



Housing Policy Capacity and Indonesian Response to the COVID-19 Pandemic

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Abstract

Purpose: This study discusses how Indonesia's response to the Corona Virus Disease-19 pandemic based on the perspective of housing policy capacity which consists of resources, organizations, and networks, politics, systems, and finance. **Research design, data and methodology:** This study used a qualitative method through a literature review. Data collection techniques were carried out by searching various sources and literature related to housing capacity theory and various data on Indonesia's response to the Covid 19 pandemic. Based on a literature review, this study adapted and modified the five components of capacity, namely resource capacity, organizational and network capacity, political capacity, system capacity and financial capacity in Indonesia in responding to the Covid-19 pandemic. Data analysis used analytical themes which consist of understanding the data, generating initial codes, looking for themes, reviewing themes, defining and naming themes, producing of manuscripts. **Results:** The results show that the weakness of the system capacity greatly affects Indonesia's housing policy capacity in responding to the Covid-19 pandemic and on the other hand the five housing capacities are an integrated process within the housing policy framework in Indonesia, especially to overcome the Covid-19 pandemic. **Conclusions:** The findings of this study are the importance of building a system capacity that is directly integrated with housing policy and the strengthening of the resources capacity, organizations, and networks, politics, and finance in the context of Indonesia's housing policy, especially in dealing with the Covid-19 pandemic situation.

Keywords : Indonesia, Housing capacity, Pandemic Covid-19

JEL Classification Codes : H00, H11, H30, H50

1. Introduction

The inadequate public health system and the capacity of uncontrolled disaster management policy have resulted in a high total number of confirmed cases of Covid-19 in Indonesia which has reached 3,833,541 on August 15, 2021 or more than a year after President Jokowi announced the findings of the first Covid-19 confirmed. In detail, active cases of Covid-19 in Indonesia with the number of deaths

are 116,366, recovered patients reached 3,321,598. This figure makes Indonesia ranked 13th in the world, fourth in Asia after India with a total of 32,191,954 cases, then Turkey with a total of 6,059,806 cases and Iran with a total of 4,389,085 cases. Meanwhile, in Southeast Asia, Indonesia still ranks first, followed by the Philippines with a total of 1,765,675 cases, Malaysia with a total of 1,444,270 cases, and Bangladesh with a total of 1,433,396 cases (Worldometers, 2021).

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The World Health Organization (WHO) as an international health organization under the United Nations (UN) has provided directions and policies in handling world public health by campaigning 'Work from Home' with the assumption that a house provides a means of protection and becomes the front line of defense to prevent the spread of the virus. Covid-19 is also the main key in suppressing the transmission of Covid-19 (Farha, 2020; Garber, 2020).

Each individual can play an integral role by making a house an important component in responding to the prevention and transmission of the Covid-19 pandemic (Power et al., 2020). This is because a conducive house will make a positive contribution to physical and mental health (Jones & Grigsby-Toussaint, 2020; Tsai & Wilson, 2020) which included an adequate room condition, a clean environment, an availability of sanitation, lighting, green and personal pleasant space (Friesinger et al., 2019; Lederbogen et al., 2011; Lin et al., 2017) and supported by new non-touch technologies to help restore and improve mental state (Tokazhanov et al., 2020).

The impact of the Covid-19 pandemic has greatly affected various development sectors, including housing in Indonesia, which is experiencing problems with a decline in economic growth at the absorption rate of house sales up to 60%, a decline in communities' purchasing power and the ability to pay Household Loan Credit (KPR) to banks, declining production and housing demand, delays in the handover of houses from developers to consumers, and delays in the licensing process for housing development in the regions.

