



## A Roof for All:

Social affordable housing – a key driver of  
Indonesia's economic & social development

August 2025

# Contents

Preface	2
List of abbreviations	3
List of figures	5
List of tables	5
List of case studies	6
Overview	8
Chapter 1: Benefits of Social Housing	13
Chapter 2: Indonesia's Housing Landscape	19
Chapter 3: International Lessons	37
Chapter 4: Recommendations	67
Conclusions	99
Contact us	101
References	102

# Preface

The Constitution of the Republic of Indonesia enshrines the right of every individual to lead a prosperous life, access adequate housing, and inhabit a healthy living environment. This fundamental right emphasises that all citizens are entitled to dignified housing and essential living needs. Affordable housing is a priority for Indonesia's RPJPN 2025-45 Indonesia Emas vision, RPJMN 2025-29 and President Prabowo's Asta Cita programmes. One of Indonesia's key goals is to build three million affordable houses annually over the next five years.

The provision of adequate housing for all Indonesians presents a significant challenge for numerous stakeholders. Factors such as rapid population growth, intensified urbanisation, and persistent poverty continue to erode opportunities for housing access, particularly when faced with an insufficient supply of affordable housing.

The discourse surrounding affordable housing transcends the mere equilibrium of supply and demand; it also focuses on the efficacy of housing institutions and the obstacles they confront in ensuring accessibility for all citizens.

In response to these pressing challenges, this report provides an in-depth analysis of Indonesia's affordable housing sector. Through benchmarking studies and international case analyses, readers will gain insights into housing policies both within Indonesia and across other nations. Furthermore, the report evaluates various affordable housing initiatives, distilling critical lessons applicable to Indonesia and offering practical recommendations for policymakers.

We extend our profound appreciation to all individuals and institutions whose expertise and enthusiasm contributed to the development of this report. We would like to give special thanks to Chin Beng Yap, Former Deputy CEO (Estate & Corporate) of Housing and Development Board in Singapore (2009-2017), and Nicholas Morris, Economist & Adjunct Professor at La Trobe University Melbourne, whose thoughtful perspectives and contributions helped shape the insights presented in this publication.

It is our aspiration that this publication should serve as a foundational resource for policymakers, real estate developers, and investors alike. The vision of "A Roof for All" cannot be realised through the efforts of a single entity; rather, it necessitates robust collaboration and a unified commitment from all stakeholders.

This collective spirit forms the cornerstone of resilient housing solutions—shelters that embody security, dignity, and the promise of a better future for every citizen.



