960), the government of Indonesia enjoys a status of what is called '*hak menguasai negara*,' or 'right of control by the state,' in all matters related to land. This principle, which is stated in the Indonesian constitution of 1945, gives the state much greater power in land matters than is generally the case in the West. As has been discussed by several scholars of Indonesia, this situation creates fundamental questions concerning how society can control such power or ensure that the state really exercises this absolute authority for the benefit of society (Struyk, et. al. 1990).

As argued by Gray (1991), Indonesians perceive access to courts or other formal means for enforcement and dispute resolution to be expensive, along with being time-consuming; they believe decisions to be unpredictable, the power needed to enforce decisions to be lacking, and corruption to be prevalent. This study confirms Gray's argument. Kampung people continue to depend upon informal or illegal mechanisms, since following the formal, legal mechanisms means creating more burdens for themselves.

## 2) How People Felt Secure? the Sources of 'Perceived Security'

As has been discussed previously, improved land tenure security through land regulations is commonly assumed to be the basis for the long-term establishment of a settlement. However, as this study indicates, housing improvement is more a function of residents' perceptions of a benign future wherein threats are absent. What sources or factors, then, give kampung people a feeling of security?

From the kampung observed in this study, there are at least three main perceived sources of security. *The first* source of perceived security comes from the ambiguity and inconsistency of the government's attitude toward kampung. Continuing to provide kampung with some basic services; helping to improve kampung; issuing identity cards or KTP for squatters and establishing the RT and RW; and receiving land taxes and building taxes from kampung all make kampung people feel that, despite the government's reluctance to acknowledge their kampung formally, in reality the government actually recognizes their existence. For the government, this is, of course, quite problematic. On the one hand, kampung exhibit some forms of illegality or informality, which the government would not like to see perpetuated. On the other hand, it is now impossible for the government totally to 'wipe out' the kampung from the city. Kampung people seem to understand this situation quite well, and that is why they feel secure regardless of the illegal status of their land.

*The second* source of security derives from the *Kraton's* or Sultan's involvement in kampung issues. Particularly since the Sultan gave direct support to the riverside dike project, people feel that the Sultan recognizes their existence. People in Kampung also believe that although their request for '*magersari*' status from the *Kraton* is still pending, someday in the future the Sultan will give them that status

*On top of that*, however, the most important source of perceived security is recognition from the public at large. There are at least four sources of public recognition that make kampung people feel more secure about their status: 1) the international and national communities; 2) the university and students; 3) the voluntary groups or NGOs; and 4) the mass media or the press. International and national awards were given to the kampung along the Code River, in recognition of their success in improving their kampung. These awards were really appreciated by the kampung people, as endorsements of their efforts to further improve their kampung. Particularly for the kampung leaders, who hold their positions on a voluntary basis, these awards really bolstered their dedication and increased their contribution to their respective kampung.

Further, the involvement of the university and students also became an important source of security. Most of the kampung leaders interviewed expressed their great appreciation for the decision made by Gajah Mada University to conduct the KKN program in their kampung. University involvement in kampung issues gave people more confidence that they are not alone in their struggle to defend and improve their kampung. The involvement of various voluntary organizations, particularly religious groups, was also important. With the direct involvement of a national figure like Romo Mangun, kampung people felt that the public at large was concerned about their problems. The mass media, especially the local newspaper, were very influential in developing positive public opinion about kampung. By regularly reporting on the progress of development in the kampung along the Code River, the mass media were able to encourage both the public and, more important, the government, to continue their support of kampung.<sup>6</sup>

It can be concluded from the above discussion that the relationship between land tenure and housing improvement is not simple, and that granting legal tenure by itself is not sufficient to generate settlement consolidation.<sup>7</sup> The level of security perceived by a settlement's residents is not always in accordance with the degree of formality or legality of the settlement, as defined by its conforming to the state's laws or regulations. In other words, it may be true that security leads to improvement, but, as has also been argued by several writers, it is not always true that 'legalization' is necessary for improvement (Angel, 1983:137; Baross, 1990). Evidence from the case study confirms that a feeling of security can come from many different sources; and the main source was not always the government, but the public at large. The following discussion will summarize the costs and benefits of legalization or formalization of kampung.

