



Tackling affordable housing shortage: President Prabowo's Three Million Homes initiative ^{P1}

Tackling affordable housing shortage: President Prabowo's Three Million Homes initiative

The new administration under President Prabowo has recently set an ambitious target to construct three million homes annually for low-income families, which is one of his long-term political goals known as *Asta Cita* (The Eight Visions).

This initiative, known as "*Tiga Juta Rumah*" (Three Million Homes), is targeted to tackle the shortage of affordable housing in Indonesia and improve living standards across the nation. It reflects President Prabowo's commitment to social welfare and economic development.

As a foundational step towards achieving this goal, a new joint decree, namely Joint Decree of the Housing and Settlement Minister, Public Works Minister, and Home Affairs Minister No. 03.HK/KPTS/MN/, 3015/KPTS/MI, and 600.10-4849 of 2024 on the Support for Accelerating the Implementation of Three Million Homes Programme ("**Joint Decree**") has been enacted on 25 November 2024 to provide structural support for this massive housing initiative. The Three Million Homes programme aims to construct one million homes in urban areas and two million homes in rural areas annually for low-income families.

A similar initiative was launched by the previous administration, where President Joko Widodo set a target to build one million homes annually for low-income families. In its implementation, while the programme did not consistently meet its annual target, it significantly increased the number of affordable homes built annually compared to previous years. The programme helped many families achieve homeownership who otherwise might not have been able to afford it.

The Joint Decree introduces several pivotal measures, which strengthen the Government's commitment to facilitating affordable housing and expediting the licensing process for low-income families, such as:

1. **Tax and retribution waiver:** The Joint Decree mandates all governors and regents/mayors in Indonesia to enact regional regulations on the elimination of land acquisition tax and retribution for building permits to facilitate the construction of three million houses for low-income families.

2. **Accelerated process:** The Joint Decree also mandates the acceleration of building permit issuance, requiring completion within ten working days once all application documents are duly submitted.
3. **Enhanced coordination:** The Joint Decree also emphasises the need for coordination between the Ministry of Housing and Settlement, the Ministry of Public Works and the Ministry of Home Affairs to streamline processes and remove bureaucratic hurdles.

The Ministry of Housing and Settlement is responsible for mapping eligible beneficiaries for this programme based on monthly income, while the Ministry of Public Works is responsible for the provision of infrastructure and the Ministry of Home Affairs is responsible for instructing all governors and regents/mayor to enact local regulations on incentives and strategic policies to achieve this goal.

Current regulatory framework

The shortage of affordable housing for low-income families is not a new issue in Indonesia. Balanced residential development was introduced back in 1992 through a joint decree between the Ministry of Home Affairs, the Ministry of Public Works and the Ministry of Public Housing. Since 1992, the Indonesian government has involved developers to tackle the shortage of affordable housing for low-income families.

To date, the main regulation addressing housing and settlement areas is stipulated under Law No. 1 of 2011 on Housing and Settlement Areas as amended by Law No. 6 of 2023 (“**Housing Law**”). Under the Housing Law, housing developers are required to construct residences in a balanced manner. This means that for each luxury house built, there should be a corresponding unit of middle-class house and simple house intended for low-income families. Despite the stipulation for developers to build residences in a balanced manner, the Housing Law still acknowledges the Government’s obligation to ensure the availability of affordable housing for low-income families.¹

More specifically, the Minister of Housing Regulation No. 10 of 2012 on the Implementation of Housing and Settlement Areas with Balanced Housing, as amended by the Minister of Housing Regulation No. 7 of 2013 (“**MoH Regulation No. 10/2012**”), stipulates that:

1. In areas where only luxury houses are being built, housing developers are required to also build at least 2 (two) middle-class houses and 3 (three) simple houses for every luxury house built.
2. In areas where only middle-class houses are being built, housing developers are required to also build simple houses at least 1.5 times the number of middle-class houses.

The Housing Law mandates that balanced residential arrangements be conducted in one area (*hamparan*). Developers are provided with an option to fulfill their obligations by (i) constructing a multi-story housing unit that within the same area (or, if not possible, the same city/region) or (ii) making monetary contributions for the construction of public houses.

In fulfilling this obligation, developers are permitted to engage other developers. However, failure to meet these obligations are subject to administrative sanctions (e.g., licence revocation) and even criminal sanctions in the form of fines of up to IDR5 billion and additional penalties in

¹ Article 13 letter (g) of the Housing Law.

the form of the rebuilding of housing in accordance with the agreed criteria, specifications, requirements, infrastructure, facilities, and public utilities.²

While obliging housing developers to construct balanced residential areas, one of the challenges lies in the lack of clarity regarding the calculation and management of these conversion funds. Key questions that remain unanswered are:

1. **Where should these funds be directed?** The role of the appointed body in managing these funds is not clearly defined.
2. **How should the conversion amount be calculated?** In areas within the same district, should the calculation be based on a consistent NJOP (*Nilai Jual Objek Pajak*) value for luxurious houses, middle-class houses, and simple houses?

