

# Improving Indonesia's Cities

*A Case Study of Economic Development*

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This book is part of Learning Kit No. 5 in the World Bank's series of multimedia kits about economic development, *TOWARD A BETTER WORLD*. Other materials in the kit are a filmstrip, an economic summary of Indonesia, and a teaching guide. Other kits in the series are listed in the teaching guide. Harriet Baldwin is the author of the materials in this kit, and Carol Rosen is the editor. Carol Crosby Black designed the cover and the layout of the printed materials. The views and interpretations of this book are those of the author and should not be attributed to the World Bank, to its affiliated organizations, or to any individual acting on their behalf. The denominations, classifications, boundaries, and colors used in the maps do not imply on the part of the World Bank and its affiliates any judgment on the legal or other status of any territory, or any endorsement or acceptance of any boundary.

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## *Chapter One*

# The Developing Countries and Their Cities

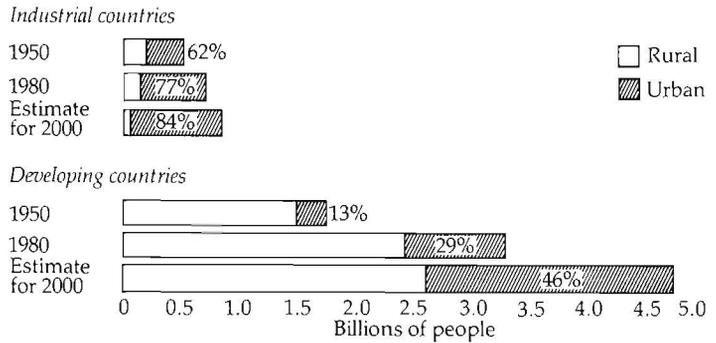
**F**or most of human history, many more people lived in the countryside than in towns and cities. Towns and cities were few. They were centers of government, religion, or trade, where people were artisans or shopkeepers or workers in small factories.

The proportion of rural and urban people began to change in Europe in the 1700s and in North America in the 1800s. Advances in agriculture enabled rural people to produce more food. And inventions in manufacturing and industry increased the number of people who could work in cities. As a result of those changes, rural people began to migrate to urban areas, and the population of cities rose. Factories expanded, and an increasing number of people were employed in the various services urban dwellers need—banks, markets, and transport, for example. Cities became beehives of economic activity that spurred activity in the countryside.

By the early 1900s more people were urban dwellers than rural in Europe and North America. Today, the percentage of urban dwellers in countries on those continents is 75 percent, on average.

The process by which a population shifts from being mainly rural to being mainly urban is called urbanization. The process is complex and leads to many changes in the ways people live and make a living. It goes hand in hand with the growth of industry. Industries locate in urban

Figure 1. Urban Population as a Percentage of Total Population in Industrial and Developing Countries



areas to be near workers, transportation systems, purchasers of their products, and banks and other financial services. As industries grow in a city, they attract more people. And as cities grow, they attract more industries.

### Urbanization in Developing Countries

During the time when industry grew and urbanization occurred in Europe and North America, the developing countries continued to have many more rural than urban people. But in about 1950 the proportion started to shift. Changes similar to those that had taken place earlier in Europe and North America were beginning to take place in the developing countries. Industries were expanding, and new ones were being set up. Trade with other countries was increasing. Roads, water and electricity systems, and other services were being extended in urban areas. Urbanization was beginning, and it has continued. It is estimated that half the people in the developing countries will live in cities in 2000.

Urbanization is much more rapid in the developing countries than it was in Europe and North America: it is taking place in one or two generations—20 to 40 years—as compared with 200 years. That speed alone makes urbanization more complex for the developing countries. Other things add to the complexity: standards of living that

are already low, and large populations that are growing rapidly.

Why is urbanization so rapid in the developing countries? There are two main reasons. The first has to do with population growth. Health conditions in those countries are improving, people are living longer, and fewer infants are dying. At the same time, couples are continuing to have many children, so many families—both rural and urban—are larger than ever.

The second reason is that rural people are migrating to cities, seeking opportunities for a better life. They want to escape from the countryside where income from farming is low, land is often scarce, and there are few jobs aside from farming. They are attracted to cities because jobs are available there in industries and in the services industries require. And income from urban jobs is higher than farm income. Schooling and training that promise advancement are also more readily available in cities than in the countryside.

What effect does rapid urbanization have on people's lives? Many urban people, of course, have jobs that pay well. They are well educated and have a high standard of

*Millions of people in towns and cities in developing countries live in crowded and unsanitary conditions.*





*Selling cigarettes from a homemade carrier on a city street produces little income.*

living. But many more urban people are very poor. They have low-paying jobs in industry or commerce or earn money peddling soft drinks, cigarettes, or food. Some sell bottles and other usable items they find by searching through trash. The urban poor have few opportunities to develop the skills that would enable them to earn more income. They live in makeshift houses they build themselves, often on land they do not own. Disease is common. Their houses are unsanitary and rarely have water or electricity. They are usually crowded together and form a ring around cities.

The quality of life for urban dwellers often declines with rapid urbanization. Roads and highways become choked with vehicles: trucks, rickshaws, carts, wagons, crowded buses, bicycles, motor bikes. Water and power systems do not extend far enough. Trash piles up. Methods of disposing of human waste become inadequate. Many houses deteriorate and become crowded. There are not enough schools and hospitals. Government agencies charged with operating city services are overwhelmed with work. Tax revenues and fees for services do not produce enough money to pay for the improvements that are needed.

*Dealing with Urban Problems*

What can be done about the problems rapid urbanization creates? Many developing countries have two goals for their cities. One is to operate their cities better, making them more efficient. The other is to improve the lot of the urban poor. To achieve these goals, developing countries are doing many things. For example, they are trying to slow the rate of population growth. Family planning programs are under way, and efforts are being made to encourage families to have fewer children.

In addition, efforts are being made to reduce migration from the countryside by improving conditions there. Training programs are encouraging farmers to adopt new methods that increase crop yields: with higher yields, incomes rise. Rural people who want to set up small factories in the countryside are receiving loans; such factories provide jobs for people who cannot find work on farms. More rural schools and health clinics are being built. These measures help, but they reduce migration only slightly.

So, at the same time, the developing countries are taking

*Urban people need education and training to enable them to perform at urban jobs.*



steps to improve cities directly. To help poor people earn more income, schools and training programs to increase job skills are increasing. People who want to set up small businesses in slum areas are receiving loans. New bus routes are connecting job centers with the areas where poor people live. The technology used for constructing roads and buildings often employs many people, increasing the number of available jobs.

City governments in developing countries are paying more attention to urban facilities and services. Many are drawing up general plans that help to guide and control



*Providing health care in urban areas is a goal of many developing countries.*

growth. They are exploring new low-cost methods of providing water, sewerage, and trash collection to city people. They are taking new approaches to improve housing for the poor and to increase the supply. More resources are going into education and preventive health care. And governments are reorganizing so that they can deal more effectively with the many problems they face. They are also looking for new sources of funds to pay for urban improvements.

Finally, developing countries are trying to reduce the pressure on large cities, especially capital cities. Industries tend to locate in capital cities because the large and grow-

ing populations mean many workers and many purchasers of products. And often industries need to be in touch with government officials. Developing countries are encouraging industries to locate in other cities besides the capital cities. And conditions in those cities are being improved so that they will attract industries.

There are many very large cities in developing countries now. In the mid-1980s there were ten with populations of 5 million or more; it is estimated that there will be forty by 2000. Eighteen of them will have populations of 10 million or more. Seoul, Cairo, Shanghai, Jakarta, Calcutta, and Sao Paulo are among them. Mexico City's population may reach 30 million by 2000.

The things developing countries are doing to improve their cities cost a great deal of money, and their resources are already strained. Their people—both rural and urban—need more goods and services of all kinds, so that their standards of living may rise. How can those countries meet their urban needs and their other needs at the same time?

It is very difficult for developing countries to divide their scarce resources among their many needs. They must make difficult choices, set priorities, and adopt sound policies. They must increase their resources: by encouraging their people to invest in enterprises that produce more goods and services and by improving their tax laws and tax collection systems. They must distribute widely the increased stock of goods and services. And they must attract financial assistance—from national and international agencies that provide funds and from private organizations, commercial banks, and foreign businesses.

**T**his book is about the efforts Indonesians are making to deal with the problems of rapid urbanization. It focuses on two of those efforts in Jakarta, the capital city. It tells the stories of two families and how their lives were affected by those efforts. Stories of families affected by similar efforts could be told about other Indonesian cities. They could be told, too, about families in Manila, Lusaka, San Salvador, and scores of other cities in other developing countries.

## *Chapter Two*

# The Setting: Jakarta

**I**n the 1500s there was a small port at the mouth of a river on the north coast of Java where Jakarta is located today. At that port, rice and spices from interior Java were loaded onto ships bound for other islands and for China, India, and the Mediterranean. Late in the century the Portuguese occupied the port. They soon fortified it to protect the Portuguese ships that carried spices from Java and other Indonesian islands to Europe.

Dutch traders captured the fort in 1619 and drove out the Portuguese. They built a town around the fort and named the town Batavia. It was laid out like towns in Holland, with canals and straight streets that ran at right angles to one another. Dutch farmers and traders went to Batavia to live, and gradually they extended their control to the interior of Java and to other islands. They took over many of the farms and plantations that grew coffee, tea, and spices for shipment to Europe. The trade grew and flourished, and so did Batavia.

### *Batavia Grew Slowly, Jakarta Rapidly*

During the 1800s more people from rural Java began to migrate to Batavia. They worked in the port and in shops and offices. Families that came from the same village often lived together. They spoke the village's dialect, followed village customs, and often returned to the village for festivals. They built houses like those in their village, with dirt floors or wood floors on stilts, walls of bamboo mats, and roofs of palm thatch. Usually they had no legal claim to the

land on which they built. The clusters of houses were called *kampungs*, an Indonesian word that means community or village.

By the early 1900s *kampungs* were scattered throughout Batavia and on its outskirts. In some, houses were well kept, but in many they were crowded and unhealthy. Sometimes the Dutch government had to destroy *kampungs* to make way for new buildings or roads. Sometimes it tore them down because they were a threat to the health of their residents and others.