<sup>6</sup> Clippings from one local newspaper (the *Kedaulatan Rakyat*) show that, since the first dike project in Ratmakan in 1991, this daily newspaper continually reported the progress of the riverside dike project. Besides, many articles in this newspaper also mentioned the positive aspects of kampung improvement along the Code River. All such information was important as it helped to develop public awareness of kampung issues or problems.

<sup>7</sup> This finding confirms what has already been found by many researchers in other developing countries (Angel, 1983; Verdery, 1992; ...)

### 3) Is Illegality Necessary for Kampung Development? Costs and Benefits of Illegality.

From the perspective of urban productivity, incorporating laws and regulations into the informal settlements is primarily directed at enhancing the efficiency of the process and increasing the economic value of such settlements. It is assumed that, by providing formal and secure tenure to a informal settlement, particularly to the land component, people will be more willing to invest their resources in the form of housing improvements. Further, land and housing with legal tenure can be taxed by the government, thereby conferring more economic exchange value on them.

In the case of the kampung in Yogyakarta, however, formal or secure tenure does not directly increase the willingness of kampung residents to improve their housing and kampung. Much more crucial for them is recognition of the whole kampung as a legitimate urban community. Besides, formal tenure can also have a negative impact on housing affordability in general, as it increases housing costs to a significant degree and therefore limits the poor's access to housing. In other words, as formal titles increase the land's marketability, they eviscerate its ability to accommodate the poor.

In contrast, preserving some form of illegality within kampung enables the poor to bypass the costs of formal procedures, and therefore makes it easier for them to have affordable housing. The illegality of a kampung also enables its residents to practice a system of land inheritance which is quite complicated and which probably could not be accommodated by the existing formal land regulations. Another benefit of the illegality of kampung is that it enables kampung residents to improve incrementally their individual housing units, as well as their kampung. In addition, this incremental process of housing improvement also enables informal developers and individual construction workers to become involved in the process and to make their livings from it. Besides, by renting out part of their houses or using part of their houses for producing commodities (foods, handicrafts, clothes, etc.) or as small *warung*, or shops, kampung residents can get extra income, or even provide their main income source.

Further maintaining some elements of the illegality or informality of the kampung also provides some benefits for the government.<sup>8</sup> First, by leaving a kampung in its illegal status, the government can avoid their responsibility to help the kampung. As the availability of government funding for urban services is limited, the illegality of the kampung can be used by the government as a justification for not providing the kampung with enough services. In other words, kampung illegality has been used by the government as a means of rationing urban services. Second, maintaining the illegality of

<sup>8</sup> In their analysis of popular settlements in Latin America, Baken and Van Der Linden (1992) have concluded that there are six reasons why illegal settlement is tolerated: (1) the government has no alternative or cannot, for political reasons, afford to frustrate such an important source of land supply for the poor; (2) the system provides land and creates large groups of small land owners, who thus have a stake in the existing social system; (3) illegal settlement is a source of patronage; (4) it provides opportunities for commercial and industrial companies, and so supports the economic system; (5) this form of housing is relatively cheap, so that labor and service costs remain within certain limits; and (6) the system is no

the kampung also enables the government to supply the need of the private sector for strategic land within the urban center at a relatively low price. In other words, illegality can give the government flexibility in managing urban development.<sup>9</sup> Third, maintaining the illegality of the kampung also enables the government officials to take advantage of the situation for their own profit.<sup>10</sup>

Finally, for the government, maintaining the illegality of the kampung also means maintaining social stability in general. In other words, the illegality of the kampung may be tolerated, as it is relatively unimportant to the working of society in general;<sup>11</sup> illegality is tolerated because illegal settlements serve as a safety valve against broader social tensions.

Despite many benefits gained by maintaining the illegality of the kampung, however, there are many disadvantages faced by both the kampung people and the government. For kampung people, the illegality of their kampung means that the long-term security of their kampung is doubtful. In addition, having no legal certificate legitimizing their land and housing also hinders kampung people from using their property as bank guarantees.

On the government side, this illegality also brings some costs or problems. First, the illegality of kampung results in the perpetuation of bad records of land registration, as well as building registration, especially for the Land Agency Office (BPN) and the Planning Office (Ditako). Second, bad records of land registration and building permits also mean that local government revenue that can be collected through these two mechanisms is also very limited. With increasing pressure on local governments in Indonesia to raise their own revenue or income the demand for possible local income, including that from establishing a proper land registration and building permit system, is expected to increase. Finally, maintaining the informality of the kampung means violating some sound and necessary planning principles.

