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Inclusionary planning instruments in two Indonesian cities: a missed opportunity to address urban inequalities

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ABSTRACT

With rising urban inequalities worldwide, inclusionary planning instruments can contribute to more just and inclusive cities and societies by making housing accessible to various social groups. Although these instruments have existed for several decades, their implementation has not always been successful. There is a limited understanding of how these instruments contribute to the public good and the reasons for their failure. By examining the implementation of two inclusionary instruments known as the Balanced Housing Ratio 1:2:3 and the ‘Socialization’ Process used to regulate the construction of new housing by the private sector in Jakarta and Yogyakarta (Indonesia), this article provides evidence to better understand the reasons for their failure and gives entry points for policymakers to be able to design and implement inclusive planning instruments that have stronger impact. The research uses qualitative methods for data collection, including semi-structured interviews as the principal method, complemented by observations, a policy review and a workshop for background and contextual information. This in-depth analysis of the challenges to implement inclusionary instruments related to housing development in Indonesia shows that their failure leads to further social and spatial inequality in cities and a shortcoming of the planning system to contribute to the public good.

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Introduction

Income inequality has been, and continues to be, one of the most critical problems in our global society (Alvaredo *et al.*, 2017). Reducing inequalities is one of the key aspirations of global development and the Sustainable Development Goals (United Nations, 2015). Income inequality is caused by structural issues including an

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imbalance between capital and labour (Harvey, 2014), political and economic institutions dominated by a small number of elites (Justino & Moore, 2015), and differential access to education and other services, including housing (WB, 2016). Among others, income inequality is manifested in cities through housing segregation and differential access to services and infrastructure (Graham & Marvin, 2001). This article discusses urban inequalities focusing on housing development.

Urban planning, with its various instruments, has an essential role in minimizing the unequal distribution of resources in cities and creating more 'inclusive cities and human settlements' (Sustainable Development Goal [SDG] 11). Planning instruments are one tool to reduce income inequality as they require the private sector to include social goods or financial contributions as compensation. In the context of housing, 'inclusionary housing instruments' are planning tools that seek to enhance the public good by allowing access to housing to diverse social groups that are excluded from this basic good due to unaffordable rents and markets. While inclusionary housing instruments have been used for several decades, mainly in Global North cities (de Kam *et al.*, 2014; Gurran *et al.*, 2018), these instruments remain understudied in 'the fast growing cities in developing countries' (Nahrin, 2018, p. 19). Within the field of urban planning, 'little is known about whether and how these [planning] obligations eventually get delivered in practice and how many agreements are later subject to renegotiation' (Burgess *et al.*, 2011, p. 2).

This article poses the following research question: How do inclusionary planning instruments contribute to the public good in Indonesia and addressing inequality? Our analysis focuses on the implementation of two inclusionary planning instruments in Indonesia, namely the 'Balanced Housing Ratio 1:2:3' (hereafter Ratio 1:2:3) and the 'Socialization Process' (hereafter 'Socialization'). These instruments regulate the construction of new housing by the private sector. The discussion on public goods is a broad debate that justifies the implementation of inclusionary instruments within the planning system. Our research focusses on the instruments that regulate housing development considering housing as a key consumption good to illustrate income inequality (Dustmann *et al.*, 2022; Florida, 2019). We analyze the application of inclusionary instruments to gated communities, which are the main residential developments built by the private sector in Indonesia. Jakarta and Yogyakarta Metropolitan Areas are the two cities analyzed in this study. We followed a case study research design, using qualitative methods, including semi-structured interviews as the main method for data collection.

Our findings show that although these instruments have the potential to contribute to more inclusive and more socially integrated cities, they are failing to deliver their intended outcomes. The lack of compliance with these instruments increases spatial inequalities in the city and a concentration of resources captured by elite residents. The article also advances theoretical discussions about the role of urban planning in creating and sustaining inclusive and just cities for all, a discussion that has been overlooked in Indonesia.

The article is organized in nine sections, including this Introduction. The first half of the article provides a theoretical and contextual background through a literature review on the theoretical arguments underpinning the development of inclusionary instruments and their implementation in several countries, followed by a discussion on the political economy and politics in Indonesia, the institutional analysis of the

planning system and the rationale of two existing inclusionary planning instruments in the country, namely 'Ratio 1:2:3' and 'Socialization'. The second half of the article explains the research methodology, and provides a detailed analysis of the implementation of these instruments in Jakarta and Yogyakarta and discusses the key findings. We conclude with a reflection on how the failure to implement these instruments is a missed opportunity to reinforce the role of planning in contributing to the public good and reducing urban inequalities through housing development in Indonesia.

Inclusionary planning instruments

Inequalities, especially income and wealth inequalities, are rising in many cities (Alvaredo *et al.*, 2017). Income inequality leads to a stark difference in the access of services and infrastructure by different socio-economic groups. As societies polarize, housing shows the increasing difficulties for low-income groups to access this asset (whether it is ownership or renting) and the ability of high-income groups to acquire housing (Dustmann *et al.*, 2022). Inequality, as a global problem, has been explicitly acknowledged in SDG10 on inequality and SDG11, which states that cities and human settlements should be inclusive, safe, resilient and sustainable (United Nations, 2015). The SDGs invite us to reflect on how the planning profession can redefine itself and its obligations with respect to the 'public good' (also known as 'common good' or 'public interest' in the literature). Planning is 'a central tool through which government manages spatially defined territories and populations' (Watson, 2009, p. 2260) and hence has a key role in reducing inequalities.

The concept of the 'public good' has been central to social and political theories referring to the 'relationship between individual and broad-based community interests in societal terms' (Murphy & Fox-Rogers, 2015, p. 232). The 'public good' is a foundational principle of planning practice which, in theory, legitimizes spatial and land use planning and development control as activities of the state (Alexander, 2002), but has also been criticized when used to legitimize 'the final resolution of policy questions where there are [still] significant areas of disagreement' (Campbell & Marshall, 2000, p. 308). As other professions, the planning practice follows a code of ethics, where 'serving the interests of *the public*' is a key obligation (Campbell & Marshall, 2000, p. 306, emphasis in original). Therefore, the 'public good' is a central value to guide 'discussions concerning the purpose and role of planning' (Campbell & Marshall, 2000, p. 308).

The understanding of what constitutes the 'public good' varies according to its theoretical background reflecting a difference in interest base and practice. From a utilitarian perspective, the 'public good' can be understood as an aggregation of individual interests (Alexander, 2002; Campbell & Marshall, 2000). From a managerialist perspective, it refers to the planner's ability 'to minimize the worst impact of development' for the community (Murphy & Fox-Rogers, 2015, p. 237). From a unitary perspective the 'public good' refers to something 'collective and indivisible', the 'good of the community' (Murphy & Fox-Rogers, 2015, p. 232). Unitary conceptualizations of the 'public good' support the ideals of social justice in planning and encourage redistribution to reduce inequality and eliminate poverty (Alexander, 2002) and 'the interest of the public at large are put before private interests' (Murphy

& Fox-Rogers, 2015, p. 237). Another perspective influenced by the principles of collaborative planning sees the concept of the 'public good' as a tool to redistribute resources, compensate for existing inequalities and provide opportunities for participation to marginalized or less powerful groups (Campbell & Marshall, 2000).