Achieving three million homes per year, will it work?

President Prabowo's programme, like any large-scale initiative, its success depends on effective implementation, adequate funding and cooperation between various stakeholders, especially the low-income families.

The current regulatory framework has faced numerous challenges in its implementation, among others:

1. **Policy implementation:** Despite the “heavy” sanctions for housing developers (involving licence revocation and criminal sanctions)³ in the event of non-compliance with balanced residential housing obligations,⁴ Indonesia continues to face a significant housing backlog, particularly for low-income families. Thus, it is imperative that this requirement be reflected in the permits issued to developers, affirming their obligation to build balanced housing that is affordable for Indonesian citizens. Additional incentives may also be considered for small or medium-scale developers engaged by larger developers to fulfill their balanced residential obligations.
2. **Financial viability for developers:** The current model arguably does not provide commercial viability for developers who purchase land at high NJOP values but are required to build low-cost housing. As such, introducing tax easements or other financial incentives can be considered to make the programme more attractive for developers to participate in.
3. **Land availability:** Although the Land Bank Body (Badan Bank Tanah) was introduced in 2021 based on President Regulation No. 113 of 2021, its strategic policies to support the acceleration of accessible housing remain unclear. As such, it is worth exploring how the Government can utilise land banks to strategically support the three million houses per annum programme.
4. **High land prices:** The rising cost of land in urban areas poses a significant barrier to the development of affordable housing. Developers are often discouraged from allocating land for low-income housing due to the financial burden.

² Article 134 jo. 151 of the Housing Law jo. Article 15B of the MoH Regulation No. 10/2012 jo. Article 34 paragraph (1) jo. 150 of the Housing Law.

³ Article 134 jo. 151 of the Housing Law jo. Article 15B of the MoH Regulation No. 10/2012.

⁴ Article 34 paragraph (1) jo. 150 of the Housing Law.

Potential strategies

To achieve the ambitious housing target set by President Prabowo's administration of building three million houses annually, several improvements are needed in the implementation of the Balanced Residential Housing policy:

1. **Enhancing access to financing for low-income buyers:** Easements for low-income families to obtain house mortgages could enhance their purchasing power, facilitating greater access to housing.
2. **Incentives for infrastructure development:** Offering incentives to developers for constructing affordable housing or infrastructure could further support the Government's housing initiatives.
3. **Optimisation of land banks:** The optimisation of land banks could play a crucial role in achieving housing targets. By strategically utilising available land resources, the Government can facilitate the development of affordable housing, ensuring that the balanced residential policy is effectively implemented.
4. **Regulatory compliance:** Simplifying and streamlining regulations related to balanced residential housing can facilitate compliance and reduce legal obstacles for developers. Clear guidelines and support from regulatory bodies are essential.

Conclusion

The successful implementation of the Balanced Residential Housing policy requires clear guidelines, financial incentives and strategic use of land resources. By addressing these challenges, improving the regulatory framework and fostering collaborative efforts, major milestones can be achieved in implementing balanced residential housing in Indonesia.

We will continue to monitor updates from the relevant authorities regarding the implementation of the Joint Decree. Please feel free to contact us if you require more detailed advice or have specific questions.

Your PwC Indonesia contacts:

Please feel free to contact our Legal Specialists.

Indra Allen

Partner
PwC Legal Indonesia
indra.allen@pwc.com

Adi Pratikto

Partner
PwC Legal Indonesia
adi.pratikto@pwc.com

Danar Sunartoputra

Partner
PwC Legal Indonesia
danar.sunartoputra@pwc.com

Fifi Mulyana

Junior Partner
PwC Legal Indonesia
fifi.mulyana@pwc.com

Puji Atma

Junior Partner
PwC Legal Indonesia
puji.atma@pwc.com

Indra Natakusuma

Junior Partner
PwC Legal Indonesia
indra.natakusuma@pwc.com

Dimas Bimo

Junior Partner
PwC Legal Indonesia
dimas.bimo@pwc.com

Agnes Wardhana


Junior Partner
PwC Legal Indonesia
agnes.wardhana@pwc.com

Narindra Krisnamurti

Senior Manager
PwC Legal Indonesia
narindra.krisnamurti@pwc.com

www.pwc.com/id

 PwC Indonesia

 @PwC_Indonesia

If you would like to be removed from this mailing list, please reply and write UNSUBSCRIBE in the subject line, or send an email to id_contactus@pwc.com

DISCLAIMER: This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC Legal Indonesia, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

The documents, or information obtained from PwC, must not be made available or copied, in whole or in part, to any other persons/parties without our prior written permission which we may, at our discretion, grant, withhold or grant subject to conditions (including conditions as to legal responsibility or absence thereof).

© 2025 PwC Legal Indonesia. All rights reserved.
PwC refers to the Indonesia member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.