In summary, as can be seen in Table 1, maintaining the illegality or informality of kampung brings both costs and benefits for the community as well as for the state. It is, of course, very difficult if not impossible to quantify such costs and benefits. However,

<sup>9</sup> Many urban redevelopment projects in Yogyakarta, such as the development of malls, supermarkets, hotels, and other public services (public markets, gas stations, and bridges), were developed on land that was previously kampung land. As some land within the kampung was not registered, or considered to be public land, the compensation for the kampung residents was usually low. Besides, the position of kampung people in the land transfer process is relatively weak since the process does not facilitate them to directly negotiate with the buyers. Kampung people are represented in such transactions by government officials from the *kelurahan* or *kecamatan*.

<sup>10</sup> This can be done in several ways, such as by buying cheap unregistered land within kampung and then selling it for ten times the original price after improving the land tenure, or by collecting bribes from kampung residents wishing to improve their land tenure.

<sup>11</sup> Sullivan (1992:196) uses the term 'selective blindness' to refer to the way in which the state selectively enforces legal laws or regulations within society for the sake of its general stability. According to him, in general, the state is marginally more tolerant in matters of basic needs such as establishing squatter settlements on public land, but less tolerant (or more tolerant) with regard to political offenses such as

the fact that almost 80 per cent of the urban residents in Yogyakarta depend upon this illegality suggests that, for now at least, this illegality or informality works for the benefit of the majority. In other words, in a situation where most urban residents already survive in an 'unregulated' manner, or as Abrams (1966:37) calls it, "order without law", we should consider very carefully the possibly regressive outcomes that regulation and efficient management of land delivery systems may have for the poorer economic groups.

**Table 1. Summary of Costs and Benefits of Illegality of the Kampung**

For the Kampung People	For the Government
<b>Costs</b>	
<ul style="list-style-type: none"> <li>- no long term guarantee for the kampung</li> <li>- vulnerable to eviction</li> <li>- cannot use property for bank guarantees</li> <li>- weakens the kampung's position when conflicts with external agencies occur</li> <li>- creates more dependency on the state</li> </ul>	<ul style="list-style-type: none"> <li>- bad records of land registration</li> <li>- bad records of building registration</li> <li>- small revenues for BPN and Ditako</li> <li>- violates sound and necessary planning principles; lower housing standards</li> <li>- limits the availability of public land</li> <li>- negative efforts to implement 'the rule of law'</li> </ul>
<b>Benefits</b>	
<ul style="list-style-type: none"> <li>- makes housing supply efficient-affordable</li> <li>- keeps land and housing prices low</li> <li>- makes possible the traditional system of land arrangements (ngindung)</li> <li>- makes possible inheritance system of land</li> <li>- enables residents to exercise incremental improvements to housing and kampung</li> <li>- provides job opportunities for informal contractors &amp; construction workers</li> <li>- enables kampung residents to make extra income</li> </ul>	<ul style="list-style-type: none"> <li>- covers the weakness of the government in redistributing resources/rationing services</li> <li>- enables the gov. to change land use planning/enables the gov. to implement urban redevelopment programs</li> <li>- enables government officials to make extra income</li> <li>- reduces potential social conflicts and maintains social stability</li> </ul>

## CONCLUSION

Comprised largely of informal settlements or kampung, but undergoing rapid changes and developmental pressures, Indonesian cities pose a dilemma for planners and decision-makers. In what direction should urban and housing development strategy be developed and implemented? The policy of Indonesia's government toward the kampung has, for several decades, been one which has accepted their de facto status. This policy has enabled kampung to provide about eighty per cent of Indonesian urban housing (Struyk et al., 1990).

With increasing development and commercialization in Indonesian cities, and growing interest among international agencies and bureaucrats in fostering the

uncertain. There is some doubt that the current status quo policy will be able to serve the future objectives of urban development in terms of efficiency and productivity. On the other hand, there is no clear answer to the question of whether a more formalized process of urban development is likely to reduce existing economic and social inequalities.

This study confirms, however, in Indonesia, the formal and informal land delivery systems are both components of a single, integrated system, which has worked for the benefit of both the government and civil society. Thus, we must question the effectiveness of the current efforts to upgrade the legal status of urban land. Attempts at regulation may expose the poor to costs that they did not have to face before.

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