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# List of abbreviations

<b>AHBA</b>	Affordable Housing Bond Aggregator	<b>FSI</b>	Floor Space Index
<b>AP</b>	Availability Payment	<b>FSR</b>	Floor Space Ratio
<b>APBN</b>	Indonesia State Budget ( <i>Anggaran Pendapatan dan Belanja Negara</i> )	<b>GCA</b>	Government Contracting Agency
<b>ASEAN</b>	Association of Southeast Asian Nations	<b>GDP</b>	Gross Domestic Product
<b>BI</b>	Central Bank ( <i>Bank Indonesia</i> )	<b>GFA</b>	Gross Floor Area
<b>BIM</b>	Building Information Modelling	<b>GSLH</b>	Government-Supported Land Housing
<b>BOOT</b>	Build-Own-Operate-Transfer	<b>HAFF</b>	Housing Australia Future Fund
<b>BP2BT</b>	<i>Savings-Based Housing Financing Assistance</i> ( <i>Bantuan Pembiayaan Perumahan Berbasis Tabungan</i> )	<b>HAFFF</b>	Housing Australia Future Fund Facility
<b>BP3</b>	Housing Acceleration Agency ( <i>Badan Percepatan Penyelenggaraan Perumahan</i> )	<b>HAM</b>	Hybrid Annuity Model
<b>BPHTB</b>	Acquisition Duty of Rights to Land and Buildings ( <i>Bea Perolehan Hak atas Tanah dan Bangunan</i> )	<b>HAP</b>	Housing Australia Portal
<b>BPJS</b>	Social Security Agency ( <i>Badan Penyelenggara Jaminan Sosial</i> )	<b>HDB</b>	Housing & Development Board, Singapore
<b>BPK</b>	Audit Board of Indonesia ( <i>Badan Pemeriksa Keuangan</i> )	<b>HIMS</b>	Housing Integrated Management System
<b>BPS</b>	Indonesia Central Bureau of Statistics ( <i>Badan Pusat Statistik</i> )	<b>HIP</b>	Home Improvement Program
<b>BSPS</b>	Self-Help Housing Stimulant Assistance Program ( <i>Bantuan Stimulan Perumahan Swadaya</i> )	<b>HPF</b>	Housing Provident Fund
<b>BTO</b>	Build to Order	<b>HUDCO</b>	Housing and Urban Development Corporation
<b>CHP</b>	Community Housing Provider	<b>HUG</b>	Korea Housing and Urban Guarantee Corporation
<b>CHP</b>	Comprehensive Housing Plan	<b>IDR</b>	Indonesian Rupiah
<b>CPF</b>	Central Provident Fund, Singapore	<b>IFC</b>	International Finance Corporation
<b>CSR</b>	Corporate Social Responsibility	<b>IIGF</b>	Indonesia Infrastructure Guarantee Fund
<b>CTCN</b>	Climate Technology Centre and Network	<b>IRR</b>	Internal Rate of Return
<b>DAK</b>	Special Allocation Fund ( <i>Dana Alokasi Khusus</i> )	<b>KK</b>	Family Card ( <i>Kartu Keluarga</i> )
<b>DROH</b>	Direct Relationship Ownership Housing	<b>KPKT</b>	Ministry of Housing and Local Government ( <i>Kementerian Perumahan dan Kerajaan Tempatan</i> )
<b>DRRH</b>	Direct Relationship Rental Housing	<b>KPPIP</b>	Committee for Acceleration of Priority Infrastructure Delivery ( <i>Komite Percepatan Penyediaan Infrastruktur Prioritas</i> )
<b>DTKS</b>	Integrated Social Welfare ( <i>Data Terpadu Kesejahteraan Sosial</i> )	<b>KPR</b>	Subsidised Monthly Mortgage Instalment ( <i>Kredit Pemilikan Rumah</i> )
<b>EIP</b>	Ethnic Integration Policy	<b>LH</b>	Korea Land and Housing Corporation
<b>FLPP</b>	Housing Finance Liquidity Facility ( <i>Fasilitas Likuiditas Pembiayaan Perumahan</i> )	<b>LVC</b>	Land Value Capture
<b>FBC</b>	Final Business Cases	<b>KLB</b>	Floor Area Ratio ( <i>Koefisien Lantai Bangunan</i> )