In planning practice such as in new developments, the 'public good' refers to the amenities and services, provided by the public or private sectors, for the use of the community, which are accessible for all citizens. There is a mutually reinforcing relationship between the provision of public goods and inequality, especially spatial inequality, which can be defined as 'inequality in economic and social indicators of wellbeing across geographical units within a country' (Kanbur & Venables, 2005, p. 10).

Spatial inequality leads to processes of segregation, where different social groups (based on income, ethnicity, religion, country of origin, or any other difference) are settled in different areas of the city. The resources, services and infrastructure are not equally distributed in the city, but follow a pattern of 'splintering urbanism' (Graham & Marvin, 2001) or 'bypass-implant urbanism' (Shatkin, 2008). Both processes are related. While 'splintering urbanism' refers to the fragmentation of space mainly due to uneven development of infrastructure networks resulting from privatization and liberalization (Graham & Marvin, 2001), 'bypass-implant urbanism' refers to processes where the private sector cuts through the decaying parts of the city, and creates areas for profit-making (Shatkin, 2008).

Public goods contribute to reducing inequalities through the redistribution of the provision and accessibility to these public goods, in particular by disadvantaged communities that otherwise would not be able to access these amenities and services (Demirguc-Kunt *et al.*, 2018; Kanbur & Venables, 2005). At the same time, strong inequalities tend to lead to the failure in the provision of public goods when elites capture these resources (Justino & Moore, 2015) or to a concentration of public goods in high-income neighbourhoods (Benabou, 1993). Graham & Marvin (2001, p. 350) argue that in these situations, public goods in the form of infrastructure are 'configured to meet the needs and spaces of the powerful' creating more disadvantages for vulnerable groups.

In the 1960s–1970s, the 'public good' was discussed in relation to a critique to top-down planning and the need for more participation, collaboration and collective decision-making (Murphy & Fox-Rogers, 2015). More recently, this debate has focused on the 'abandonment of the very concept of public purpose by planning agencies' (Shatkin, 2008, p. 384), influenced by neoliberal policies that neglect the provision of basic services for the common good, including affordable housing (Calavita & Mallach, 2010). This means that even when notions of the 'public good' still guide the intentions of planning practice, it often remains an aspirational concept (Murphy & Fox-Rogers, 2015). In reality the implementation of the 'public good' has been compromised by the neoliberalization of the urban space, and public and private actors wanting to extract the maximum value from the built environment (MacDonald, 2023). Some critics argue that the state uses the notion of the 'public good' to facilitate the interests of capital (Harvey, 2001) and elite groups (Fox-Rogers, Murphy, & Grist, 2011). At a more practical level, some research has shown the institutional constraints faced by planners when trying to achieve the public good. These constraints include staff shortages, lack of resources and powerful interest

that bypass the planning system (Murphy & Fox-Rogers, 2015). In this article, we mostly see the public good as ‘a criterion for evaluating planning and its products: policies, projects and plans’ (Alexander, 2002, p. 227) where the ultimate goal is the redistribution of resources contributing to reducing spatial inequalities.

Inclusionary planning comprises a series of planning instruments designed for the promotion of the ‘public good’. Inclusionary planning refers to ‘a spectrum of models and approaches for securing or leveraging affordable housing through the planning and urban development process’ (Gurran *et al.*, 2018, p. 6). It can also refer to the provision of ‘a social return to the local community’ (Gurran *et al.*, 2018, p. 14) for the gain or benefits acquired by developers. This type of planning considers the ‘way governments increasingly look to developers to shoulder part of the wider societal costs of development’ (Calavita & Mallach, 2009, p. 17). Inclusionary planning can be enabled by governments as a condition of approval or be implemented on a voluntary basis. These instruments have also been used to strengthen the revenue capacity of local governments, which can redistribute these resources to invest in urban conservation, services and infrastructure, including housing (Cuenya & González, 2017). Some authors use the concept of ‘inclusionary housing’ (Basolo, 2011; Calavita & Mallach, 2010; Jacobus, 2015; Mishra & Mohanty, 2017), while others refer to ‘inclusionary planning’ (Gurran *et al.*, 2018) or ‘inclusionary zoning’ (Jacobus, 2015). We prefer to use ‘inclusionary planning’, which is a more comprehensive concept that refers not only to housing, but also to the whole of the planning system.

Inclusionary planning instruments can be in the form of a law, regulation, policy or programme. They have had a strong presence in the Global North for several decades, particularly in Europe (mainly in England) and the United States of America (USA) (Calavita & Mallach, 2009, 2010). These instruments refer to a diverse range of tools, including density bonuses, impact fees, negotiated agreements, and community infrastructure levies (Basolo, 2011; Burgess *et al.*, 2011; Gurran *et al.*, 2018). These instruments allow for ‘public control over land use planning and urban development... to strike a delicate balance between public and private rights over land’ (Hendricks *et al.*, 2021, p. 1).

In England, under the Town and Planning Act 1990, Section 106 (s106), the government developed an instrument that empowers local governments to require developers to contribute through the provision of affordable housing, local infrastructure (education, transport and community facilities) or through financial contributions (Burgess *et al.*, 2011). It is ‘a way of ensuring that part of the additional development value created by granting planning permission goes to mitigate negative outcomes and positively to benefit local communities’ (Burgess *et al.*, 2011, p. 2). While most inclusionary housing programmes in the USA mandate the provision of affordable housing, there are some programmes where this is voluntary and developers receive incentives in exchange for affordable housing units (Jacobus, 2015). In Australia, inclusionary planning approaches have been used in several states since the 1990s as mandatory requirements in some states, and voluntary in others (Gurran *et al.*, 2018). Overall, these instruments make the prioritization of collective values explicit, and have been used mainly to achieve more equal access to services and infrastructure, especially housing (Calavita & Mallach, 2010).

Inclusionary planning instruments are less developed in the Global South than in the North. However, Latin America has implemented legal frameworks over the last 30 years, such as the City Statute in Brazil (2001), the Territorial Development Law in Colombia (1997), and the Political Constitution of the Plurinational State in Bolivia (2009). These frameworks constitute a ‘new way of addressing urban management’ (Cuenya & González, 2017, p. 79),¹ shifting the emphasis from individual rights to social interests. In Argentina, a successful ‘value recapture’ instrument has been implemented to strengthen the municipal revenue capacity, redistribute resources and use these revenues to invest in urban conservation, land and housing projects (Cuenya & González, 2017). In India, the Town Planning Scheme has been used in Gujarat for over 50 years and is considered to provide ‘good direction’ for achieving inclusion (Mishra & Mohanty, 2017, p. 211).

Inclusionary planning instruments face various implementation obstacles. In the UK, developers evade the payment of compensation and governments do not monitor and enforce the application of these instruments effectively (Burgess *et al.*, 2011). Some critics say these instruments increase housing costs, discourage developers and depress housing production (Basolo, 2011). In Latin America inclusionary planning instruments have failed due to the dominance of private property, which inhibits other models of property development that emphasize the public good (Cuenya & González, 2017).