This Dutch map, published in Amsterdam in 1690, shows Batavia on the north coast of Java.

Batavia was renamed Jakarta when Indonesia became independent in 1949. People flocked to the city after independence, much more so than during the period of Dutch rule. They were lured by job opportunities—as bus and taxi drivers; as shop clerks, government workers, and waiters in restaurants; and as construction workers on roads, canals, hotels, monuments, and office buildings. The population of Jakarta rose from 1,600,000 in 1950 to 2,900,000 in 1960. In the late 1960s it passed 4,000,000. Jakarta was the largest city in Indonesia, twice the size of the next largest.

## The Setting

Most newcomers crowded into existing kampungs; others built new ones. Three million people lived in kampungs, 70 percent of them in extreme poverty. Most kampung houses were in poor repair and lacked water, electricity, and sanitary facilities. Alleys and paths were unpaved and were dusty during the dry months. Floods were common during the rainy season because there were no channels to drain off rain water. There were no systems for dealing with human waste or removing trash and garbage. And few schools and health clinics served kampung residents.

The city government occasionally tore down kampungs as the Dutch had done. Sometimes new houses were built for the people who were displaced, but they were too expensive for all but a few. And as soon as a kampung was torn down or rebuilt, another sprang up in a different location.

By the late 1960s officials in the city government knew that something more had to be done about the kampungs. They also knew that more houses had to be built for low-income families if the spread of kampungs was to slow down.

Officials in the national government, too, were worried

*Most of Jakarta's people live in areas called "kampungs," an Indonesian word that means "community." Conditions in kampungs deteriorate as population and migration from the countryside increase.*



Table 1. Survey of Houses in Jakarta, 1969

Kind of house	Percentage of all houses
Houses built of permanent materials (solid walls, cement floors, tiled roofs)	25
Houses built of temporary materials (bamboo mat walls, earth floors, thatched roofs)	44
Houses built of a combination of permanent and temporary materials	31
Houses without private toilets	65
Houses without piped water	80
Houses without electricity	90

about the kampungs—not only in Jakarta, but also in many other cities with kampungs. And, like Jakarta's officials, they knew that more houses had to be built for the urban poor.

Neither the city government nor the national government knew how best to proceed. New steps were needed to deal with the kampungs and to provide houses for low-income families. What might those steps be? And how might they be paid for?

*Jakarta's kampungs are often flooded in the rainy season because drainage ditches and canals are inadequate.*





*In the 1950s and 1960s, urban specialists considered some new ways of dealing with the urban problems of developing countries.*

### *New Ideas about Urban Problems in Developing Countries*

Urban experts in many countries had been thinking about the urban problems of developing countries and what could be done to solve them. As a result, some new ideas had emerged by the late 1960s.

One idea was that *slums could be improved*. Tearing them down and rebuilding them was impossible: there were too many people settled in too large an area. Instead, the government might improve the physical infrastructure of slums—it might pave roads and provide water and sanitary facilities. Then slum dwellers might improve their houses at their own expense, especially if they had title to the land their houses were built on.

If slums were to be improved, urban experts believed that three principles should be followed. First, the smallest

possible number of slum dwellers should be displaced. Second, slum dwellers should help to plan the improvements to be made. And third, improvements needed to reach only basic minimum standards at first. When alleys were paved, for example, only a few needed to be wide enough for vehicles. Most could be narrower and be used as walkways or footpaths.

Another idea was that *houses could be built at a cost low enough so that low-income families could afford to buy them*. To ensure that houses were built at a cost poor people could afford, the builder—usually the government—would study family incomes in the town or city where houses were to be built. Then it would decide on the range of income of the families for which it would build houses. After that, it would decide what percentage of their incomes—usually 20 to 25 percent—such families could afford to spend on their houses over a period of 15 or 20 years. And, finally, it would design houses that could be built for that amount.

Such houses would be extremely simple: urban experts called them *core houses*. They would be built on land the government purchased and on which it installed roads, drainage ditches, piped water, and electricity. The houses would consist of only a floor, a roof, walls, and—very important in maintaining health—a simple but sanitary toilet. Materials would be durable but inexpensive. People who purchased core houses would complete them using their own money.

A third idea was that *governments could get back—or recover—some of the costs of new urban programs*. City governments in developing countries paid for the limited urban facilities and services they provided. The money came from three sources: tax revenues, fees from users of services, and funds from national governments. But the money received barely covered costs. How could city governments pay for new urban programs?

The answer, urban experts said, was that existing tax laws could be revised. New taxes could be imposed. Methods of collecting taxes could be made more efficient. And if simple houses were built, the costs of building them could be met from the sale of the houses.

### *New Urban Programs for Jakarta*

The new ideas about urban problems stimulated the thinking of officials in the governments of Indonesia and Jakarta in the late 1960s. And the officials adopted the new ideas as they decided what to do about the kampungs, how to provide more houses for the urban poor, and how to meet the costs of doing both. The steps they took were in line with the first national development plan that operated from 1969 to 1974. The plan stated that improving urban conditions was a national policy.

In 1969 the government of Jakarta started a five-year program to improve conditions in 89 kampungs. The kampungs were among the poorest in the city and were scattered through the oldest and most congested part of Jakarta. They covered an area of about nine square miles and housed about a million people. The program was called the Kampung Improvement Program, or KIP for short. Between 1969 and 1974, 120 miles of roads and 140

*The Kampung Improvement Program consists of many steps to upgrade Jakarta's kampungs. Installing drainage ditches is an important improvement.*



miles of footpaths were paved in the kampungs. Drainage ditches were installed, water pipes laid, and toilets built.

A goal of the program was to encourage kampung residents to upgrade their houses. Allowing them to own their land would be an incentive. But laws governing land ownership are more complex in Indonesia than in many developing countries. To avoid delays in the Kampung Improvement Program, government officials agreed to proceed without providing legal title to land.

Even without title to their land, many people in the 89 kampungs made improvements in their houses. They replaced bamboo mat walls with bricks, for example, or paved floors with cement. They were willing to spend money on their houses because they felt secure. They reasoned that the government was unlikely to destroy their neighborhoods after spending so much to improve them.

By 1974 it was clear that KIP was a success. But it was only a small step. The city's population was 4,500,000 in

*Paved roads, better drainage, and easier access to water bring many changes in the lives of kampung residents.*



1970, and the estimate for 1980 was 6,500,000. Most of the newcomers would live in kampungs. KIP needed to grow. But at the same time, more houses were needed for low-income people to relieve the pressure on the kampungs.

The government of Indonesia had followed the progress of KIP with interest. The program had improved conditions in Jakarta, and similar programs could be set up in other cities. The national government was also interested in building houses for low-income families in Jakarta and other cities.

So officials of the city and national governments together planned two programs for Jakarta. One would extend KIP, and the other would build houses for low-income families. The first stage of the new programs would last two years.

The new Kampung Improvement Program was to have the same features as the original program, but the pace was to be stepped up. The area to be improved in two years was about the same as that improved in five years under the original program. The population affected was also about the same. A new feature was that more services would be provided to kampung residents: schools, health clinics, and a system for collecting trash. After the first two-year stage, KIP would be extended to other kampungs until all the kampungs in the city had been improved.

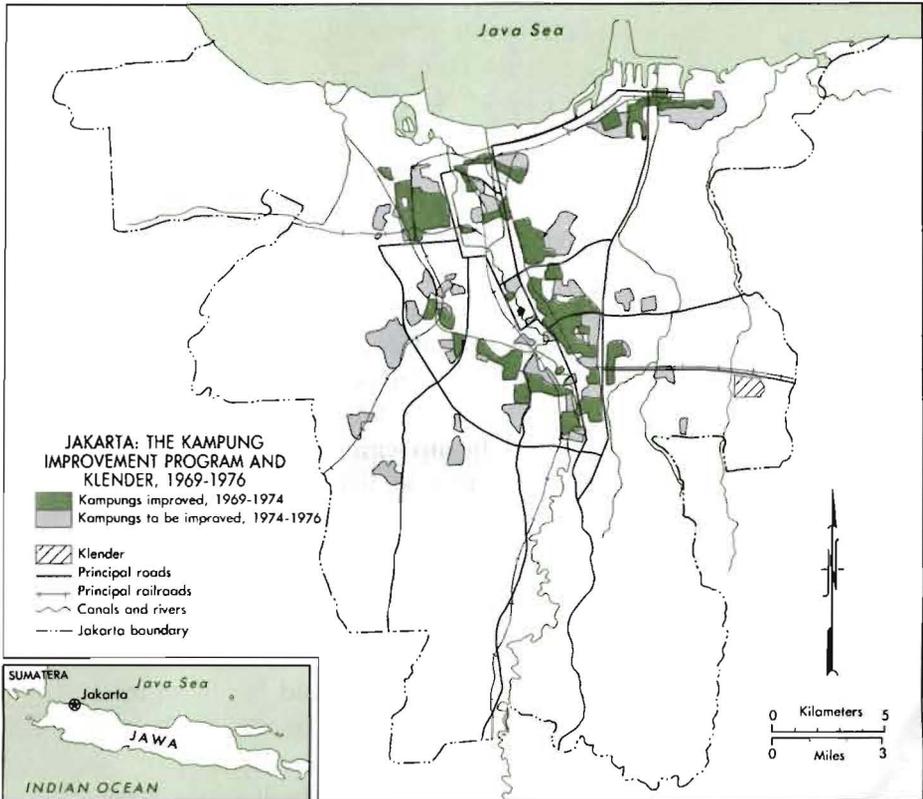
KIP would be managed by a new unit, called the KIP Unit, in the Jakarta government. The unit would be made up of the people from several departments who had managed KIP since 1969. New staff would be added. The city's Department of Health and Education would assist in building schools and health clinics. And an agency in the national government's Ministry of Public Works would help in certain ways. That agency was called Cipta Karya, which means Department of Human Settlements in Indonesian.

The housing program for low-income families had the name of the part of the city where it would be built, Klen-der. There the government would buy a square mile of land and install roads, water, and electricity. It would build schools, health clinics, and other community facilities. Eight thousand houses would be built for families with low

incomes within a certain range. Most houses would be core houses that purchasers would be encouraged to complete at their own expense. Mortgages would be made available.