The Indonesia government's response to these housing problems was carried out by issuing various housing stimulus policies such as Interest Difference Subsidy (SSB), Housing Financing Liquidity Facility (FLPP) and Rp.0,6 trillion of Down Payment Assistance Subsidy (SBUM), Savings-Based Housing Financing Assistance (BP2BT), Independent housing stimulant assistance (BSPS) and the construction of flats. Although these housing policies have not been able to solve various housing problems, they have shown the government's ability to overcome social and economic problems of the communities and as a form of support for the public interest (Painter & Pierre, 2005) and show the government's ability to respond to changes (Weiss, 1998). In this case, we argue that in responding to the Covid-19 pandemic situation, the government's commitment and roles in solving housing problems are the most important contributions even though the level of success or failure is highly dependent on housing capacity.

Housing capacity in the context of the housing industry is often defined narrowly, simply and as a complex process (Glickman & Servon, 1998). On the other hand, understanding capacity is often interpreted as a capability to achieve goals (Gilmour, 2009). Broadly speaking the term

capacity is also often used in various organizations, administration and managerial in the private and government sectors where the word refers to the qualities and conditions that make up an organization's 'ability to do work' (Christensen & Gazley, 2008) while specifically (Glickman & Servon, 1998) suggests five components of housing capacity which include resources, organization, network, programmatic, and political.

We think that the five components of capacity are representative and comprehensively can be used as an analytical instrument for this research, but we adapted and modified them by combining organizational capacity and network capacity, changing programmatic capacity with system capacity and financial capacity as something inherent in the housing capacity context in general housing.

Thus, this study aims to analyze five housing capacities adapted from the view of (Glickman & Servon, 1998) namely resource capacity, organizational and network capacity, political capacity, system capacity and financial capacity in Indonesia as response to the Covid-19 pandemic.

2. Literature Review: Capacity

The earliest studies of capacity were initiated by US municipal and state government agencies in the 1970s, when the US Federal Government handed over responsibility for public sector programs (Pawson et al., 2018). Capacity is different from capability which refers to the knowledge, skills, individual attitudes and competencies of individuals or groups while capacity refers to the overall ability of individuals or groups to carry out responsibilities and is not only limited to group abilities but also to the overall size of the tasks, resources and frameworks which are required (Franks, 1999).

According to (Macmillan & Paine, 2014) simply, 'capacity' implies how much you can do which consists of systems, resources and structure while 'capability' shows how well you can do which consists of skills, knowledge and confidence. The context of capacity can also be understood by analyzing how political factors influence the development of administrative capacity and the process of absorption of funds, organizational capacity and policy evaluation (Surubaru, 2017; V Pattyn & Brans, 2015) which is interpreted in various perspectives. According to (Dunlop, 2015) policy capacity is constructed as a challenge supported by the relationships that exist between government actors (Common, 2004), therefore believe that capacity plays an important role in policy formulation, especially to identify problems and policy needs that will be taken such the number of staff, the level of education, the availability of resources and the forms of education and training which are appropriate to implement (Wellstead et