Despite the obstacles in implementing inclusionary planning, research (Burgess *et al.*, 2011; Cuenya & González, 2017; Jacobus, 2015) has acknowledged inclusionary planning as one of the only effective strategies to overcome economic segregation and build sustainable mixed-income communities. Residents across all income levels benefit from reducing sprawl (and the associated costs for taxpayers), living in more sustainable cities, and experiencing cultural, racial and economic diversity (Jacobus, 2015). To maximize their impacts, inclusionary planning instruments must be designed with care and be integrated in comprehensive programmes that build public support, use data to inform programme design, establish fair, reasonable expectations for developers, and ensure programme quality (Jacobus, 2015).

Political economy and politics in Indonesia

The Asian financial crisis of 1997 and tensions within the regime caused the fall of Suharto in 1997 after 30 years in power (Aspinall, 2010). This period, known as the ‘New Order’ Regime² was characterized by authoritarian measures and lack of political freedom. Economic growth was encouraged through foreign investment, international aid, rural development policies, the creation of jobs and social welfare support (Datta *et al.*, 2011; Manning & Sumarto, 2011). Poverty was reduced from 60% (70 million people) in 1970 to 9% (26.6 million) in 2024 (BPS, 2024a). Suharto established neoliberal economic principles, including privatization of national companies and encouragement of foreign investments, to dismantle the Sukarno’s nationalist principles (Cowherd, 2005). However, the national state remained very strong in areas such as oil production with the ownership of Pertamina (Hadiz & Robison, 2013).

The ‘New Era’ Period (or Reformation Order), after the fall of Suharto, established four central governance pillars: reformation (*reformasi*), autonomy (*otonomi*),

democracy (*demokrasi*), and participation (*partisipasi*) (Hainsworth *et al.*, 2007). As part of the 'reformation' of the country, a decentralization of power from national to regional and local governments took place, as 'bringing power closer to the people would improve democracy, community participation, equality, and justice because of the potential and diversity of Indonesia's sub-national regions' (Roberts *et al.*, 2019, p. 180).

However, power structures did not significantly change, and important figures from the New Order maintained (and still do) significant power (Datta *et al.*, 2011; Mudhoffir, 2022). Rather than a failure, these remnants of the past are considered a 'fundamental factor contributing to the feasibility of achieving change' (Datta *et al.*, 2011, p. 14), resulting from 'a trade-off between democratic success and democratic quality' (Aspinall, 2010, p. 21).

After the 1997 Asian financial crisis, the country implemented poverty alleviation policies through cash transfer programmes, urban poverty programmes and the successful PNPM (*Program Nasional Pemberdayaan Masyarakat* - National Programme for Community Empowerment). This programme benefitted over 15 million households in the late 1990s/early 2000s (WB, 2013). The government has continued the implementation of strong poverty measures. Poverty, based on the national poverty line, has considerably decreased from 24% in 1998, to 19% in 2000, 13% in 2010 and 9% in March 2024 (WB, 2023; BPS, 2024b).

Economic growth has been strong in the country over the last 30 years, with 7.2% GDP growth in 1990, 4.9% in 2000, 6.2% in 2010 and 5.1% in the first quarter of 2024 (WB, 2023, 2024). Foreign Direct Investment recorded a negative performance after the Asian crisis (US\$-4,550 million in 2000), increasing to US\$15,292 million in 2010 and achieving a phenomenal record by early 2024 (US\$ 12.5 billion in the first quarter of 2024, WB, 2023, 2024). Urban areas contribute 60% of the total GDP (Roberts *et al.*, 2019).

Despite economic growth and lower levels of poverty, the income shared by the poorest 20% of the population has decreased from 8.8 in 1990 to 7.0 in 2021 (WB, 2023). Income inequality (measured by the Gini index) has been in a mostly upward trajectory since the 1990s: from 0.31 in 1990, 0.32 in 2002 to 0.43 in 2013, starting slowly to decrease to 0.41 in 2015 and currently at 0.38 for 2024 (BPS, 2018, 2020, 2024b). Although it has slightly decreased, the Gini index represents a high value for the country³ and has made inequality an important topic in the Indonesian government's agenda over the last decade (Negara, 2017).

The Indonesian political and financial systems have strongly favoured the accumulation of wealth in a minority group. In 2016, the wealthiest 1% Indonesians owned 49% of the total wealth in the country. The number of billionaires, who are all men, increased from one in 2002 to 20 in 2016, and the wealth of the richest four billionaires is higher than the wealth of the bottom 40% of the population (Oxfam International, 2017). The government has facilitated the accumulation of private and corporate wealth, with some authors referring to 'political capitalism' in the country with a 'politico-business oligarchy' (Hadiz & Robison, 2013). There are strong connections between the most important developers and the Suharto's family (Pratiwo & Nas, 2005; Winarso & Firman, 2002), creating 'oligopolistic types of land and housing markets' (Rukmana, 2015, p. 358).

Clientelism and corruption have been embedded in the system for decades (Pratiwo & Nas, 2005). In the early years of the New Order, unsuccessful attempts were made to increase the low salaries of government employees, as this was believed to be one of the causes of corruption (Datta *et al.*, 2011). Although there are some claims that corruption has been improved since *Reformasi* (Roberts *et al.*, 2019), this is still a significant problem. Based on the Transparency International (2023)'s Corruption Perceptions Index, Indonesia is ranked 115, out of 180 countries (1 means least corrupted). Some authors believe decentralization did not improve issues of corruption, but just extended 'the old ways of politics' from Jakarta to regions and towns (Hadiz & Robison, 2013, p. 36). Corruption has had a prominent role in urban planning in Indonesia (Pratiwo & Nas, 2005; Rukmana, 2015).

The urban planning system in Indonesia

Although urban population growth has decreased from 4.9% annually in 1990 to 1.8% in 2021, around 55% of the 277 million people live in cities (WB, 2023). Decentralization within *Reformasi* has provided more autonomy to local governments, but the central government still follows a top-down approach (Roitman, 2024). Bappenas, the Ministry for Development Planning, is a top-down agency, controlling the design of policies, while local governments are responsible for the implementation (Datta *et al.*, 2011).

The structure of planning in the Indonesian government is complex and hierarchical and cannot be separated from the history of Indonesian governance from the colonial period to the decentralization period. In 1948, the Dutch colonial government through Thomas Karsten initiated the birth of the Town Planning Act (*Stadsvormingsordonantie*) which later became the forerunner of various National, Regional, and City/Regency Spatial Plans developed by the government since the Old Order.

The *Reformasi* Era provided local governments with greater responsibilities and more freedom to elaborate their own guidelines, following provincial and national regulations. Since then, urban planning is implemented mainly by local governments, which are autonomous, develop their own local plans and make their own decisions. They are responsible for the enforcement of planning regulations and the approval of planning permits. The local government is subdivided into several levels based on their urban or rural status (Table 1). Roles and responsibilities of each level (national, provincial/regional, and local) are established in the Spatial Planning Law 26/2007. The lack of coordination between different government levels is a significant problem (Datta *et al.*, 2011).