A new agency of the national government would be responsible for Klender. The agency would be called PERUMNAS; the name came from the first letters of the Indonesian title of the program. PERUMNAS was to help city governments throughout the country to build houses for low-income families. An existing savings bank would be reorganized so that it could provide mortgages: it would be called the National Savings and Mortgage Bank, or NSMB for short. NSMB would work closely with PERUMNAS. Mortgages issued to Klender families would be the first ever issued in Indonesia.

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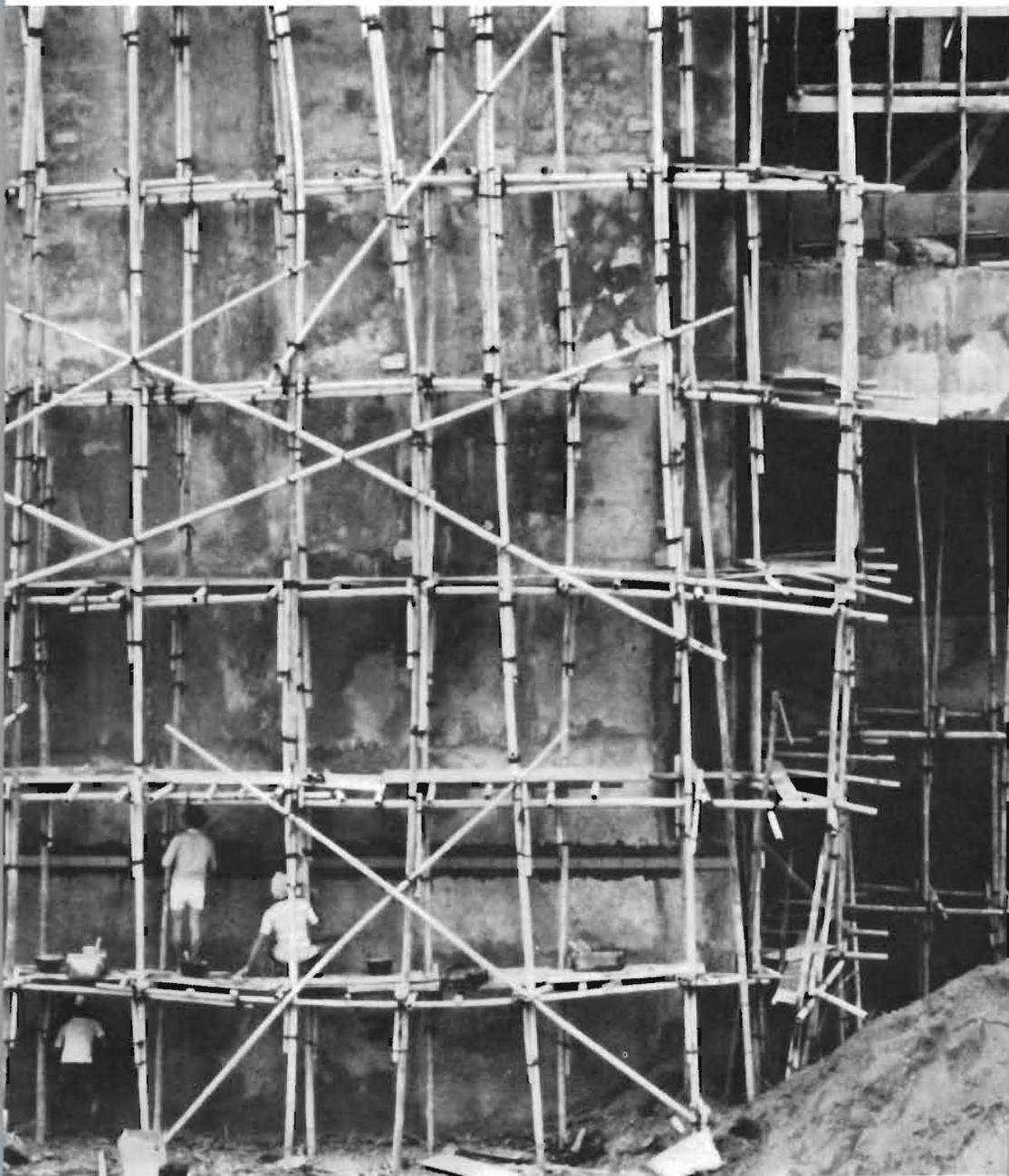
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Table 2. Estimated Cost of the Kampung Improvement Program and Klender, 1974-76

Program and source of funds	Amount (U.S. dollars)
<i>Kampung improvement</i>	
From government of Jakarta	17,900,000
From government of Indonesia	—
From World Bank	18,300,000
Estimated cost	36,200,000
<i>Klender</i>	
From government of Jakarta	800,000
From government of Indonesia	6,900,000
From World Bank	4,100,000
Estimated cost	11,800,000
<i>Technical assistance</i>	
From government of Jakarta	—
From government of Indonesia	400,000
From World Bank	2,700,000
Estimated cost	3,100,000
<i>Total</i>	
From government of Jakarta	18,700,000
From government of Indonesia	7,300,000
From World Bank	25,100,000
Total estimated cost	51,100,000

How would KIP and Klender be paid for? A World Bank loan would provide about half the funds; the rest would come from the governments. City revenues would be increased to pay for KIP: the property tax would be revised and would be collected more systematically. The cost of Klender would be recovered from the purchasers of the houses.

The new programs for Jakarta had many features that were new and experimental. As the programs went forward, people in Indonesia watched them with interest, as did people in other developing countries.



*Jobs in construction—of roads, monuments, and large buildings—attract Indonesia's rural people to Jakarta.*

### Chapter Three

## Trini's Story

Trini was born in a village in central Java in 1930. When she was 25 she moved to Jakarta with her husband, Kodir, and their two children. There had been little opportunity for the family in the village. Trini and Kodir had several brothers and sisters, and there was not enough land to support all of them. Perhaps they would fare better in Jakarta.

For a while the family lived with Kodir's uncle, who had gone from the village to Jakarta many years before. The house was in a *kampung* in central Jakarta. After two years, the uncle bought a small two-room house in the same *kampung* and rented it to them. The house had a dirt floor, bamboo mat walls, and a thatched roof. It had no running water, plumbing, or electricity.

Kodir's income from various construction jobs—roads, buildings, and monuments—was just enough to pay for the family's food, rent, and simple clothing. But when the elder child was ready to start school, Trini and Kodir needed more money for school fees and clothes. To earn it, Trini cooked snacks that *kampung* children, too poor to go to school, sold for her in the *kampung*. Soon afterward Kodir enlarged a window in the wall of their house that faced the alley so that Trini could operate a *warung*—a small shop. She prepared soup and tea in the house and sold them through the window to *kampung* residents.

Trini and her family suffered during the disorder in Indonesia in the 1960s. Kodir lost his job, the children had to drop out of school, and Trini had few customers at her



*Her family's wellbeing depends on the income Trini receives by preparing food and selling it from the warung she operates in her home.*

warung. But the family's life improved as conditions in the country improved. Kodir was hired by a company that was putting up an office building nearby, and Trini's son worked at the site as a watchman. Her daughter helped her with the warung, and her customers increased.

In 1970 Trini's son married and went to live with his wife's family. The next year her daughter married and her son-in-law moved into the house. He sold soft drinks near some shops outside the kampung, using a cart he had built himself. A year later Trini's first grandchild was born, and within the next few years there were two more. To help meet the added expenses, Trini's daughter cooked snacks that kampung children sold, just as Trini had once done. The house was crowded now, all the more so because rela-

tives often came from the village to Jakarta to find work. They stayed with Trini and her family until they found a place to live.

Things went well for Trini's household when all the adults had work, when everyone was well, and when the rains were only moderate. When the rains were heavy, construction slowed down and Kodir earned less. The kampung often flooded, and fewer people purchased snacks and food from the warung.

In the early 1970s Trini heard that the government was paving roads and laying water pipes in a kampung nearby. And she heard that the same things might be done in her kampung. The news surprised her. Kampung residents were afraid that the government would burn their houses or tear them down and force the residents to move. Did the activity nearby mean trouble? Or help?

So Trini and her neighbors were both suspicious and hopeful when government officials in minibuses came into the kampung in early 1975. The officials told them that

*When officials of the Kampung Improvement Program came to Trini's kampung, they raised more questions than they answered.*



they were making plans to pave some roads and footpaths and lay water pipes. Trini and her neighbors surrounded the officials and asked them many questions. Which roads would be paved? Which footpaths? Would there be water taps? How many? And where? Would they have to pay? How much? The officials said they could not answer the questions until they drew up detailed plans.

For two or three days after the officials' visit, kampung people talked of little else. They wondered especially if officials would pay attention to their ideas. But when a month passed and nothing more happened, they guessed that the kampung would remain as it was.

Then, in the middle of the year, the leader of the neighborhood association that Trini belonged to called a meeting. Its purpose, he said, was to enable people to talk about improvements the government was planning for the kampung. Trini was one of the first to arrive at the meeting.

The leader said that he had met with leaders of other neighborhood associations in the kampung and with a representative of the *lurah*, the government official responsible for the kampung. They had discussed the government's plans for the kampung. Meetings like this one, he went on, were to be held in all the neighborhoods in the kampung. Why? So that people could hear about the plans for the kampung and suggest changes.

The leader explained that many kampungs in the city were to be improved. Roads were to be paved and drainage ditches were to be constructed beside them. Footpaths were to be paved, too, and canals dug, water pipes laid, and water taps installed. Public latrines—with toilets, showers, and water taps—would be built, and garbage bins and garbage carts provided. Most kampungs would have new schools and health clinics. No kampung would have all the improvements its people wanted, he said, but every kampung would have many.