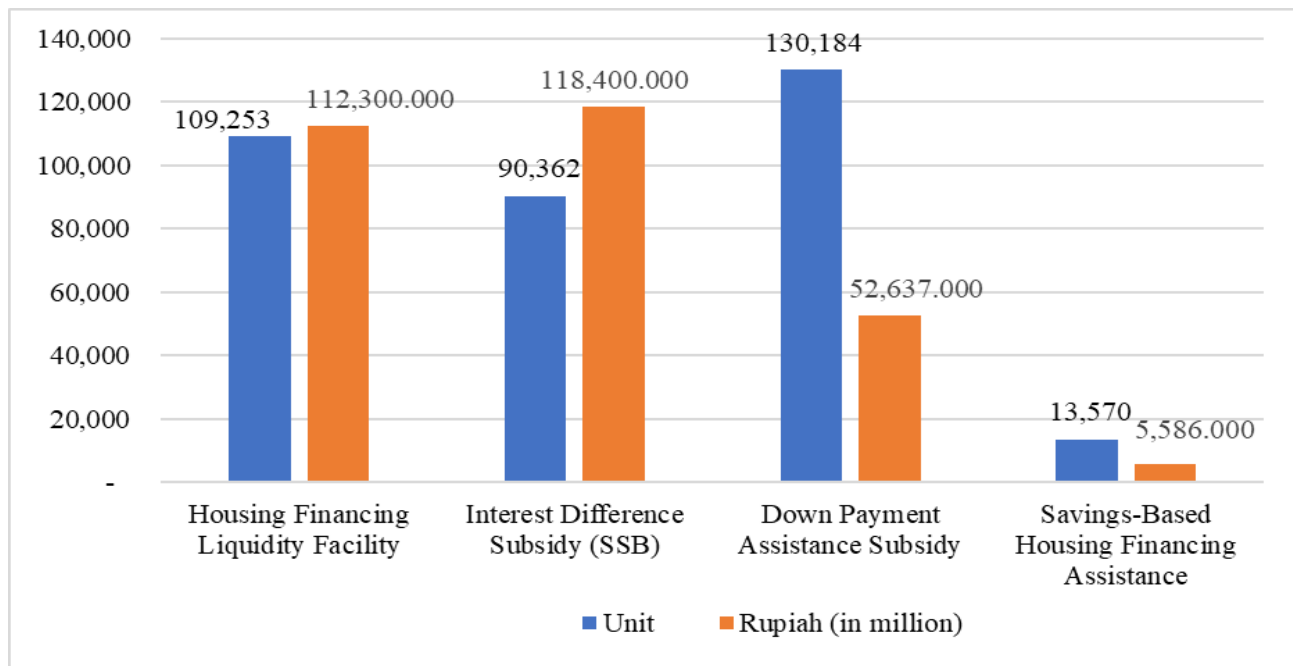
al., 2011) or in different contexts (Painter & Pierre, 2005) suggest policy capacity to involve the ability to optimally utilize resources to establish policy strategies.

3. Discussion

3.1. Resource Capacity

The aspect of fulfilling the capacity of housing resources in Indonesia in overcoming the Covid-19 pandemic is

carried out by utilizing the State Budget and Revenue (APBN). According to (Glickman & Servon, 1998) to build resource capacity, budget has an important role as the basis for other capacity development. And to overcome the problem of declining people's purchasing power and ability to pay Household Loan Credit (KPR), in 2020 the Government of Indonesia allocated a budget for the housing subsidy fiscal stimulus of Rp. 1.5 trillion for 175 thousand Low-Income Communities (MBR) households through the National Economic Recovery program. (PEN) as presented in the graph below:



Source: Ministry of Public Works and Public Housing of the Republic of Indonesia (2020)

