Exploring the Future of Home Improvement Programs in Indonesia

9th Global Affordable Housing Conference

1st June, 2023
Outline

• Background Context
• Home Improvement program overview and lessons learned
• Future home improvement potentials in Indonesia
• Conclusions
INDONESIA: Archipelagic Country with Thousands of Islands...

Highly Populated
280 million people
third in the world

Annual National Budget size
USD 124 billion
average in the last 5 years

GDP / year
USD 894.4 billion
average in the last 5 years

Archipelago country with more than
17,000 island

GOVERNMENT SYSTEM
1998-now
Decentralized system
(25 years)
... that besieged by disaster hotspots, specifically earthquake

High Frequency
10,500
Earthquake/year in 2021

US$ 300 – 500 million
spent annually for disaster recovery, including for housing

Houses damaged due to earthquake
400,000+
in the last 4 big earthquakes
The frequency of disaster increasing, resulting to significant investment needs to rehabilitate the houses.

Disasters include Floods, Tidal Wave/Abrasion, Earthquake & Tsunami, Wildfire, Drought, Volcanic Activity, Storms and Landslides.

To overcome these challenges, it is essential to identify suitable approaches that can enhance the delivery of home improvement programs while maintaining structural integrity.
On top of the disaster risk challenge, the Country has persistent issue of unmet substandard housing needs.

Substandard housing backlog: 27 million households (2021, BPS)

With current government programs and interventions, it would need roughly **100 years** to alleviate the substandard housing issue.

Annual allocation

- **BSPS**: 184,500 units
- **BSPS PKE**: 55,000 units
- Decile 1-2
  - Rutilahu MoSA: 6,000 units
- Decile 3-4
  - Local Gov’t Housing Initiatives: ~20,000 units (cumulative)
  - DAK Integrasi: 1,400 units
  - DAK Tematik*: 1,000 units *past programs

However, scaling up the program on a vast scale compromised the structural integrity.
Overview of Indonesia’s home improvement program for low-income households

Decile 5-6
- FLPP (Fixed-income)
- BP2BT (Non-fixed income)

Decile 3-4
- DAK Integrasi (Integrated Special Allocation Fund)
- BSPS (Self-help Housing Assistance)

Decile 1-2
- BSPS PKE (Self-help Housing Assistance for Households in Extreme Poverty)

Non-Substandard Housing
- Substandard Housing

Home improvement
Qualitative Backlog: Home Upgrading

〜300,000 units per year
1.2 million people served

The annual delivery volume is one of the largest in the world, but it is not enough to address the significant backlog.
What works well...

- Volume has grown by **71 times** in 13 years
- Benefited **2+ million** people by far
- **90%** of beneficiaries are informal income earners; **38%** of those are female-headed households; **26%** are elderly
- Leveraged **50-300%** of co-financing from beneficiaries/families
- Encourage social cohesion within the community by group forming of **15-20 people**; neighbors would help and contribute
Quality of the improved homes are continuously increasing...

Baseline study was supported by GPRH
Some snips of the program results

Before

After

Before

After

Before

After

Before

After

Before

After

Before

After
<table>
<thead>
<tr>
<th>Community engagement and participation</th>
<th>Monitoring and evaluation</th>
<th>Financial access</th>
<th>Tailoring solutions to local contexts</th>
<th>Capacity-building and skills development</th>
</tr>
</thead>
<tbody>
<tr>
<td>This participatory approach fosters a <strong>sense of empowerment</strong> and encourages sustainable maintenance of the housing improvements.</td>
<td>By collecting data on the program’s achievements, policymakers can <strong>continuously improve the program</strong> and ensure its effectiveness.</td>
<td>It has <strong>enabled families to undertake home improvements</strong> they would not have been able to afford otherwise.</td>
<td>Customizing interventions ensures that housing improvements are <strong>appropriate and effective</strong> for the communities.</td>
<td>There is a need for capacity-building initiatives to <strong>enhance the skills and knowledge</strong> of everyone involved.</td>
</tr>
</tbody>
</table>
However, Indonesia’s home improvement programs are not without challenges

Vast areas of the country requires significant effort for delivery and M&E
Future home improvement potentials in Indonesia

Decentralization
- Empowerment
- Local decision-making
- Even more tailored solutions with standardized output
- Capacity distribution
- Private sector participation

Innovation
- Quality control/Quality Assurance
- Technology in Construction
- Financing modalities
- Circular Economy

Both are essential for increasing the output of home improvement programs in the future, while also fostering local leadership and maintaining quality standards.
## Key Areas for Improvement

<table>
<thead>
<tr>
<th>Policy umbrella</th>
<th>LG’s Financing capacity</th>
<th>Technical capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enable LG’s higher participation to be at the forefront</td>
<td>Enhancing LGs’ financial capacity is essential to support their active involvement in housing initiatives.</td>
<td>Improve <strong>LG capacity</strong> to deliver the housing programs</td>
</tr>
<tr>
<td><strong>Collaborative efforts</strong> needed for supportive policies guiding SNGs’ engagement in housing.</td>
<td></td>
<td><strong>Robust monitoring and evaluation</strong> tools also ensure effective capacity-building efforts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Continue the application of innovation in technology</td>
</tr>
</tbody>
</table>
Local housing initiatives has the potential to address the needs...

Total annual output: 
- 20,000 housing units ➔ potential for scale up

Foster local innovations:
- Verified, by-name-by-address beneficiary database
- Crowding-in private sector funding (CSR, Baznas, etc.)
- Provision of supporting infrastructure (PSU)
...if leveraged by Result-Based Financing (RBF)

- **Payment after results**
  Local governments (agent) are expected to shoulder the investment costs upfront and to be reimbursed later by the central government (principal) against actual results.

- **Verification against pre-defined standards**
  Outputs are verified according a set of pre-defined and agreed quality standards. The passing rate of verification accounts for the rate of reimbursement.

- **Program evaluation report**
  The verification results are compiled into a evaluation report to provide inputs to improve capacity and implementation of subsequent projects.

---

**RBF potential and success stories**

- Ensures value-for-money of public expenditure by focusing on quality
- Accommodates local government needs and capacities while maintaining the quality standard
- Improves the capacity and unlock the capabilities of local governments in delivering better public services

---

**Ideal instrument to support local government programs and to foster independence, while improving their technical capacity and financial management**
Innovative technical approaches for future home improvement programs

RISHA & RUSPIN – New constructions

- Precast knock-down systems for faster, cheaper, and eco-friendly construction.
- Both are **Earthquake-resistant modules**, suitable for one-story residential buildings.
- Deployed in central government home improvement programs in Indonesia.

Wiremesh – Retrofitting

- Developed by late Ir. Teddy Boen, introduced in 2019 to BSPS beneficiaries.
- Improves construction quality, **reducing seismic risk**.
- Indonesian government constructed hundreds of BSPS houses using this method.
Conclusions

Progress has been made, but more efforts are needed for scaled-up, sustainable, and resilient housing.
Thank you!