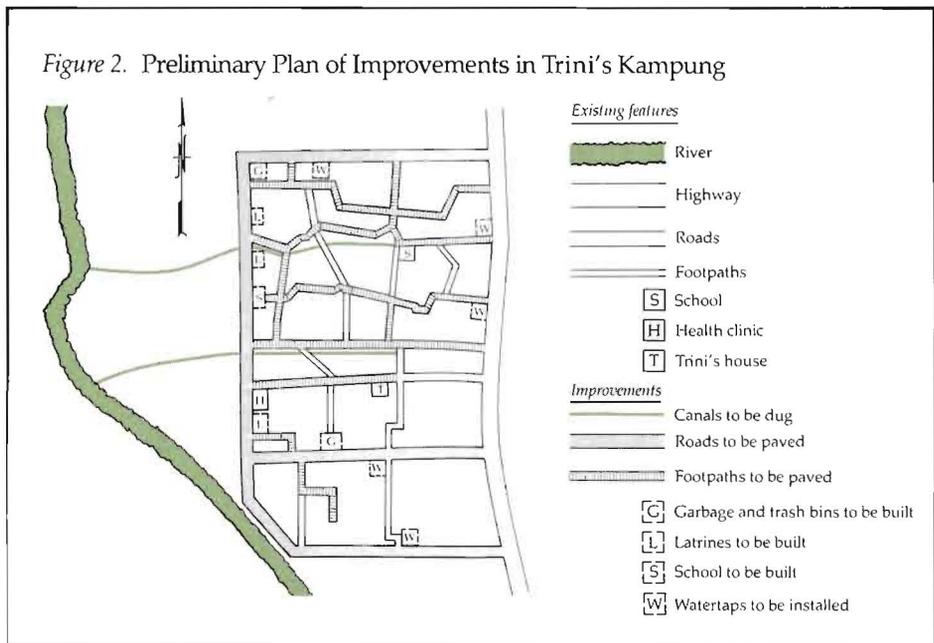
Then the leader turned to the map on the wall of the meeting room. He said that 10,000 people lived in the kampung and that it was about 60 acres in area. He pointed to the middle of the map where Trini's neighborhood was

located and to the health clinic and school built several years before. He said that only a few footpaths were shown on the map. Then he explained the letters and lines on it.

As they came to understand the map, Trini and her neighbors had many questions. If some footpaths would be paved, why not all of them? Why were most of the roads to be paved located on the edge of the kampung? And why was the new school at the edge of the kampung instead of in the middle? Why were there no latrines and water taps in their neighborhood? The questions went on and on.

The leader asked the group if they had any suggestions to make. Trini pointed out that most of the footpaths in the market area south of the school were not shown on the map. She added that only a short stretch of one footpath in the market area was to be paved. The area was usually crowded and often muddy, she said, and there should be more pavement there. Others in the group agreed.

The leader said that if they wanted more pavement in



one place, they would have to give up pavement in another place. So the group studied the plan. After a long discussion, they agreed on a stretch of footpath that could remain unpaved if more footpaths in the market area were paved. The leader said he would pass along the suggestion.

In the days that followed the meeting, Trini and her neighbors discussed the changes that were to be made. Most people were pleased with them. But they all dreaded the disruption in their lives that would come when the construction began.

Late in the year, the leader of Trini's neighborhood association called another meeting. He showed Trini and her neighbors a revised plan for changes in the kampung. They saw that their suggestions from the earlier meeting were on the plan. The leader pointed to the northeast area of the plan. A change had also been made there, he said, that area residents had suggested.

The disruption Trini and her neighbors had dreaded began early in 1976 and continued for six months. The



kampung was crowded with construction equipment and workers. Earth movers and trucks, cement mixers and wheelbarrows, welders and pipefitters, bricklayers and carpenters—they seemed to be everywhere. The footpath facing Trini's house was paved and drainage ditches were dug and paved on both sides. Trini and Kodir built a bridge over the drainage ditch between the footpath and the house, so that Trini could serve her warung patrons.

The improvements in the kampung changed Trini's life in a number of ways. Having the roads and footpaths paved made getting around easier. The kampung was less



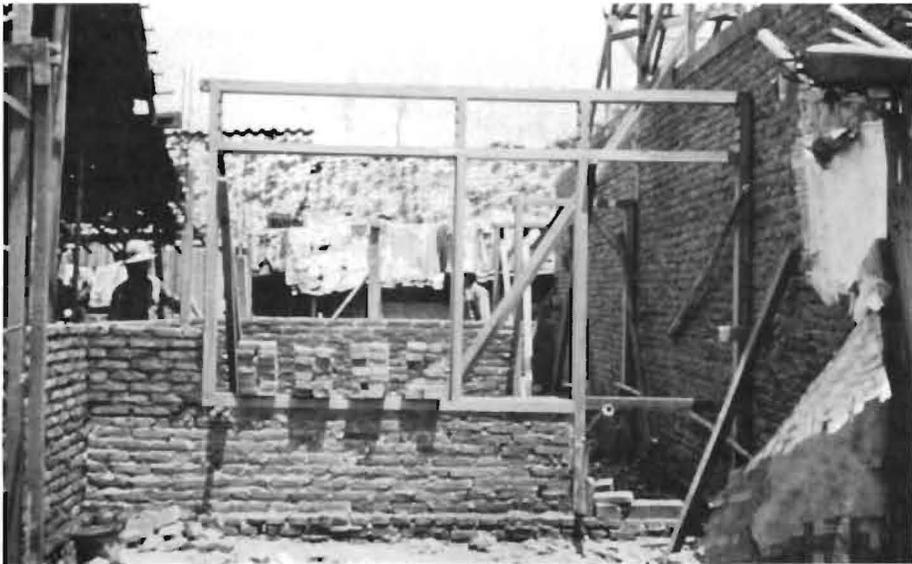
*Constructing drainage ditches and paving roads and footpaths disrupted life in Trini's kampung for several months.*

dusty in dry weather, and rain water flowed into the drainage ditches and the canals and then into the river. The kampung now flooded only when the river flooded.

The garbage bins at either end of the kampung helped make the kampung cleaner. For a while, old habits persisted: people often threw garbage and trash into the footpaths and roads. Soon the drainage ditches were clogged. So the neighborhood associations decided that each resident would be responsible for the ditch in front of his or her house. After that, people were better about taking their

trash to the garbage bins. The bins overflowed sometimes when the city garbage trucks were late in emptying them or skipped the pick up altogether. But most of the time the bins worked well.

Slowly Trini and Kodir began to improve their house. They paved the dirt floor with cement and replaced the bamboo mats on the walls with boards. Trini bought some potted plants and put them near the doorway. Kodir and his son-in-law built a second story on their house; it had a tile roof. Now, at last, the house felt big enough for all the members of the family and their frequent guests.



*When the improvements made under the Kampung Improvement Program were complete, many kampung residents rebuilt their houses.*

Having water nearby was a help. Trini used a great deal of water—for laundry, for meals for her family and warung patrons, and for washing her dishes and cooking utensils. For more than 20 years, she had carried water from a well in a neighboring kampung or had bought it from a vendor who sold it in the footpath in front of her house.

For awhile after the kampung was improved Trini had been able to get water from the latrine near her house. But the water pressure was often low, and it took a long time to fill her water buckets. Other people throughout the kam-



*As conditions in the kampung improved, the number of small businesses increased. More small businesses meant more jobs for kampung residents.*

pung were having the same trouble. So the neighborhood associations persuaded the lurah to place large water drums in the latrines. The drums could be filled when water pressure was high and people could fill their buckets from the drums when the pressure was low. Kampung residents paid a young man to keep the drums full.

Trini's grandchildren started to school two years after the school was built. She was pleased that their walk to school was short. Her own children had gone farther away to school.

Some kampung people started up small businesses. There were several kinds: repair shops, a lumberyard, a workshop that built carts to carry soft drinks like the one Trini's son-in-law had built. Trini's son-in-law got a job in a new workshop that made kerosene lamps.

The biggest change in Trini's life made by the improvements in the kampung was that she felt more confident about the future. Her neighbors felt the same way. Kampung residents began to lose their fear that their houses might be destroyed. People felt that the government would not wreck their kampung after spending so much money on improvements.

Although Trini's life is better in the mid-1980s than it was a decade ago, she still has many of the worries she had then. Money is one of them. No one in the household earns much, so what if Kodir or her son-in-law loses his job? Illness is another worry. What if a family member becomes ill and needs medicine and has to go to a hospital? She worries, too, about the increasing crowding in the kampung. What if relatives from the village, staying with her temporarily, fail to find a house of their own? What if . . . ?

With all her worries, Trini has a great deal of hope. If she manages her money carefully, she can have a well dug in her house. And someday she may have a hookup to the electric power line.

But the greatest source of hope for Trini is her three grandchildren. If things go well and they finish secondary school, they will be able to get better jobs than their parents or grandparents had. When Trini looks at her grandchildren, she often thinks that she and Kodir came to the city because there was no opportunity in their village. They found opportunity in Jakarta.

*Trini believes that her granddaughter and her two grandsons will have better opportunities in their lifetimes than she and her husband had.*





## *Chapter Four*

# Santoso's Story

**F**our of Indonesia's 27 provinces are located on Kalimantan, part of a large island north of Java. All but a coastal fringe of the island is tropical jungle, so many people make a living in ways that use forest products.

Santoso was born in Banjarmasin, the capital city of Central Kalimantan, in 1950. From the time he was a boy, he made crates and barrels in his father's lumber workshop. The workshop was built on stilts at the edge of the river that flows through Banjarmasin. Santoso's house, also built on stilts, was a little distance away. When the tide was high during the rains, the river sometimes rose and washed over the floors of the workshop and the house.

Santoso's family was poor, but his father and older brothers earned enough in the workshop so that there was usually enough food. And there was money enough so that Santoso could go through primary school and two years of secondary school. He dropped out of school in 1965 when political conditions were unsettled throughout Indonesia. His father needed him in the workshop.

In 1970 Santoso went to live in Jakarta. His brother had gone to Jakarta two years before and encouraged Santoso to join him. Santoso could make more money in Jakarta, the brother said, than he was making in the workshop.

Santoso lived with his brother and sister-in-law and their two small children in a kampung in the southeastern part of the city. For about a year he did odd jobs—helping with a neighbor's shop, working for a water vendor, loading

lumber onto delivery wagons for his brother's company. Then the company hired him as a driver. It was a steady job and paid just enough so that he could help with household expenses and send a little money from time to time to his parents in Banjarmasin.