Figure 1: Housing Subsidy Fiscal Stimulus during the Covid-19 Pandemic

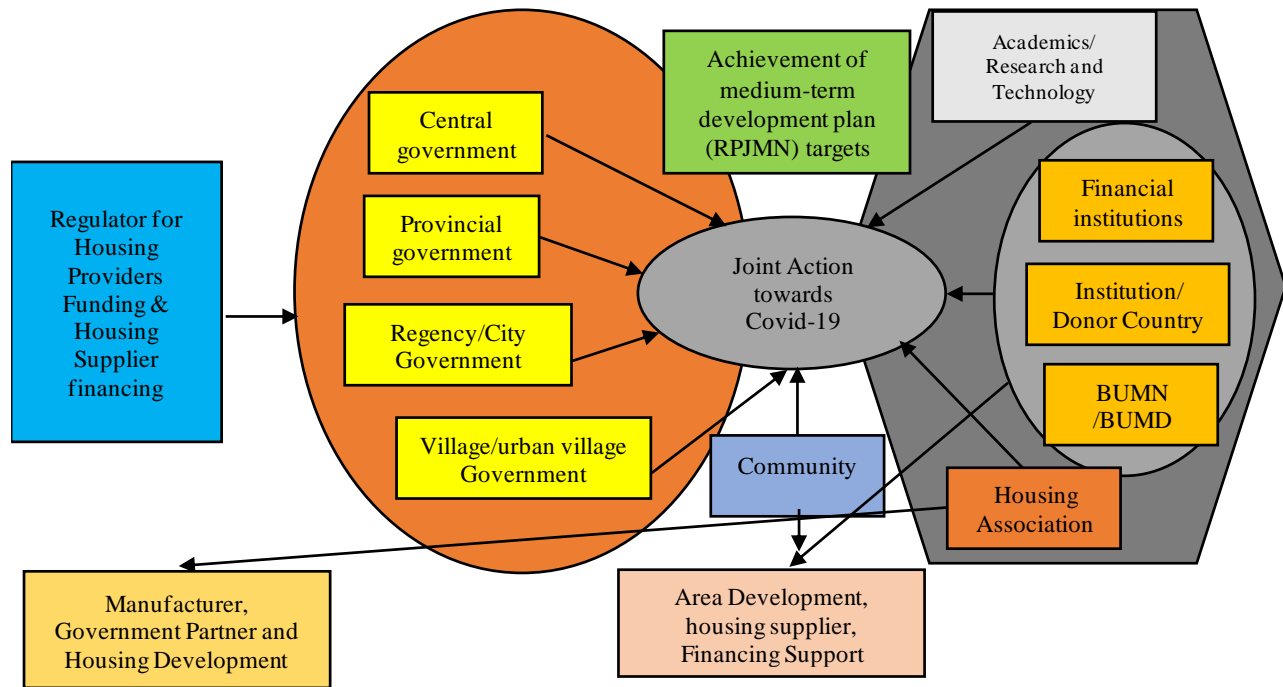
Based on Figure 1 above, the 2020 Housing Financing Liquidity Facility (FLPP) budget is the highest since the program started, this is because the Indonesian Government prioritizes the financial budget for the Covid-19 pandemic.

To achieve the target, the Government of Indonesia collaborated with 30 implementing banks and The Ministry of Public Works and Housing's (PUPR) Housing Finance Fund Management center (PPDPP) to distribute the FLPP budget.

In addition, the Government of Indonesia raises housing funds through the Public Housing Savings (TAPERA), which is a deposit made by participants periodically within a certain period of time which can only be used for housing finance and/or returned along with the interest after membership ends.

3.2. Organizational and Network Capacity

Organizational capacity and housing network in Indonesia are carried out by government and non-government agencies. Government institutions include The Ministry of Public Works and Housing (PUPR) as the representative of the central government and Regional Apparatus Organizations (OPD) based in the regions as the representatives of local and non-government governments. Meanwhile, non-government institutions consist of housing associations, business/private entities such as State-Owned Enterprises (BUMN), Regionally Owned Enterprises (BUMD), Domestic Investment Companies (PMDN) and Foreign Investments company (PMA), academics, researchers, community which includes Non-Governmental Organizations (NGOs) and community groups).



Source: processed by Authors (2021)

Figure 2: Indonesia's Housing Capacity Network

Figure 2 above illustrates the capacity of Indonesia's housing network in overcoming the Covid-19 pandemic through collaboration between government and non-government organizations and institutions. As stated by (Gilmour, 2009) that network capacity is a very important resource including housing associations and individuals with the aim of getting support. Then Forrer et al. (2014) said organizational capacity involves three aspects: (1) the ability to provide public goods or services, represented by the private sector, housing associations and the government; (2) the capacity to assess and develop alternative strategies, represented by academia and the community and (3) the capacity to learn and grow from experience, represented by all levels of society.

In general, it can be said that the context of the organizational capacity and housing network of Indonesia in responding to the Covid-19 pandemic has been implemented. In this case, the availability of individuals with analytical skills, the existence of tools, processes and organizations in completing the mission, either through traditional government structures or by involving other sectors through contracts, public-private partnerships and networks (Valérie Pattyn & Brans, 2015) have been done well.

Likewise, the mobilization of resources and capabilities, both formal and informal, to develop policy instruments and procedures has been carried out well. Thus, network capacity, which is defined as the ability to interact and work

with other institutions, both inside and outside the community (Glickman & Servon, 1998) has been carried out effectively in dealing with the Covid-19 pandemic.