Similar to other areas of the government, corruption is a present element in the Indonesian planning system, and the lack of sanctions is common (Pratiwo & Nas,

Table 1. Local government levels (by urban and rural areas).

	Urban areas	Rural areas
Local government (from highest to lowest administrative levels)	<i>kota</i> (city) <i>kecamatan</i> (district) <i>kelurahan</i> (sub-district)	<i>kabupaten</i> (regency)* <i>kecamatan</i> (district) <i>desa</i> (village)

*Note: Many regencies have become urbanized, even if designated as 'rural'.
Source: Own elaboration.

2005; Rukmana, 2015). Rukmana (2015) argues that before *Reformasi* spatial plans violations were mainly done by the national government, while after *Reformasi* these violations are done by local governments. Since *Reformasi*, local communities have acquired greater power with more opportunities to express their opinions about planning proposals and to give voice to their needs. Communities are formally organized on two levels: neighbourhood associations called *Rukun Warga* (RW) and household associations called *Rukun Tetangga* (RT). A *kelurahan* (sub-district) contains several RWs and each RW includes three to seven RTs. Each RW and RT has a community leader and a committee that is democratically elected by local residents. These leaders work as a liaison between the local government and the communities (Raharjo, 2010). RTs and RWs are part of the civil society/community sector as they represent the interests of communities (Beard, 2002; Guinness, 2019).

The role of the private sector has been significant in shaping Indonesian cities (Roitman, 2024), with developers influencing policymaking through private sector groups, such as the Association of Housing and Residential Developers (*Asosiasi Pengembangan Perumahan dan Pemukiman Seluruh Indonesia* -APERSI), Indonesian Developers (*Pengembang Indonesia*) and Real Estate Indonesia (REI). The last group is the most important association of private developers and includes both large and small developers countrywide, with branches in the main Indonesian cities. Most private development companies are national companies. There is a high concentration of activities with a clear division between large developers, who have a strong presence in most cities and small local developers, who have a small impact on their local cities.

In Indonesia, as in many other countries, urban growth is driven by developers and facilitated by local governments, through the conversion of agricultural land into urban residential land. A handful of national developers have driven urban growth in Jakarta and other large Indonesian cities over the last 30 years, changing the character of cities through the creation of new towns, gated communities and luxurious high-rise buildings (Leaf, 2015; Winarso & Firman, 2002). The interactions between developers and government officers are essential in setting the urban agenda and 'lobbying to all various authorities is a crucial step to ensure the progress of development and compatibility of its concept with the spatial plan, if any, of the area' (Winarso & Kombaitan, 2001, cited in Winarso & Firman, 2002, p. 500). There is a close relationship between the political elite and developers. Political influence for land development is common (Herlambang *et al.*, 2019; Winarso & Firman, 2002). Alliances with national political parties and the military are seen as a vehicle to influence local government officers (Herlambang *et al.*, 2019). Developers are considered 'institutional entrepreneurs', who use their agency to change the rules of the game (Dieleman, 2011).

The development of gated communities in Indonesia dates from the mid-1990s in Jakarta (Winarso *et al.*, 2015) and the mid-2000s for Yogyakarta, with a few exceptions. The exact number of gated communities is unknown as there is no special registry for this type of housing and the definition of gated community varies among researchers, developers and government officers. We consider gated communities as private residential areas enclosed by walls and fences, where security devices are used to control access. Our analysis revealed at least 100 gated communities in Jakarta Metropolitan Area and 35 in Yogyakarta Metropolitan Area by

2020. There are important differences in terms of size, services and infrastructure provided within each development and the type of security devices used (Roitman & Recio, 2020). Since 2010 most residential projects built by the private sector in both cities have been gated and targeted to high and upper-middle-income families, thus contributing to spatial social inequalities (Roitman & Recio, 2020; Winarso *et al.*, 2015). Most of these new gated communities are surrounding by lower income neighbourhoods, ranging from lower-middle income to very low income. There are stark contrasts between the resources and infrastructure within the gates and outside these developments (Roitman & Recio, 2020).

Inclusionary planning instruments in Indonesia

There are two main types of inclusionary instruments in Indonesia that aim to contribute to the public good by making housing or other services and infrastructure available to low-income groups. First, there are government programmes such as the '1000 Towers' programme (high-rise social housing for small households) and *Rusunawa* (low-income rental apartments). Second, there are instruments that regulate the activity of the private sector and try to capture resources (affordable housing, other infrastructure or in-kind) through the planning system. Ratio 1:2:3 and 'Socialization' are part of this second group. They are the main inclusionary planning instruments in Indonesia regulating the activities of housing production by the private sector. They have been in place for several decades and are widely known by policymakers and developers. However, they remain an understudied topic within Indonesian planning, except for the research by Yuniati (2013) and Saptorini *et al.* (2019) for the Ratio 1:2:3. Other works refer generally to Ratio 1:2:3 rather than focusing on the analysis of this instrument (Herlambang *et al.*, 2019; Lestari Olivia *et al.*, 2019; and Dieleman, 2011). 'Socialization' is overlooked in the literature, except for the work of Gibbings (2017) in relation to the activities of street vendors.

The Balanced Residential Ratio 1:3:6 (called *Lingkungan Hunian Berimbang* – LHB, Balanced Ratio Policy, and Balanced Housing Ratio) was introduced in 1974, through a decree issued by the National Housing Authority (Dieleman, 2011; Winarso, 2000). It was reinforced in 1992 through a joint decree (*Surat Keputusan Bersama* -SKB) from the Ministry of Internal Affairs (648–384, 1992), Ministry of Public Works (739/KPTS/1992) and Ministry of Housing (09/KPTS/1992) (Yuniati, 2013). This policy required private developments to provide housing supply for high, medium and low-income families following a distribution of 1:3:6 (1 house for high-income families, 3 for medium-income and 6 for low-income). The aim was to force private developers to contribute to the alleviation of the shortage of affordable housing (Herlambang *et al.*, 2019; Lestari Olivia *et al.*, 2019; Yuniati, 2013), to promote social integration through the creation of mixed-income residential areas (Lestari Olivia *et al.*, 2019; Yuniati, 2013) and to create cross subsidies for the provision of public infrastructure, facilities and utilities, as well as financing housing construction (MPH Regulation 10/2012).

The policy stated that developments of 200 hectares or larger were required to build low-income and middle-income houses within the development area and those smaller than 200 hectares could build the houses in another area, but within the same sub-district (Winarso, 2000). Since 1975 the instrument has been opposed by

REI based on the high price of land (Winarso, 2000) and the limited ability for developers to make profits. Since *Reformasi* this instrument had to be enforced by local governments countrywide, thus requiring specific local regulations and an appropriate institutional framework. In 2012, the ratio was changed to 1:2:3 (1 exclusive, 2 middle-class and 3 low-income houses) as a response to lobbying by developers (Herlambang *et al.*, 2019; Lestari Olivia *et al.*, 2019)⁴

Yuniati's (2013) analysis of the implementation of the Ratio 1:2:3 in Makassar (South Sulawesi) found that while some developers built housing for different socio-economic groups, the distribution failed to meet the Ratio 1:3:6 for the projects built before 2011. This author also found that the instrument was usually not enforced due to the lack of monitoring from the public sector and the unprofitability of building houses for low-income residents. While the national regulation allows local governments to adjust how the instrument is implemented in each city, in the case of Makassar there was no local regulation about the Balanced Residential Ratio. Saptorini *et al.*'s (2019) analysis of Yogyakarta found that only six (1.22%) of the 492 surveyed developers had implemented the Ratio 1:2:3, citing increasing land prices as the main obstacle against compliance.