Four years after he got to Jakarta, Santoso heard that the government was going to purchase land near his kampung and build houses there to be sold to low-income families. It would also lend money to low-income families to enable them to buy the houses. At first Santoso and his neighbors did not believe what they heard. But they knew that something was going on to the east of their kampung because government cars often passed by headed that way. Soon signs were posted a 15 minute walk from the kampung on flat land with rice paddies here and there. The signs said that the land was owned by PERUMNAS, the national housing agency. A community called Klender, for low-income people, would be built there.

When the signs about Klender went up, people in Santoso's kampung talked a great deal about the new community. But interest soon died down because nothing more happened. There were many rumors: the government had given up its plans for Klender . . . it had been unable to buy all the land it needed . . . officials had disagreed about how the land should be divided up . . . they disagreed about the kinds of houses that should be built . . . there would be no Klender after all.

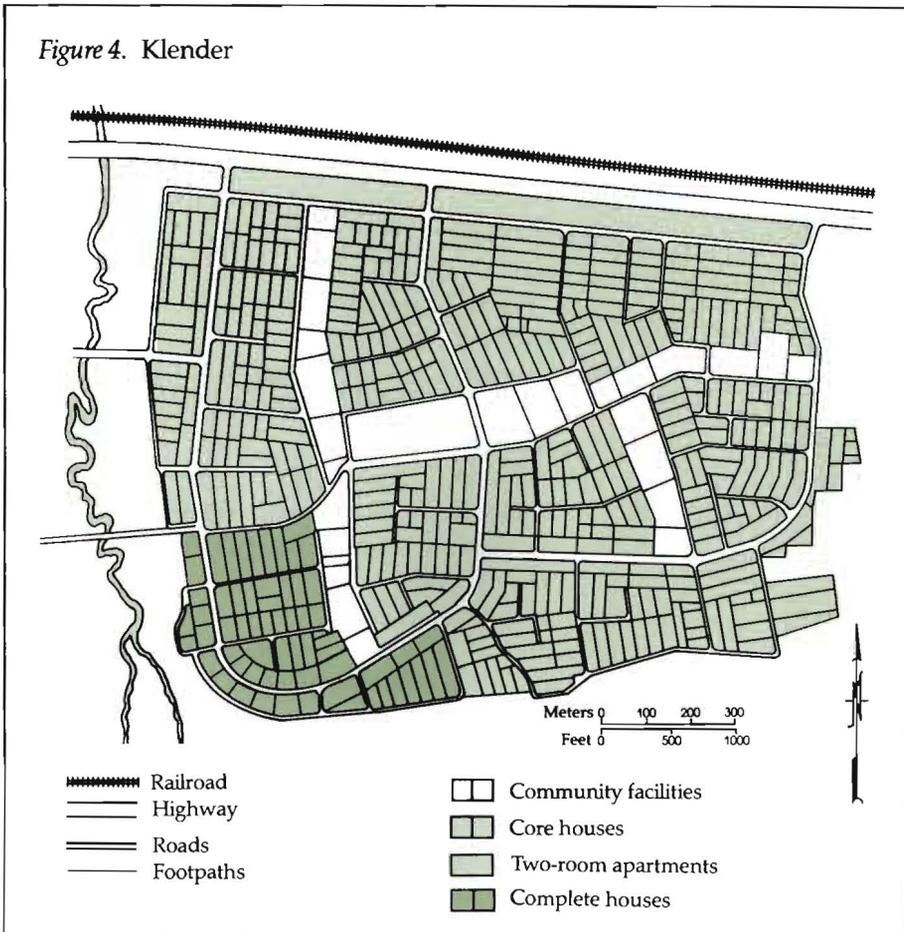
Then, in 1976, trucks, bulldozers, and concrete mixers began to pass Santoso's kampung headed for Klender. Santoso sometimes visited the site and watched as roads were laid out and paved and water pipes were installed. As soon as the roads were complete in an area, houses began to go up, and the road crew moved on.

On one of his visits to Klender, Santoso fell to talking with a worker who invited him into the administration building. They looked at a map of Klender. The worker explained that several houses would be built in each of the rectangles on the map: altogether about 8,000. Community facilities would occupy the large unshaded areas on the map: markets and shops, schools, open fields, a commu-

nity center, mosques, and—at the center of Klender—a bus station, fire and police stations, a health clinic, and a movie theater.

Santoso asked if the houses would really be sold to poor people. The worker said they would be. Only families with low incomes within a certain range could qualify for Klender houses, he said. And houses would be built that those families could afford. Some would be on larger lots than others and would cost more, but the houses themselves would be simple. They were called core houses, the worker continued. Only essential parts would be built, and purchasers would complete the houses at their own

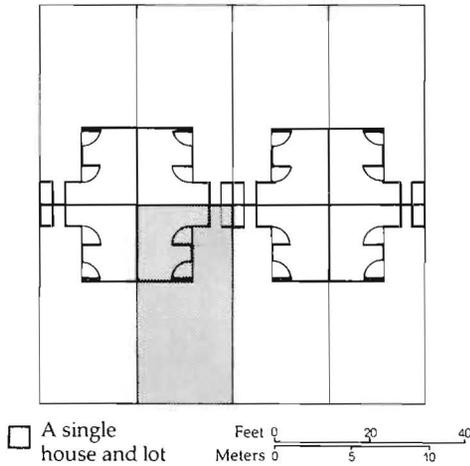
Figure 4. Klender



expense. One area of Klender would have two-room apartments, the worker went on. Another would have complete houses that people at the top of the income range could afford to buy.

Then the worker showed Santoso a diagram of eight house lots; he shaded one lot to make the plan easier to understand. Santoso could see that the houses had a single room with a separate unit that had water for cooking and bathing and a toilet. The water would be carried by pipes connected to city water mains. All the houses would be made of the same materials, the worker said: floors of

Figure 5. Plan for Eight House Lots in Klender



cement, walls of cement blocks, frames of metal, and roofs of synthetic tile.

After the conversation, Santoso believed that the government really was building houses for poor people. He mentioned the conversation to his brother: might his brother be eligible for a Klender house? They guessed that his brother's income was too low.

In the spring of 1978 the first set of houses in Klender was ready to be sold. Posters were placed in government offices, and announcements were made in newspapers and on radio and television programs. Purchasers had to meet certain requirements, but thousands of people in

Jakarta met the requirements and applied for Klender houses. PERUMNAS processed the applications: still there were seven applicants for every lot. So a lottery was held to determine who would get the houses.

A family that lived near Santoso in his kampung purchased a Klender house, and Santoso often visited them. To his surprise, the family's monthly payment was only a little more than his brother's rent in the kampung. Soon after the family moved in, they planted trees in the front yard and built a walk from the house to the footpath. And within a year they had built a second room for the house.



*As the Klender residents added to their houses, the houses began to look very different.*

Many other Klender residents were adding to their houses. Some built porches or verandahs, some added kitchens and other rooms. Many planted vegetable gardens, fruit trees, and flowers. Santoso wished that he might someday have a Klender house. But he thought he would never be able to afford one.

1980 was an important year for Santoso. Early in the year his kampung was improved under the Kampung Improvement Program. At midyear he got a job as a driver for a government agency. And in the fall he married Wati, a young woman who had come to Jakarta from a village in Central Kalimantan about the time he had come to Jakarta.

She had been living in Santoso's kampung with her aunt's family, working in a small factory that made batik.

Six months after their marriage, Santoso and Wati rented a house of their own in the kampung. They had both lived in the kampung for ten years and expected to live there always. The Kampung Improvement Program had made the kampung more livable. But their new house began to feel crowded when their first baby was born a year after their marriage.

Things were going well until economic conditions became difficult throughout Indonesia in late 1981. The price of food rose; then Wati lost her job. Santoso was afraid he might lose his, too. They had to cut back on all their expenses and spent all that Santoso earned.

Early in 1982 PERUMNAS announced that the last group of Klender houses—500 of them—was ready for sale. Santoso had never thought about applying for a Klender house, but now he wanted to. He was afraid that his income was too low and that he and Wati could not afford the monthly payments, especially when times were hard. But he and Wati decided to find out about the houses anyway: there was no harm in doing so.

So Santoso went to one of the offices where information about the houses was available. He found several lines of people waiting to talk to officials seated at long tables. On the wall were large posters that stated the requirements Klender applicants had to meet. Applicants' monthly income had to be between 30,000 rupiahs (us\$50) and 60,000 rupiahs (us\$100). Santoso's face lighted up: his monthly income was 32,000 rupiahs. He met other requirements too. Applicants had to be between 30 and 35 years of age; they had to be married; they could have no more than three children; they could not be homeowners. People who had lived in Jakarta for at least ten years would have an advantage. So would people who had been at the same job for at least five years. That worried Santoso: he had been steadily employed for ten years but at his present job for only two. So he was delighted, when his turn came, to have an official tell him he appeared to be eligible for Klender. He took home an application form to fill out.

Two weeks later Santoso was back in the office with the application form and the documents that went with it: copies of his driver's license and his marriage certificate, and statements from his employers about his job record and income. The lines were much shorter this time. An official told him that probably 2,000 people would complete application forms, and probably half that number would be eligible for houses. A final selection would be made from those 1,000 applicants.

Santoso held his breath as the official examined his papers and discussed them with another official. He



*The last 500 houses in Klender went on the market in early 1982.*

smiled when he heard that his application was acceptable.

Santoso and Wati were excited about the conversation with the official, but they knew that the competition for Klender houses was keen. Santoso now knew that he would have to make a down payment on a Klender house. He had no savings, but his brother offered to lend him 10,000 rupiahs (us\$15). Santoso and Wati were eager and worried as month after month went by with no word from PERUMNAS.

Then finally, almost a year after the sale of the houses had been announced, Santoso received a letter from

PERUMNAS. He was one of the finalists for a Klender house: would he please come to Klender to discuss financial arrangements?

When he got to Klender, an official showed Santoso a table that contained information about the two kinds of houses that were for sale. Purchasers of Klender houses could spend no more than 25 percent of their monthly income for payments, the official explained. Santoso could see at once which house he could afford.

Table 3. Terms for Financing a Klender House

Term	800 sq. ft. lot	1,500 sq. ft. lot
Price	1,000,000 Rp	1,500,000 Rp
Down payment	50,000 Rp	150,000 Rp
Loan amount	950,000 Rp	1,350,000 Rp
Annual payment @ 5%		
for 20 years	76,200 Rp	110,700 Rp
Monthly payment @ 5%		
for 20 years	6,350 Rp	9,200 Rp

Note: Amounts in Indonesian rupiah.