3.3. Political Capacity

The current situation of the COVID-19 pandemic has shown how bad the condition of the health systems of countries in the world has been (World Health Organization, 2020). Indonesia is one of the countries in the world that has not had politic of health policy and an adequate health system to respond to Covid-19 (Ministry of National Development Planning, 2020). In addition, Indonesia's less anticipatory response at the onset of the pandemic which began in March 2020 made WHO send a letter to President Joko Widodo to question the openness of the Indonesian government in dealing with Covid-19 (Purnomo, 2020). Now it is proven that at this time, confirmed cases of Covid-19 in Indonesia have reached 3,833,541 (date for 15 August 2021). Thus, Indonesia is one of the countries with the highest level of confirmed cases among Southeast Asian countries, is at number 4 in Asia after India, Turkey and Iran, and ranks 19th in the world.

Although it tends to be late in responding, but slowly the Indonesian government's response has been said to be quite good by carrying out various policy measures for the National Economic Recovery (PEN), Large-Scale Social

Restrictions (PSBB) and the Enforcement of Micro-scale Community Activity Restrictions (PPKM) in several parts of Indonesia. In the context of learning about policy governance, what Indonesia is doing becomes a challenge, especially to intensively improve relations with various stakeholders (Dunlop & Radaelli, 2018) and in an effort to improve housing quality as a public health risk factor that needs to be handled with a trans disciplinary approach (Vergara-Perucich et al., 2020).

3.4. System Capacity

The impact of the Covid-19 pandemic has resulted in housing problems such as a decrease in the absorption rate of house sales to 60%, a decrease in housing production and demand, delays in the handover of houses from developers to consumers, and delays in the licensing process for housing construction in the regions. In this case, we have the point of view that the capacity of the housing system that has not been integrated between input, process and output becomes one of the factors which causes the problems of the housing.

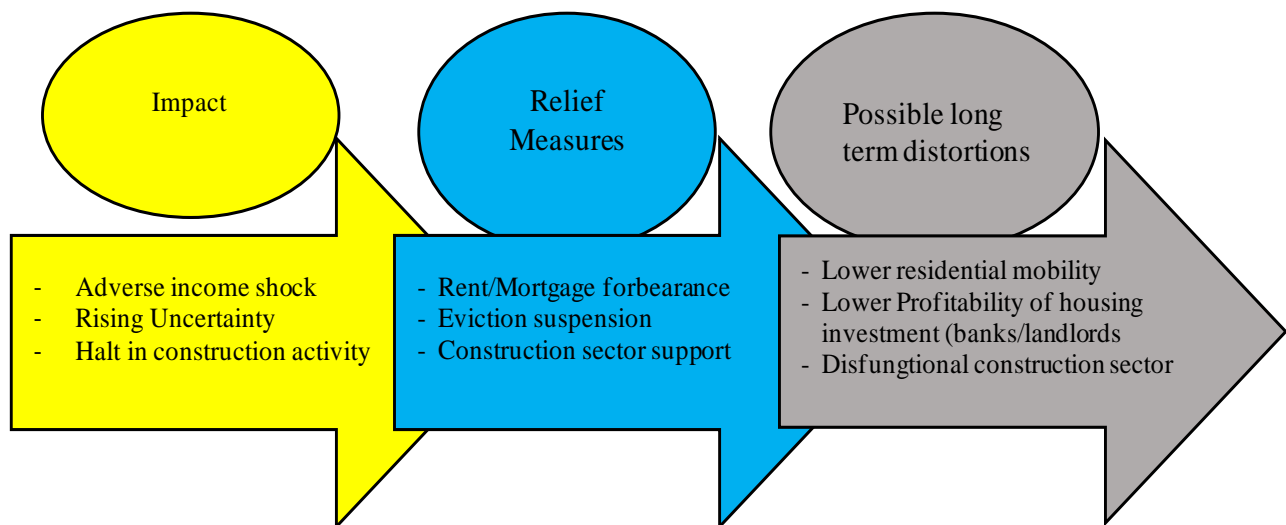
System capacity is an important dimension in housing policy (Milligan et al., 2017). However, in practice the housing system in Indonesia is more focused on the issue of housing supply and demand as the cause of high housing prices during the Covid-19 pandemic. According to (Antunes & Seixas, 2020) in the context of housing policy, there are disproportionate structural reasons and barriers to social cohesion that cause housing policy to be nonoptimal. The weak point of the housing system capacity before and after the Covid-19 pandemic was the lack of coordination