'Socialization' the second inclusionary planning instrument analysed in this article, was used before *Reformasi* in Indonesia (Gibbins, 2017). As part of the planning permit process, new development must undertake an Environmental Impact Assessment, or AMDAL (*Analisis mengenai dampak lingkungan*), as legislated in the National Regulation 27/1999 and Law 32/2009. An AMDAL is required for developments with a significant impact, defined as the 'the occurrence of fundamental change in the environment' (Article 22 of Law 32/2009). For housing and settlement development, the need for AMDAL is regulated through the Minister of Environment, Decree 4/2000, which emphasizes the importance of AMDAL for 'maintaining the continuation of the local socio-cultural system'⁵ (Appendix of Ministry Decree 4/2000, p. 6), where community participation is deemed important. The procedure for involving the community in the AMDAL process is regulated by the Ministry of Environment, Regulation 17/2012. These regulations do not mention explicitly the term 'socialization', but they refer to public consultation and detail the community participation process.

'Socialization' (*sosialisasi*) is the informal name given to the public consultation process, including the presentation of the proposed project (Dhikawan *et al.*, 2018). It incorporates the 'practices of consultation and communication across the Indonesian archipelago' (Gibbins, 2017, p. 97–98). In new development projects, 'socialization' is conducted at the local level (usually sub-district) and consists of one or more meetings where the developer presents the project to other stakeholders, in particular the communities living in the local area. Communities need to provide their consent to the project, otherwise the project cannot proceed. Ratio 1:2:3 and 'Socialization' are theoretically legally binding, requiring developer compliance before a permit for a new housing project is granted by the local government.

Methodology

Our research focussed on analysing opportunities and challenges experienced by various stakeholders associated with the implementation of inclusionary planning instruments in Jakarta and Yogyakarta Metropolitan Areas. Based on our research

question, we adopted a qualitative approach that allowed us to work with a constructivist-interpretive paradigm, which acknowledges that reality is socially constructed (Denzin & Lincoln, 2011; Yin, 2014). We used a case study research design as it foresees a deep exploration of social phenomena, considering the perspective of different participants (Yin, 2014). Case studies are used to produce context-dependent knowledge to build social science theory (Flyvbjerg, 2006). They provide detailed data that allows for theoretical generalizations, which can be applied by researchers and policymakers in other contexts where circumstances align (Tsang, 2014).

Jakarta and Yogyakarta Metropolitan Areas were selected as case study cities. Jakarta Metropolitan Area (hereafter Jakarta) is the largest Indonesian city, with 30 million residents and has the highest number of gated communities in the country (Herlambang *et al.*, 2019; Leisch, 2002). Yogyakarta was chosen as it is a medium-sized city (2.5 million residents) where the gated community phenomenon is under-researched. In 2019, Yogyakarta Province (DIY) had the highest Gini index in the country scoring 0.428. Jakarta's Gini was 0.391 (BPS, 2020). Both cities continue to expand. The urban population growth in the periphery between 2000 and 2010 was 3.2% in Yogyakarta and 7.6% in Jakarta (Roberts *et al.*, 2019).

We used four qualitative methods for data collection including semi-structured interviews, site observations of gated communities, review of government policy documents and a workshop. Semi-structured interviews were the principal tool for data collection, whereas the other methods provided background and contextual information. Semi-structured interviews allow participants to give accounts of a phenomenon using their own language and interpretations as well as providing unexpected explanations and findings.

Using a purposive (participants were selected according to their roles and expertise) and snowball sampling technique (participants were referred by other participants), we selected interviewees from five groups: (a) developers; (b) local residents living adjacent to gated communities (local community leaders in particular); (c) gated community residents; (d) local government officers, mainly from the planning and/or permit departments; and (e) researchers. Developers and local government officers were selected to provide evidence on the implementation of the analysed instruments. Based on their positions and expertise they were able to explain about the rationale for these instruments and the problems regarding implementation. Gated community residents and local residents outside these developments were interviewed to provide evidence about their knowledge on these instruments, and their experience in being involved in their implementation. These four groups are stakeholders involved in the planning process investigated in this project. Researchers participated to provide their views as experts on the purpose and implementation of these instruments. All the evidence in the form of narratives from the interviews serves to respond to our research question.

We conducted 70 interviews (25 in Jakarta and 45 in Yogyakarta) between 2016 and 2017 (Table 2). We used a 'theoretical sampling' (Glaser & Strauss, 1999/2017, p. 45, emphasis in original) where the 'data collection is *controlled* by the emerging theory' and can be adjusted to confirm inductive theoretical explanations as they emerge. The number of interviews was established according to 'theoretical saturation' (Glaser & Strauss, 1999/2017), which is obtained when further collected data does not provide new insights and all data gaps related to the research questions have been filled.

Table 2. Interviewees by group and city.

Participants	Jakarta	Yogyakarta
Local Government	4	16
Private Sector (developers)	4	7
Gated Community Residents	8	7
Local (outside) Community Residents	8	11
Researchers	1	4
Total	25	45

Source: Own elaboration.

Most interviews were conducted in English and Bahasa Indonesia by the first author with the support of local research assistants from Universitas Tarumanagara in Jakarta and Universitas Gadjah Mada in Yogyakarta, who translated the conversations and initiated contact with some of the interviewees⁶

In 2017 we held a half-day workshop in Jakarta to discuss gated community development in Indonesia, co-organized by The University of Queensland and Universitas Tarumanagara. Over forty participants attended, including developers, government officers, researchers and university students, who had been invited *via* email and social media. The workshop served to discuss de-identified interview data and provided additional evidence to compensate for the unbalanced distribution of interviewees between the two cities.

We conducted the data analysis using an inductive process based on theoretical arguments about inclusionary planning instruments and the use of analytical categories emerging from the interview data. We followed the Ethics Research Protocol of The University of Queensland. The review of documents comprised the planning regulations about new housing development at the national and local levels, and in particular documents mentioning Ratio 1:2:3 and ‘Socialization’. We visited several gated community locations in both cities and observed the main features of the areas within the residential development and outside. We took field notes on these features and photographs to document visual aspects of the local areas.

Implementation of inclusionary planning instruments in two Indonesian cities

This section analyzes how Ratio 1:2:3 and ‘socialization’ have been implemented in Jakarta and Yogyakarta since 2010. We draw on the knowledge and experience of the participants who were interviewed for this research.