He also could see at once that his brother's 10,000 rupiahs would not cover a down payment. Under those circumstances, the official said, Santoso could sign a preliminary sale agreement, live in the house for two years, and make monthly payments against the balance due on his down payment. After that, he could get a mortgage from the new National Savings and Mortgage Bank.

Santoso made some quick calculations and found that he could afford the arrangement the official suggested. He could pay the balance due on his down payment and repay the loan from his brother in two years. And he would still have enough money to pay for the materials he would need to complete the house.

Santoso and the official signed some forms and shook hands; then Santoso hurried home. That night he and Wati, some neighbors, his brother's family, and her aunt's had a celebration.

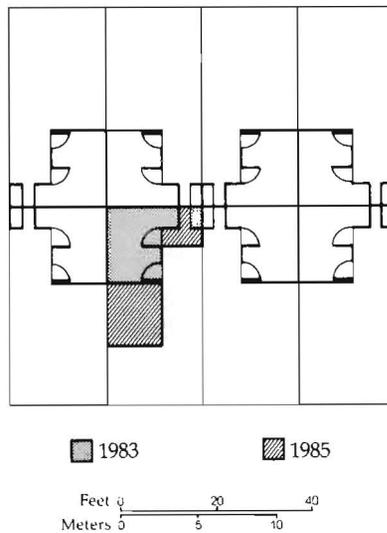


*Wati takes pride in the kitchen Santoso built soon after they moved into their house in Klender.*

Santoso and Wati moved into their house in Klender early in 1983, just before their second child was born. Santoso built a kitchen with materials he bought from PERUMNAS. PERUMNAS bought them in bulk quantities and sold them at cost to Klender residents. In front of the house, he and Wati built a low wall and a walkway. Wati planted flowers along the wall.

By managing their money carefully, Santoso and Wati were able to make their monthly payments and save a little bit each month. And in early 1985 they got a mortgage from NSMB and permanent title to their house. They were very pleased. Neither of them had dreamed that they might one day own land and a house in Jakarta. After Santoso got a wage increase later in the year, they could afford to build a bedroom. When it was finished, they made plans for a second bedroom.

Figure 6. Santoso and Wati's House in 1983 and 1985



Today, in the mid-1980s, Santoso and Wati say that living in Klender has changed their lives. They feel that they are offering their children more opportunity than they themselves had when they were children. The community is clean and orderly; there are good schools and other community facilities nearby.

But Santoso and Wati worry. They have little money. Even though their expenses are rising, they want one more baby, but only one more: they say with pride that they are family planners. They worry that Santoso may lose his job or that someone will get sick.

Even so, the future looks bright. Santoso has decided to finish secondary school and attends an adult school after work. Perhaps he will try to go to college: with more education he could get a better-paying job. Someday, perhaps, Wati too will go back to school. She would like to be a teacher.

*When Wati was growing up in a village in Central Kalimantan, she did not expect that she would one day live in Jakarta in a house she and her husband owned.*



## Summing Up

The population of Jakarta grew from 4,500,000 in 1970 to 6,500,000 in 1980. It is estimated that it will be about 9,600,000 in 1990 and 15,000,000 in 2000. Jakarta will then be larger than the largest cities in the world today.

Because the city is growing so rapidly, the Kampung Improvement Program and Klender are only drops in a bucket that is always getting bigger. Even so, the programs have improved the living conditions of hundreds of thousands of Jakarta families. And they have influenced urban programs in many other cities—in Indonesia and in other developing countries.

### *The Kampung Improvement Program*

The improvements in Trini's kampung were completed in 1976. In the next eight years, the Jakarta government improved all the city's kampungs except two groups: those that had grown up recently and those that were in the way of highways or large buildings that were to be built. The principal phase of the Kampung Improvement Program was finished by 1984. From then on the program was smaller in scale. It consisted of upgrading improvements made in the early 1970s and improving—at a slower pace—kampungs built recently.

Most of the expenses of KIP from 1969 to 1984 were met from the city's revenues and from loans—three from the World Bank and one from the Asian Development Bank. Costs for the period from 1974 to 1976 were about what had been expected. The total cost of the program from 1969

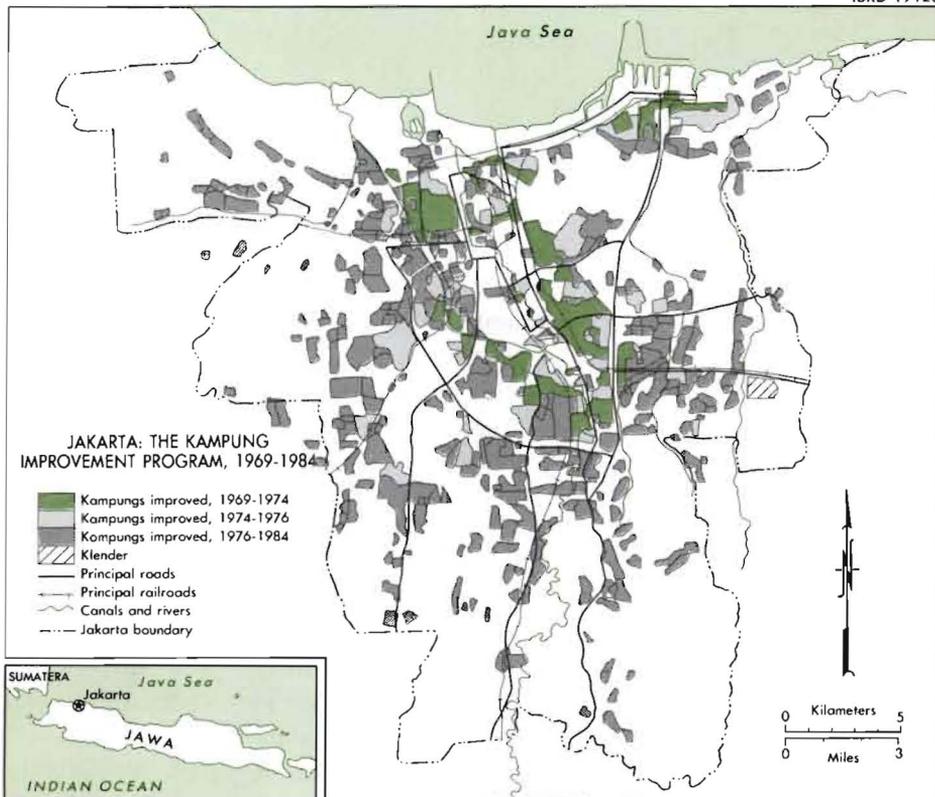
to 1984 was about us\$200 million. That amount is adjusted to take account of inflation and changes in the exchange rate of Indonesian rupiah and the U.S. dollar.

In addition to the improvements summarized in Table 4, most kampung residents improved their houses. KIP officials estimate that kampung people spent two dollars of their own resources for every dollar spent by KIP.

The health of kampung people improved because of better sanitation and the new health clinics. A new program was set up at the clinics to train kampung people as clinic workers. They provided simple health care and taught classes about family planning and the topics that prevent illness—sanitation, hygiene, and nutrition.

Many people got jobs during the construction phase of KIP. All the work was done by Jakarta firms. To manage the

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Table 4. Some Achievements of the Kampung Improvement Program, 1969-84

Kind of improvement	Number
Kampungs improved	619
Area improved (square miles)	51
Population affected	4,900,000
Roads paved (miles)	826
Footpaths paved (miles)	1,031
Drainage canals dug (miles)	324
Water pipes laid (miles)	151
Public water taps	2,598
Latrines (toilets, showers, taps)	278
Simple toilets	11,595
Garbage collection areas	647
Garbage collection carts	739
Health clinics	109
Primary schools	171

increased work load, old firms had to hire more employees, and new firms were set up. Later on, many small companies that did home improvements for kampung residents hired more employees.

More jobs became available in the kampungs. The number of warungs and small workshops increased. Residents who wanted to start small businesses could get advice from KIP about making and selling their products and keeping their accounts. And kampung people had better access to jobs in other parts of the city when bus service was supplied to improved kampungs.

But the Kampung Improvement Program had many problems. Construction was often brought to a halt when negotiations to purchase land for schools and health centers dragged on and on. Serious tensions arose between residents and officials who failed to take residents' wishes into account. Trash and garbage facilities were often poorly maintained by kampung residents. Water was a continuing problem. Pressure was often low. And there were too few taps, they were poorly maintained, and they were usually crowded.

City officials were unable to make many of the changes they had planned to make in the property tax and the methods of collecting it. Those changes would have helped to pay for KIP. KIP costs were met, however, out of the property tax and increased revenues from other sources.

But the problems the Kampung Improvement Program encountered were small compared to its accomplishments. Its success meant that it would be copied in other cities. In the mid-1980s kampung improvement is taking place in all Indonesia's large cities and many smaller ones—over 250 in all. The work is managed by local governments with assistance from Cipta Karya, the national government agency that helped with KIP in Jakarta. The costs are being met from city revenues, grants from the government of Indonesia, and—in some cities—by loans from national and international agencies.

Slum upgrading programs similar to KIP are going on in cities in many developing countries. Among the cities are Manila and Bangkok, Tunis and Yaounde, Lima and Recife.

*The Kampung Improvement Program in Denpasar, the principal city on the island of Bali, has many of the features of Jakarta's program.*



*Klender*

When Santoso and Wati were settling into their house, Klender was a bustling town of 40,000 people. Its streets were lined with houses that varied in size and style. At the heart of the community were mosques, markets, schools, a health clinic, and other community facilities. Also at that time, communities in towns and cities throughout Indonesia were being built on the principles first used at Klender.

Klender was a "first" in two ways in Indonesia. The first core houses were built there, and the first mortgages were offered. Many problems arose while Klender was being built, but lessons were learned that were applied in communities like it.

The main roads of Klender were not durable enough and had to be rebuilt. The supply of water was inadequate and irregular, and many families had to dig their own wells. Construction was delayed a year because negotiations to purchase parts of the site were long and drawn out.