between the central and local governments, the central government's housing planning system which does not synchronize with regional housing programs and the difficulty of land licensing and housing construction in the regions.

3.5. Financial Capacity

Financial capacity included: 1) the dimension of affordability, the financial ability of the Indonesian communities to own houses; 2) the dimension of availability, the availability of funds and the gap between availability and demand for housing; 3) the accessibility dimension, which is related to public access to housing finance; and 4) the dimension of sustainability, the sustainability of funds (Directorate General of Housing Provision, 2018). As emphasized (Turcu, 2017) that the most important outcome of financial capacity is the government's ability to provide affordable social housing, sustainable funds and avoid any implications for the country's political capacity; financial innovation capacity, and institutional capacity.

Indonesia's housing finance capacity in dealing with the COVID-19 pandemic in 2021 has planned housing finance assistance which consists of four programs, namely the Housing Financing Liquidity Facility (FLPP), Down Payment Assistant Subsidy (SBUM), Savings-Based Housing Financing Assistance (BP2BT), and Public Housing Savings (Tapera). The allocation of FLPP is 157,500 units with a value of Rp. 16.66 trillion, SBUM is worth Rp. 630 billion, BP2BT is 39,996 units with a budget of Rp. 1.6 trillion, and Tapera from public funds is 25,380 units with a budget of Rp. 2.8 trillion.



Sources: (OECD, 2020)

Figure 3: Housing Policy Responses to COVID-19 Could Lead to Long-Term Distortions

Figure 3 above describes the chain of policy responses carried out to cope and respond to housing problems in the COVID-19 pandemic era. It can be explained that there has been a long-term distortion starting with the impact of the pandemic such as community's incomes that are out of expectations, uncertainty and the cessation of housing activities. Although these three impacts can be overcome by implementing rental assistance/mortgage deferral, postponement of evictions and support for the housing construction sector but they have long-term impacts and consequences, namely lower housing mobility, low profitability of housing investment and a dysfunctional construction sector.

An important factor of the distortion is the limited availability of a country's budget if it has to finance or provide housing subsidies for the long term. The World Bank criticizes the provision of subsidies through several programs such as FLPP, SSB and BSPS which are considered inefficient in terms of down payment and future debt and they seem to be more profitable for banks and developers than consumers (Real Estate Indonesia., 2020). In its report, the World Bank said that the FLPP and SSB schemes were regressive, not well targeted, and prone to leakage and ineffective in meeting the Sustainable Development Goals (SDGs) in providing inclusive, safe, and adequate housing for all.

4. Conclusion

Housing capacity which includes resource, organizational and network, politics, systems and finance capacity is a very important dimension and has provided an overview of how Indonesia's housing policy responds to the Covid-19 pandemic. Based on the five housing capacities that have been described, the system capacity is the weakest and has the greatest impact on the Covid-19 pandemic.

Even though the system's capacity is one of the weakest and has the biggest impact of the Covid-19 pandemic, the weakness of the system's capacity is influenced by the capacity of resources, politics and finance. Likewise with the financial capacity which in practice requires resource capacity to explore funding sources to support housing finance. Substantively, the core conclusion of this research is that there is an integrated process among the five housing capacities that have been described in order to encourage the strengthening of all Indonesian housing capacities to become a very important factor, especially in dealing with the Covid-19 pandemic situation.

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