Ratio 1:2:3

Local governments are responsible for enforcing Ratio 1:2:3 and may produce specific guidelines about the implementation of the instrument. In Jakarta and Yogyakarta Metropolitan Areas these local guidelines do not exist. The national regulations prevent a local government from granting a building permit if there is no clarity regarding how and where the housing ratio will be fulfilled. However, in practice most developments receive planning permits even when they do not comply with this regulation.

Interviewees indicated that there are three reasons why Ratio 1:2:3 is not implemented: unprofitability; scarcity of urban land; and poor capacity of the local government to enforce this regulation. First, the provision of housing for low-income families represents

a serious obstacle that limits the ability of developers to maximize their profits due to the high price of land. A representative from a large developer in Yogyakarta explained: 'After we develop it [the land], the price is not suitable for subsidized housing' (YD4).⁷ A developer from Jakarta mentioned that it is difficult to build all the houses in the same area because of the land price, [but] 'sometimes it is possible to build them in another area' (JD2). The 'unprofitability' of this instrument was highlighted not only by developers, but also by government. A government officer from Jakarta mentioned that this instrument does not work because low-income residents cannot afford to buy a house offered by the private sector and the government does not provide housing options for this group (JLG2). According to participants, the instrument does not address the expectations of private sector developers in relation to profit-making and does not provide developers with the opportunity to offset their low-income housing obligation elsewhere.

The second factor that seems to limit compliance with Ratio 1:2:3 is, according to interviewees, the lack of available land in these two cities, where the scarce land available is owned by the private sector, mainly in the adjacent municipalities. In the case of Jakarta, the urban area has grown towards Bogor, Depok, Tangerang, and Bekasi forming Jabodetabek (Figure 1). Yogyakarta Metropolitan Area has greatly expanded its urban area towards Sleman (north) and Bantul (south) (Figure 2).

The third reason for the failure of Ratio 1:2:3 is the lack of capacity of the local government to enforce this regulation due mainly to two challenges, namely the lack of clarity concerning the meaning of the regulation and the enforcement of responsibilities. These challenges are intertwined according to the interviewees, especially urban planning officers. A member of the local government explained: 'Ratio 1:2:3 is an instrument of national policy. It is unclear how local governments should be using it' (JLG1). Similarly, the head of the land permit agency in a local government admitted: 'I don't really know about the implementation... I think there should be a local regulation to implement this... so we don't have to depend on the central regulation, because the central regulation is very 'global', and the local areas are different from one another. I think we need a clearer local regulation' (YLG2).

These narratives indicate a failure in the design of the instrument and the lack of clarity surrounding implementation and monitoring. A local government officer stated:

First of all, we as the government also find it difficult to set the criteria for a 'luxurious house' or 'middle class house' and so on. Like how much is the price for the so-called 'luxurious house'? And how can we say that this house is included in this type, or what facilities does one type need to have? That's the first difficulty, related to the terminology...⁸ Secondly, ...we haven't really been consistent in realizing the implementation. I think that the criteria can be established at any moment, and then after setting them up, we need to enforce them with the developers. And let's say if a certain developer doesn't execute the regulation well, [we need to ensure that] they will not be granted any more permits in the future. So, I think it's also about the commitment of the local government, which is not so strong-willed... If this happens in all cities in Indonesia, I think this can be regarded as a national issue. (YLG3)

The lack of clarity concerning the implementation of this instrument seems to be related to how to manage the responsibilities of the government and the private sector in enforcing this regulation. The government must enforce the regulation and the private sector must be committed to the instrument and acknowledge their contribution to the public good and more inclusive cities that also provide housing

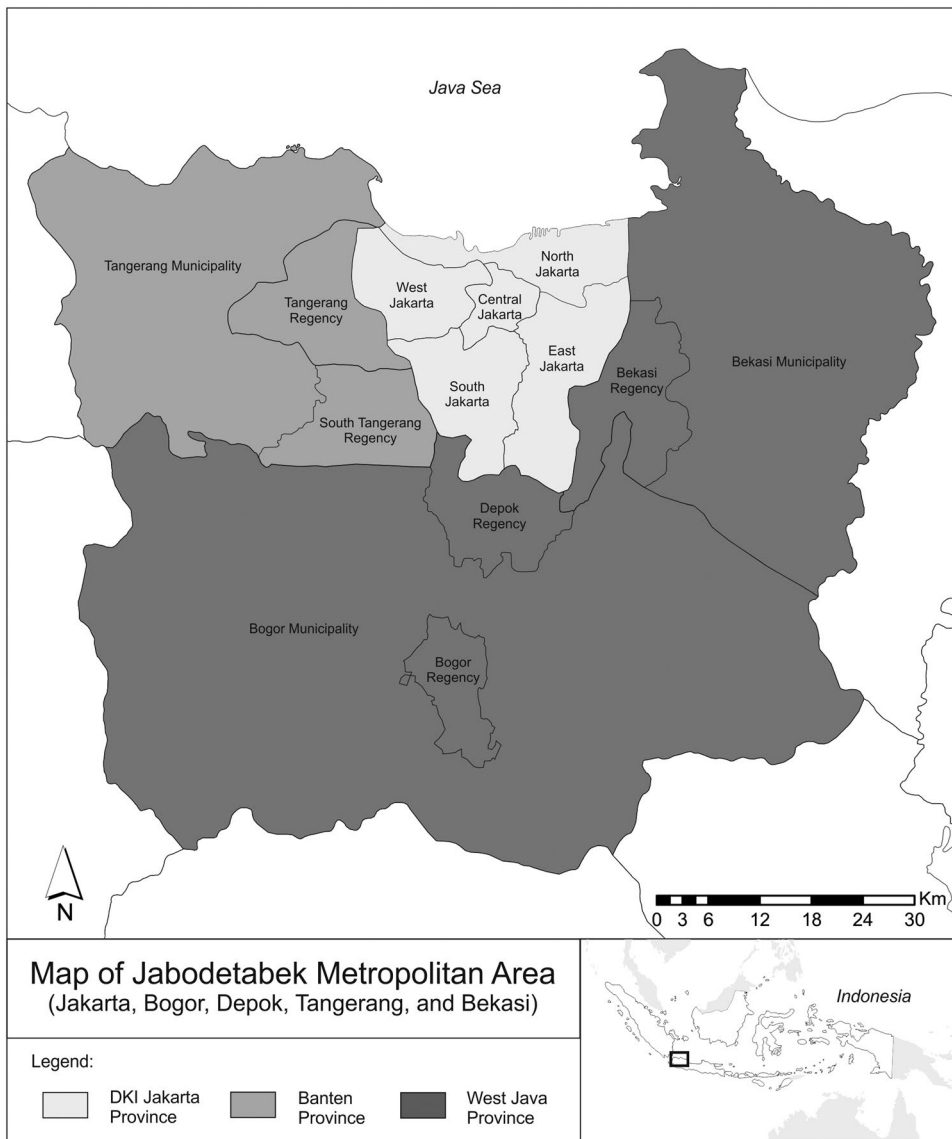


Figure 1. Jabodetabek Area.