Because of the lessons learned at Klender, these problems did not arise in the communities like it that were built later. The main roads were designed to withstand heavy

*Table 5.* Houses and Community Facilities in Klender

Kind of facility	Number
<i>Houses</i>	
Core houses	7,062
Complete houses	445
<i>Community facilities</i>	
Markets and shops	31
Mosques	31
Electricity distribution stations	12
Schools	11
Deep wells	4
Community centers	1
Fire station and post office	1
Health clinic	1



*Klender was the first community of core houses in Indonesia. Forty thousand people live there.*

vehicular traffic. Many wells were built; plenty of time was allowed for the purchase of land.

Another problem at Klender was with housing materials. The original plans called for dirt floors, timber framing, and bamboo matting for walls. Some PERUMNAS officials were afraid that people would not buy houses made of those materials. So after months of discussion more expensive materials were substituted. But experience at Klender convinced officials that inexpensive materials would be acceptable, and such materials have been used in other communities.

Many problems arose about mortgages. The plan was that PERUMNAS would choose purchasers for Klender houses as the houses were completed. Then the National Savings and Mortgage Bank would arrange mortgages and pay PERUMNAS. But these arrangements got off to a slow start. When PERUMNAS had selected purchasers of Klender houses and they needed mortgages, NSMB could not process the mortgages quickly. Its procedures were cumbersome; bottlenecks developed, and a backlog built up. There were times when PERUMNAS did not get from NSMB the money it needed to continue with construction, so con-



*This community of core houses, similar to those in Klender, is in Ambon, the capital city of an island group east of Sulawesi.*

struction slowed down. PERUMNAS procedures, too, contributed to the slowdown. Special arrangements, such as the one about Santoso's down payment, created confusion.

Slowly, the problems of NSMB began to be ironed out. Its staff received technical advice and training, and its procedures improved. PERUMNAS procedures improved, too. New communities like Klender have benefited from those changes.

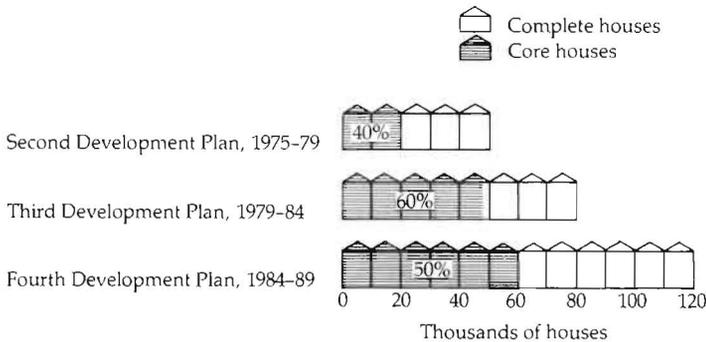
Delays in construction raised the costs of Klender about 20 percent. But even with higher project costs, the houses still were sold at prices low-income families could afford. Funds from other sources helped to keep the prices of houses low. Land was sold to private groups to build mosques, a theater, and other community facilities. And several hundred house lots were sold at high prices to private builders. In the communities like Klender, efforts have been made to keep costs low and to tighten construction schedules.

KIP, many people got jobs during the construction phase and as Klender families completed their houses.

But the greatest achievement of Klender was to win acceptance for the idea of core houses. In the mid-1980s PERUMNAS is building houses for low-income people in about 100 cities and towns in Indonesia. About half of them are core houses. As had been done with Klender, an income range for eligible families is identified and houses built that those families can afford. The houses are simpler and less expensive than Klender houses because incomes are lower than in Jakarta. A variety of house plans are offered; PERUMNAS is providing technical advice about completing the houses; and NSMB is issuing mortgages.

Today there are core houses in many countries in Asia and Latin America. Governments are building them, and low-income families are completing them at their own expense. Arrangements at even lower cost are made for low-income families in Africa. There, governments have purchased land, divided it into house lots, and installed the services families need—roads, water, and sanitation. Then governments have sold the serviced lots to families that would not have been able to afford to buy even a core house. With technical advice and loans for building materials, purchasers have built their houses entirely at their own expense. Such communities have come to be called *sites-and-services* projects.

Figure 7. Houses Built and Projected by PERUMNAS



*Beyond KIP and Klender*

The Kampung Improvement Program is the largest urban effort in Indonesia. The housing projects of PERUMNAS are smaller in scale but are widespread. Together they are evidence of Indonesia's determination to raise the standard of living of the urban poor.

Many other steps are being taken in Indonesia to improve urban services and increase urban facilities. Long-term plans to guide the growth of cities are in place. Officials in Jakarta and three nearby cities completed such a plan in 1981. Officials in Surabaya have developed a similar plan. In the mid-1980s more than a hundred cities are preparing maps based on aerial photography to be used for planning and other purposes. And the government of Indonesia is training officials of its largest cities in urban planning.

Many cities are upgrading and extending their water systems. Jakarta is one of them: its water system is threatened by pollution and seeping seawater. Some cities are installing more water taps and building more washing and toilet facilities. In some of Indonesia's cities that suffer from flooding—Surabaya, Banjarmasin, and Ujung Pandang, for example—canals and drains are being improved and dredged and new ones are being built. In those cities and others—Palembang, for example—trash depots have been set up, collection vehicles purchased, and disposal plants built. The country's first sewers and sewage treatment plants are being built in Jakarta, Bandung, and Medan.

Several cities including Jakarta are improving transportation. They are upgrading existing roads and maintaining them better. They are adopting new regulations that will make traffic move more swiftly and safely. And they are expanding bus services.

The government of Indonesia and city governments are beginning to make changes that will enable them to deal more effectively with urban problems. In Cipta Karya, PERUMNAS, and NSMB, work is being reorganized, and staff

are receiving training in new methods and procedures. City officials responsible for operating and maintaining other urban facilities and services also are receiving more training. In both national and city governments, financial planning and budgeting are receiving more attention. Officials are analyzing national and local taxes and setting up new ways to collect them.

In addition to those steps, the government of Indonesia is trying to relieve the conditions that give rise to rapid urban growth—rural poverty and increasing population. Thus, it is spending more of its budget on activities that will improve rural conditions and reduce population growth. Urban projects also make up an increasing proportion of the budgets of many provincial and city governments.

Although urban services and facilities are expanding in Indonesia, the urban population is still soaring. The country has come a long way, but it has a long way still to go in dealing with the many problems of rapid urbanization.



# Pronunciation Guide

## *People*

Kodir	Koh-dear
Lurah	Lure-uh
Santoso	San-toh-so
Trini	Tree-nee
Wati	Wah-tee

## *Government agencies*

Cipta Karya	Chip-tuh Car-yuh
PERUMNAS	Pair-um-nahs

## *Places*

Bandung	Bahn-dung
Banjarmasin	Bahn-jer-mah-sin
Batavia	Buh-tahv-yuh
Jakarta	Juh-kar-tuh
Java	Jah-vuh
Kalimantan	Kal-ee-mahn-tahn
kampung	kahm-pung
Klender	Klen-der
Malang	Mah-lahng
Medan	May-dahn
Palembang	Pal-um-bang
Semarang	Sem-ah-rung
Sulawesi	Soo-luh-way-see
Sumatra	Soo-mah-truh
Surabaya	Soor-uh-by-uh
Surakarta	Soor-uh-kar-tuh
Ujung Padang	Oo-jung Puh-dang
warung	wah-rung
Yogyakarta	Johg-juh-kar-tuh

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Name

**Part Four** (20 points)

Choose *one* of the following.

1. In 1982, the Kampung Improvement Program in Jakarta received an award from the Aga Khan, the leader of an Islamic sect. The award commended the program for providing basic services to a large number of urban people in a relatively short time and at a relatively low cost.

Write a newspaper article giving background information about the Kampung Improvement Program. Describe living conditions in Jakarta's kampungs in the 1960s. Then state the steps taken under the Kampung Improvement Program and explain how life changed for kampung residents as a result of the program.

2. Many people visit Klender from other developing countries. You are a member of the staff of PERUMNAS and have been asked to give a group of them a guided tour.

Write a paper about what you will tell the visitors. Begin by explaining the project's purpose and achievements. Then describe some of Klender's unusual features. Finally, list some of the places you will take the visitors during the tour.

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Improving Indonesia's  
cities : a case study  
of economic

Social or economic indicator	Indonesia	United States
Land area (square kilometers)	1,919,000,000	9,363,000,000
Population, mid-1983	155,700,000	234,500,000
Projected population, 2000	212,000,000	261,000,000
Proportion of population in urban areas, 1983	24 percent	74 percent
Proportion of workers in agriculture, 1981	58 percent	2 percent
Proportion of population of secondary-school age that is enrolled in school, 1982	33 percent	97 percent
Proportion of adult population that is literate, 1980	62 percent	99 percent
Life expectancy at birth, 1983	54 years	75 years
Infant mortality rate, 1983	10 percent	1 percent
Persons per physician, most recent estimate	11,530 persons	520 persons
Daily supply of calories per person, 1982	2,393 calories	3,616 calories
Passenger cars per thousand persons, most recent estimate	3.8 cars	526.3 cars
Per capita consumption of coal or equivalent energy, 1983	204 kilograms	7,030 kilograms
Gross national product, 1983	US\$87,200,000,000	US\$3,309,000,000,000
Per capita gross national product, 1983	US\$560	US\$14,110

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Indonesia is an archipelago of 13,000 islands in southeast Asia. Three islands (Sumatra, Java, and Sulawesi) and parts of two others (Kalimantan and Irian Jaya) account for 90 percent of the country's land. The landscape varies from island to island and includes volcanic mountains, tropical rain forest, fertile plains and uplands, and lowland swamps.

Cultural and economic ties between Indonesia and the Asian mainland have always been strong. In the first millennium after Christ, Hindu and Buddhist ideas and practices dominated Indonesia, and trade flourished between Indonesia, China, and India. In the 1300s, Arab traders brought Islamic traditions to Indonesia and carried Indonesian products back to the Mediterranean. Cloves, pepper, and cinnamon grown in Indonesia attracted European traders in the 1600s. By the 1700s, the Dutch controlled most of Indonesia, and the islands remained under Dutch control until the middle of the twentieth century.

Indonesia became independent in 1949. The first president, Sukarno, had been a leader of the independence movement and served as president until 1967. The last years of his rule were times of unrest throughout Indonesia. Order was gradually restored under his successor, Suharto.