Source: Elaborated by Dr Sita Rahmani.

to low-income residents. However, the private sector is not convinced of their responsibility to provide social housing, as explained by a developer:

It is very rare for the balanced housing 1:2:3 to be constructed in the same site, because from the developer's point of view, we can't rule out the business aspect... From the government's point of view, they see the need to build houses for the people, but we must remember that it's their job to fulfil the housing demand, not ours – it is not the private sector's responsibility. (YD8)

Similar to government officers, developers also mentioned the lack of clarity concerning Ratio 1:2:3, with some indicating that it was an 'imposition' on developers: 'the purpose [of Ratio 1:2:3] is clearly for equity... to supply housing even

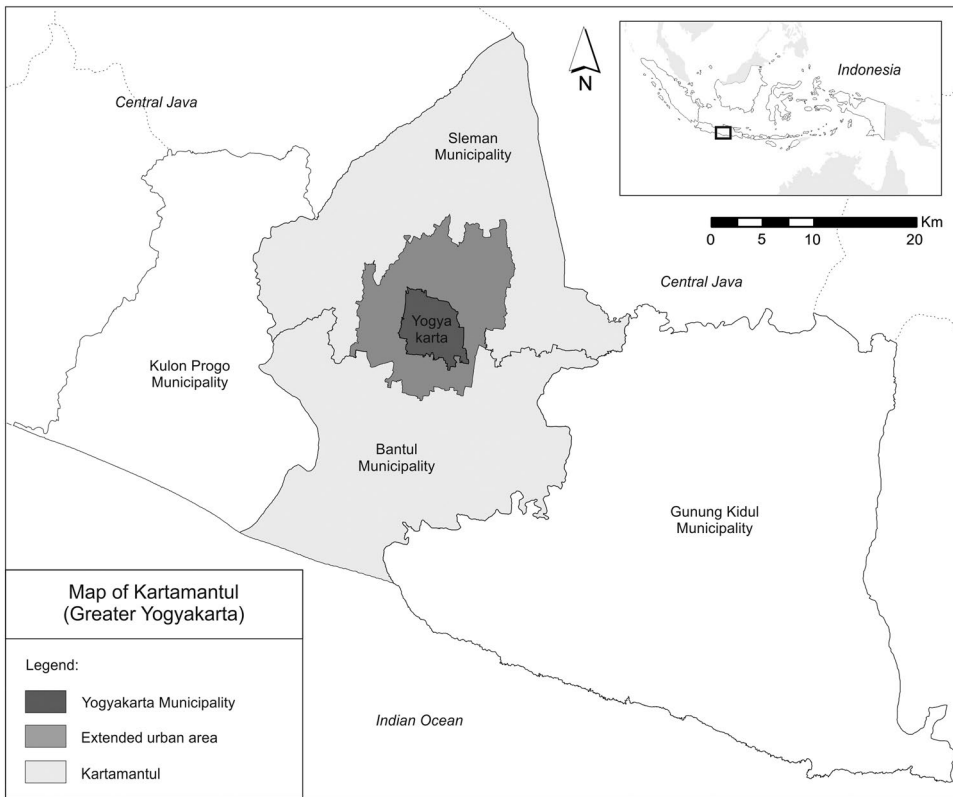


Figure 2. Metropolitan Area of Yogyakarta.

Source: Elaborated by Dr Sita Rahmani.

for poor groups, not just rich groups... but why is it put on developers, who are clearly profit-oriented companies?’ (JD4).

‘Socialization’ process

The second inclusionary instrument, ‘socialization’, is one of the requirements of the AMDAL process, which is necessary to obtain an environmental permit, after the approval of a building permit, as mentioned earlier. ‘Socialization’ refers to community involvement in obtaining information, conveying suggestions, opinions or responses regarding business plans and other activities that have significant impacts on the environment. Public consultation is conducted in three forms: written submissions, face-to-face discussions and becoming a member of the AMDAL appraisal commission. The first two are the most common forms of involvement (Hadi, 2003; Kandi, 2017). When analyzing how this planning instrument is conducted in Jakarta and Yogyakarta, we considered three aspects of ‘socialization’: the process and the participants; the content of the negotiation; and, the gains obtained from this negotiation.

Process and participants

‘Socialization’ usually consists of a public face-to-face discussion between the developers and the outside communities about a new proposed development. In some

cases, the entire community is invited to these conversations, while in others it involves mainly the heads of RTs and RWs. In addition to these two stakeholders, the local government (usually officers from district or sub-district) intervenes as a facilitator. Interviewees mentioned the process becomes difficult when the local communities oppose to the new development or have high demands.

Although 'socialization' is a compulsory stage in the process to gain planning permission for a new project, in several cases (and particularly in Jakarta) community leaders mentioned they were not informed about 'socialization' when gated communities were built in their local area. In other cases, local community residents had been invited to an information session, but not previously briefed about the aim of the meeting. We also found cases where local residents had not been invited, or only the leaders. Other interviewees mentioned situations in which attendees were paid by the developer to be present at the meeting, especially when the developer was trying to demonstrate high participation and attendance.

Content

Socialization is seen as a process to reduce potential conflicts between old and new residents and facilitate integration; 'it's more for the awareness of the local community in accepting the newcomers' (YLG13). The process becomes mainly a 'negotiation' with regards to its content. In some cases, it seems that communities are able to have strong negotiations, whereas in other cases, they are just 'apathetic' (JD2).

A Jakarta developer felt communities make strong demands because they think the developers are getting higher profits than they are in reality. He also referred to unseen expenses that are part of the process of 'under the table money' (JD1), which refers to a wide-spread common situation of corruption in the real estate business internationally (Martini, 2017) and an embedded feature of Indonesian politics, as discussed earlier.

Gains

'Socialization' does not provide big gains to the outside communities and the benefits of new developments are not for the many. Like other studies (Dieleman, 2011), the main benefits include the provision of job opportunities, mainly low-skilled jobs, and improvements in physical infrastructure (such as the painting of the local mosque) or services in the local area. These job opportunities only benefit a small number of local residents. Developers mentioned that community's demands are 'never ending', and many times, cannot be met (such as building a football field).

Discussion

The two analyzed inclusionary planning instruments discussed here have the potential to promote the public good through the inclusion of benefits for the larger society, and the redistribution of services and infrastructure, including housing. However, our findings have provided evidence not only of their lack of enforcement, but also details on the reasons for this failure based on the perspectives offered by different stakeholders involved in this process. The unpacking of the obstacles hampering the

implementation of these two instruments could help as entry points for policy improvement.

In the case of Ratio 1:2:3, there is rarely any implementation of this instrument, while in the case of socialization there are severe problems in how the implementation is conducted. The institutional requirements for these instruments to succeed are not fully developed. Local governments can make their own decisions on how to conduct this implementation and could also adapt the national regulations to fit the local conditions. However, there is no clear understanding of the instruments locally, lack of coordination between government levels to ensure implementation, and no government agency at the local level with the specific mandate to control the implementation of these instruments (as also found by Yuniati (2013) for Ratio 1:2:3). The lack of insufficient knowledge from local government officers and expertise in negotiating these agreements with developers has also been mentioned for other countries (Hendricks *et al.*, 2021).