Among the countries of the world, Indonesia ranks fifth in population. The Indonesian people comprise hundreds of groups, each with its languages and customs. The largest group, the Javanese, make up half the population of the country. Other large groups are the Sundanese in western Java and the Batak on Sumatra.

### *The Indonesian Economy*

The living conditions of the Indonesian people have improved since independence. One of the reasons is that the country produces high-quality oil for sale on the world market. Despite the improvement, millions of Indonesians still are hungry and illiterate; many are unemployed or have jobs that pay little. With a large population that is growing rapidly, the economy is being pressed to provide

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Mattiebelle Gittinger

Borobudur, a Buddhist temple located in central Java, was built in the 700s. Carved stone panels on the walls of walkways depict episodes in the life of Gautama Buddha and daily life at the time of the temple's construction. The carvings are like those done in India at the same time, so Borobudur is a reminder of India's influence on Indonesian culture.

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the increased goods and services the Indonesian people need. DEC 10 1986

Indonesia is well endowed with natural resources other than oil. To support agriculture, it has fertile volcanic soil and abundant tropical rainfall. Many lowland areas are easy to farm, and farmland has been extended by building terraces on the slopes of mountains. The main product of Indonesian farmers is rice. They also produce coffee and tea, vegetables and fruits, rubber, and coconut and palm oil. Vast tropical rain forests provide another product—timber.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON, D.C. 20431

Indonesia has a variety of mineral deposits—tin, copper, bauxite, nickel, and coal—and many Indonesians work as miners. Most industry is small-scale, producing goods for use in Indonesia: lumber, bricks, cement, cloth, clothing, processed food, and household goods. Larger scale industry has increased during the last decade. For example, a small but growing steel industry provides steel for an

increasing quantity of machinery, transport equipment, and beams for construction.

The oil price rises in 1973 and 1978 enabled Indonesia to increase its foreign trade. The added income from oil exports meant more money for imports and investments that spurred growth. Indonesia's principal imports are manufactured goods, vehicles, and construction equipment, and tools and machinery for industry. Rice was imported for many years, but rice imports had almost ended by 1984. Indonesian farmers were able to grow enough to meet the country's needs.

Petroleum accounts for about two-thirds of Indonesia's exports and the government's revenue. Aside from oil, most other exports are agricultural products—rubber, timber, coffee, tea, and palm oil. An increasing quantity of manufactured goods—textiles and plywood, for example—are being exported, too.

People are the most valuable resource of any country. The health of Indonesians is improving: life expectancy at birth rose from 41 years in 1960 to 54 years in 1983. Educational opportunity is also improving. Most Indonesian children now attend primary school, and the proportion of young people of secondary school age enrolled in school—while still only one-third—is increasing.

*Most of the people in Indonesia make a living in agriculture. The principal crop is rice. It is often grown in terraces built on the slopes of hills and mountains.*





*A government company, Pertamina, controls the production of oil—its exploration, extraction, and export. Foreign companies, under contract with Pertamina, carry out many of these activities.*

### *Economic Development*

Economic development is the process the developing countries engage in to improve the living conditions of their people. It involves producing more goods and services and distributing them more evenly.

Since the late 1960s, economic development in Indonesia has been guided by five-year development plans. All the plans have had the same goals: increasing physical infrastructure, agricultural and industrial production, and exports; expanding health services and education; and relieving the poverty of the poorest people.

Many activities are under way in Indonesia to advance these goals. Examples are building roads that link villages, towns, and cities, and increasing farmland—by draining swampland on Sumatra, for example. Industries are receiving loans, especially those that produce exports. Educators are updating textbooks. Health workers are learning to give basic health care in rural and urban areas. And poor farm families on Java, which is densely populated, are being encouraged to move to islands that are

sparsely populated. There they receive land along with health services, education, and training in growing local crops.

How does Indonesia pay for the activities that advance economic development? Most of the costs are met from savings, taxes, and income from exports. In addition, the government receives grants and loans from international institutions and the governments of industrial countries. And commercial banks in other countries lend to Indonesia for development projects. As an oil importer, Indonesia has not borrowed heavily for development, and it has been able to meet interest payments and repay loans.

As a result of the investment of Indonesian resources and help from outside groups, the economy grew rapidly in the 1970s. Growth was very slow in the early 1980s: oil and other exports fell off because of the world recession. A moderate recovery followed in the mid-1980s. But lower oil prices and other factors in the world economy will create difficult conditions during the rest of the decade.

Indonesia faces some big problems. One is that the economy depends on oil. The government is taking many steps to reduce that dependence: promoting other exports is an example. Another grave problem is the rapid growth of population. Population nearly doubled between 1950 and 1980 and is likely to rise by another 70 million by 2000.

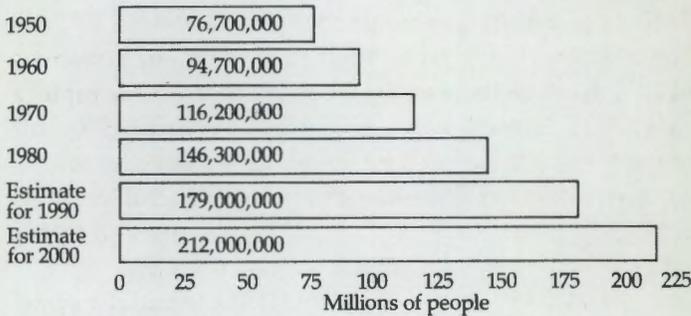
The government of Indonesia has had a national population program since 1969, with special efforts on Java. Sixty-five percent of the Indonesian people live on Java, where the average number of people per unit of land is among the highest in the world. The program offers family planning services and better health care for mothers and children. Also under the program, parents are being encouraged to send their daughters to school: the more education a woman has, the fewer children she is likely to have.

As a result of the program, Indonesia's population growth rate declined from 2.6 percent in 1970 to 2.1 percent in 1980. Nearly 60 percent of Indonesia's married couples now practice family planning, a higher percentage than in most developing countries. And nearly 95 percent of the girls of primary school age are now in school. But

this successful program must reach even further into Indonesian life.

An important aspect of Indonesia's population problem is the rapid growth of towns and cities. In 1950, about 9 million people lived in towns and cities. In 1980, the number had tripled—to nearly 30 million. The country's urban population is expected to continue to grow rapidly during the rest of this century and beyond.

### The Population of Indonesia



Urban growth accompanies economic development and leads to further development. Cities attract industries and other economic activities that produce needed goods and services and provide needed jobs. But when urban growth is rapid, severe problems develop. Urban services—such as water supply, roads, public transportation, sanitation, and trash removal—deteriorate and become inadequate. And many people live in poverty.

The costs of dealing with urban problems are high, and the resources for dealing with them are limited. Even so, Indonesians are improving urban services, upgrading slums, providing houses for low-income families, and building more schools and health facilities in slum areas.

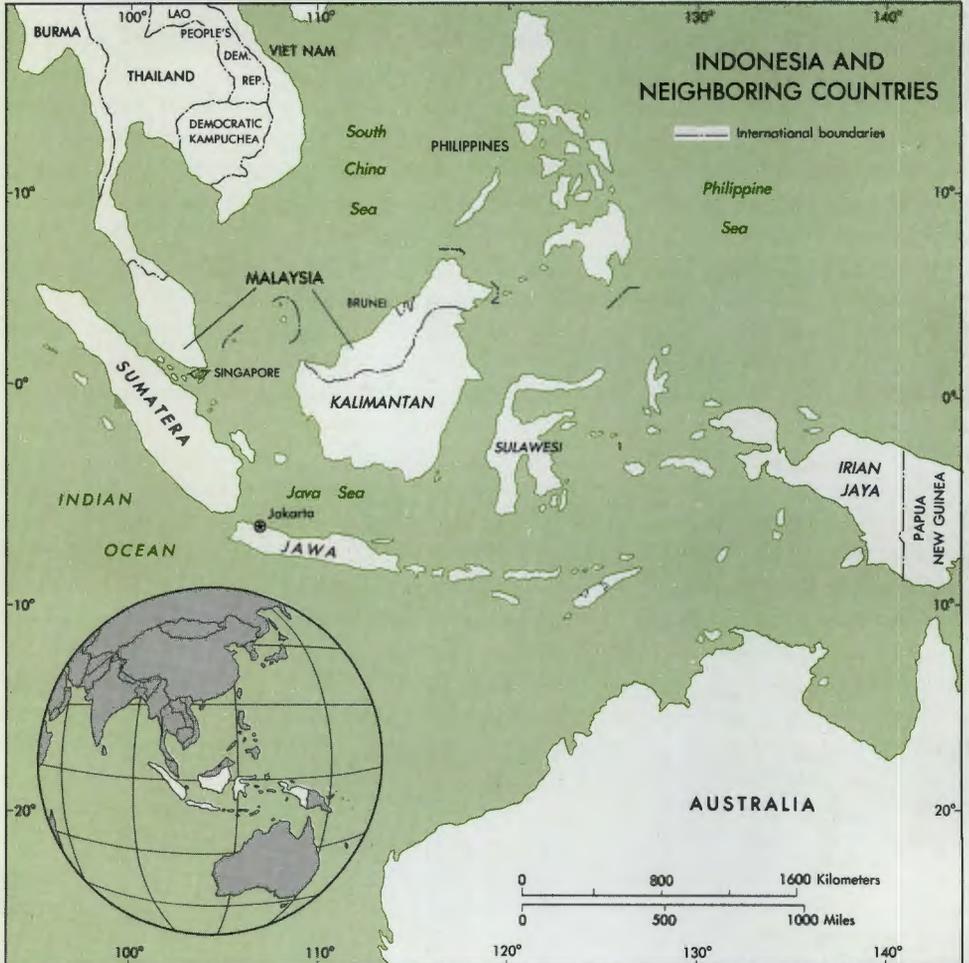
Economic development in Indonesia in the years ahead depends on three things: speeding up economic growth, curbing population growth, and taking special steps to alleviate poverty. The Indonesian economy has performed well in the past, but even greater effort will be required to maintain growth in the future.

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Note: The terms Jawa and Sumatra are Indonesian usage; Java and Sumatra are international usage.

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