Due to the strong lobbying capacity and power of many developers, local governments are in 'inferior' conditions to ensure the implementation of these instruments. There is a strong power imbalance between local government officers and developers. At the same time, the commodification of the city prevails as a justification provided by both private and public sectors. All levels of the government understand and promote the attraction of investment and new developments by private sector companies as a requirement for success in urban development (despite the effects of social exclusion that might be triggered).

Our analysis shows the violation of planning regulations, or the lack of their enforcement. These are negative elements that have been part of the Indonesian planning system for decades, as earlier discussed, and discussed by other authors (Dieleman, 2011; Herlambang *et al.*, 2019; Rukmana, 2015). Developers, especially the large ones, continue to have a critical role in planning politics, successfully advocating to get more benefits, such as being able to change the Housing Balance Ratio from 1:3:6 to 1:2:3, and even so still being able to 'circumvent' this regulation. As during the New Order, the private sector continues to maintain a strong lobbying and close links with the government (Roitman, 2024). Developers see their function mainly in terms of profitability and do not have a sense of private development with a social function. Similarly in the UK, 'the goal of providing affordable, inclusive housing is not seen by developers as their responsibility' (Basolo, 2011, p. iv). There is also an accusation that this Ratio is a form of responsibility avoidance by the government from the developers' perspective (Lestari Olivia *et al.*, 2019; Saptorini *et al.*, 2019). The dominant role of the private sector in city-making in Indonesia and the enabling role adopted by the government are at odds with keeping the public good as an aspirational aim for urban planning.

The failure to comply with both instruments benefits developers and the affluent residents who live in gated communities to the expense of the surrounding (usually poorer) local communities who do not receive much gain from these new developments. This contributes to increasing spatial inequalities in the city as there is no redistribution of resources (similar to what Demirguc-Kunt *et al.* (2018) mention) and the elite groups capturing all the benefits from these new developments (Justino & Moore, 2015).

Although *Reformasi* has advocated for more public participation, the consultation process with communities as part of 'socialization' remains just an exercise to

'consult' and collect opinions, concerns, and aspirations from communities rather than to have a process where there is collaboration that allows communities to formulate effective solutions. Thus, 'socialization' is used merely to 'inform' or 'consult' communities, rather than achieve collaboration and empowerment (IAP2 2018). This constitutes 'tokenism' rather than the real possibility of communities fully exercising their power (Arnstein, 1969). They are linked to the limited power of local communities and their lack of awareness of their own agency. If local communities, through their local leaders, were better informed of their role in the process, perhaps they would be able to negotiate with developers on a more equal basis. The local government needs to provide more effective support to the local communities, rather than being neutral in the facilitation of the process. A stronger awareness of the role of urban planning instruments in supporting the public good could provide the basis for a more balanced power distribution in this process, leading to some opportunities for redistributing resources.

The analysis of these two inclusionary planning instruments in two Indonesian cities highlights the failure of planning to contribute to the public good and thus to reduce urban inequalities. The Indonesian planning system has failed to ensure that development complies with the legal frameworks. This is partly because it seems 'impossible' to comply with the regulations and partly because the actors involved are not invested in following these regulations. This is similar in other countries (Burgess *et al.*, 2011; Murphy & Fox-Rogers, 2015). Our findings show that there is, on the one hand, an abandonment of the responsibility to achieve the public good by the public sector (and the planning practice in particular), supporting similar findings by Shatkin (2008). On the other hand, there is a total indifference to issues about social justice and collective benefits from the private sector who has not realized that in addition to profit-making, a more cohesive and integrated social fabric would benefit the sector as well as the overall city.

Conclusion

There are conflicting rationalities within planning practice (Watson, 2009). On the one hand, there is an emphasis on promoting inclusive cities, incorporating fundamental rights in regulatory frameworks and guidelines, considering that planning has a role to play in promoting the public good and developing inclusionary instruments. However, on the other hand, planners often face constraints and tensions between context-related diversity/reality and normative positions (Makhale & Landman, 2018). Planning practice, in particular the practice of government officers granting planning permits in local governments, faces strong political pressure (Makhale & Landman, 2018).

Inclusionary planning instruments have been in place for over 50 years globally. These instruments emphasize that all sectors of society need to contribute to the public good, especially the private sector, which needs to redistribute some of its profits to more disadvantaged social groups. These instruments face challenges in their implementation, including the interests of powerful lobbying sectors. This article has contributed to this discussion through the provision of in-depth evidence to explain these shortcomings.

Indonesia is an unequal country and reducing income inequality has become a significant element of the government's agenda. Our article has focused on the analysis of two inclusionary planning instruments (Balanced Housing Ratio 1:2:3 and Socialization) that regulate the production of private housing, using Jakarta and Yogyakarta Metropolitan Areas as case studies. Through a detailed analysis of the reasons that hamper their successful implementation, this article contributes to provide evidence on how both the public and private sector actions and inactions contribute to increase spatial inequalities. Elite groups become the winners of the lack of enforcement of these inclusionary instruments as they capture the benefits of urban development through the construction of new housing, services and infrastructure, with limited gain for other social groups.

The notion of the public good becomes compromised by neoliberal views of the city and the dominant role of profit-making and the private sector in city-making. Our analysis shows the need for the planning practice to re-assess its role in achieving the public good, a redistribution of resources and building a less unequal society.

Although our findings are limited to these two cases, they can be used to further the theoretical generalizations of the impact of inclusionary planning instruments as there is a lack of literature on this topic in Indonesia, as well as revising policy that could strengthen the applicability of these instruments.

Notes

1. Original in Spanish. Translated by the authors.
2. Sukarto's government is known as 'Old Order' (1945–1967), Suharto's regime is called 'New Order' (1967–1997) and post-1998 is called Reformation Order.
3. A comparison of Gini index values worldwide is available at the World Bank website, showing values ranging from Slovenia (0.24) and Iceland (0.26) to South Africa (0.63). Available at https://data.worldbank.org/indicator/SI.POV.GINI?most_recent_value_desc=false (accessed 9 October 2024).
4. The change was initiated through Law 1/2011, which was regulated by Regulation 10/2012 from the Ministry of Public Housing (MPH). The latter mentions the Ratio 1:2:3. In 2013, the 2012 regulation was changed to Regulation 7/2013 by MPH.
5. Quotes from legislation have been translated into English by the authors.
6. All interviews were transcribed. Interviewee responses in Bahasa Indonesia were translated into English. The grammatical style and expressions of the interviewees were respected as closely as possible. Thus, grammatical errors and informal language in the quotes have remained.
7. To protect confidentiality, we refer to the interviewees according to their role and city as follows: JD: Jakarta Developer; JLG: Jakarta Local Government; JGCR: Jakarta Gated Community Resident; JOR: Jakarta Outside Resident; YD: Yogyakarta Developer; YLG: Yogyakarta Local Government; YGCR: Yogyakarta Gated Community Resident; and, YOR: Yogyakarta Outside Resident.
8. The regulation includes a classification for houses considered for low-, middle- and high-income families, but the plot sizes and typology characteristics are no longer applicable to real prices and what each of these groups can afford.

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