<b>M40</b>	Middle 40% Income	<b>RPJMN</b>	National Medium-Term Development Plan ( <i>Rencana Pembangunan Jangka Menengah Nasional</i> )
<b>MBR</b>	Low Income Households ( <i>Masyarakat Berpenghasilan Rendah</i> )	<b>RPJPN</b>	National Long-Term Development Plan ( <i>Rencana Pembangunan Jangka Panjang Nasional</i> )
<b>MBS</b>	Mortgage-Backed Securities	<b>RTLH</b>	Uninhabitable Houses ( <i>Rumah Tidak Layak Huni</i> )
<b>MDCH</b>	Mixed Development Cross-subsidised Housing	<b>RTO</b>	Rent-to-Own
<b>MND</b>	Ministry of National Development, Singapore	<b>RWA</b>	Residential Welfare Association
<b>MOLIT</b>	Korea Ministry of Land, Infrastructure, and Transport	<b>Rusus</b>	Special Houses ( <i>Rumah Khusus</i> ), Indonesia
<b>MRT</b>	Mass Rapid Transit	<b>SBUM</b>	Down Payment Subsidy ( <i>Subsidi Bantuan Uang Muka</i> )
<b>NBC</b>	National Building Code	<b>SDG</b>	Sustainable Development Goals
<b>NCC</b>	National Construction Code	<b>SECC</b>	Socio Economic Caste Census, India
<b>NHAF</b>	National Housing Accord Facility	<b>SEZ</b>	Special Economic Zone
<b>NHF</b>	National Housing Fund	<b>SLA</b>	Singapore Land Authority
<b>NHIF</b>	National Housing Infrastructure Facility	<b>SLF</b>	Certificate of Feasibility Function ( <i>Sertifikasi Laik Fungsi</i> )
<b>NHS</b>	National Housing Strategy	<b>SME</b>	Small and Medium Enterprises
<b>NHUF</b>	Korea National Housing Urban Fund	<b>SMV</b>	Special Mission Vehicle
<b>NPV</b>	Net Present Value	<b>SOE</b>	State-owned Enterprise
<b>NRAS</b>	National Rental Affordability Scheme	<b>SSB</b>	Interest Rate Differential Subsidy ( <i>Subsidi Selisih Bunga</i> )
<b>OJK</b>	Financial Services Authority ( <i>Otoritas Jasa Keuangan</i> )	<b>SKBG</b>	Building Ownership Certificate ( <i>Sertifikat Kepemilikan Bangunan Gedung</i> )
<b>PAUD</b>	Early Childhood Education ( <i>Pendidikan Anak Usia Dini</i> )	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PBG</b>	Building Permit Approval ( <i>Persetujuan Bangunan Gedung</i> )	<b>TDR</b>	Transferable Development Rights
<b>PDAM</b>	Local Government Owned Water Utilities ( <i>Perusahaan Daerah Air Minum</i> )	<b>TIG</b>	Technology Innovation Grant
<b>PHG</b>	Proximity Housing Grant	<b>TOD</b>	Transit-Oriented Development
<b>PII</b>	Indonesia Infrastructure Guarantee Fund ( <i>Penjaminan Infrastruktur Indonesia</i> )	<b>UAE</b>	United Arab Emirates
<b>PLN</b>	State Electricity Company ( <i>Perusahaan Listrik Negara</i> )	<b>UK</b>	United Kingdom
<b>PMAY</b>	Pradhan Mantri Awas Yojana	<b>ULB</b>	Urban Local Bodies
<b>PMN</b>	State Capital Injection ( <i>Penyertaan Modal Negara</i> )	<b>UNEP</b>	United Nations Environment Programme
<b>PPAM</b>	Perumahan Penjawat Awam Malaysia	<b>URA</b>	Urban Redevelopment Authority, Singapore
<b>PPP</b>	Public-Private Partnership	<b>US</b>	United States
<b>PPR</b>	Program Perumahan Rakyat	<b>UT</b>	Union Territories
<b>PR</b>	Permanent Resident	<b>VAT</b>	Value-Added Tax
<b>PR1MA</b>	Perumahan Rakyat 1Malaysia	<b>VCF</b>	Value Capture Financing
<b>PRH</b>	Public Rental Housings	<b>VGF</b>	Viability Gap Funding
<b>PSH</b>	Permanent Support Housing	<b>WHT</b>	Withholding Tax
<b>REIT</b>	Real Estate Investment Trusts		

# List of figures

Figure 1: "A Roof for All" framework	09
Figure 2: Economic impact of affordable housing: Global evidence	15
Figure 3: Social impact of affordable housing	18
Figure 4: Definition and classification of housing backlog according to the Ministry of Public Works and Indonesia Central Bureau of Statistics	21
Figure 5: Preference of housing ownerships or rentals for Residents without a self-owned house	22
Figure 6: Barriers to homeownership among aspiring buyers	22
Figure 7: Housing type preference among residents who want to buy a house in the near future	23
Figure 8: Reasons for renting instead of owning a home among current renters	24
Figure 9: Status of housing demand in Indonesia	24
Figure 10: Stages of housing careers	25
Figure 11: Indonesian households marriage status	25
Figure 12: Roadmap for the Three Million Houses Program	29
Figure 13: Stakeholders in Indonesia's housing landscape	30
Figure 14: Median price of 36sqm vs affordable of minimum wage earners (2024, in IDR Million)	32
Figure 15: "A Roof for All" framework	35
Figure 16: Global Practices on Affordable Rental Model based on Demand Risk	54
Figure 17: India's Housing Blueprint to execute their housing programs	62
Figure 18: Current Flat House Business Model by Rujak in Indonesia	86
Figure 19: Existing affordable housing financing schemes in Indonesia	88
Figure 20: Recommended affordable housing financing	89
Figure 21: Recommended key elements of a housing blueprint	95
Figure 22: Recommendations roadmap	97

# List of tables

Table 1: Summary of affordable housing programmes in Indonesia (non-exhaustive list)	26
Table 2: Affordable housing financing products for house purchase, construction, and renovation	33
Table 3: Estimation of affordable housing IRRs across countries	53
Table 4: Summary of recommendations	68
Table 5: Urban affordable housing programmes by household income levels & employment types	76
Table 6: Rural and coastal affordable housing programmes by household income levels & employment types	78

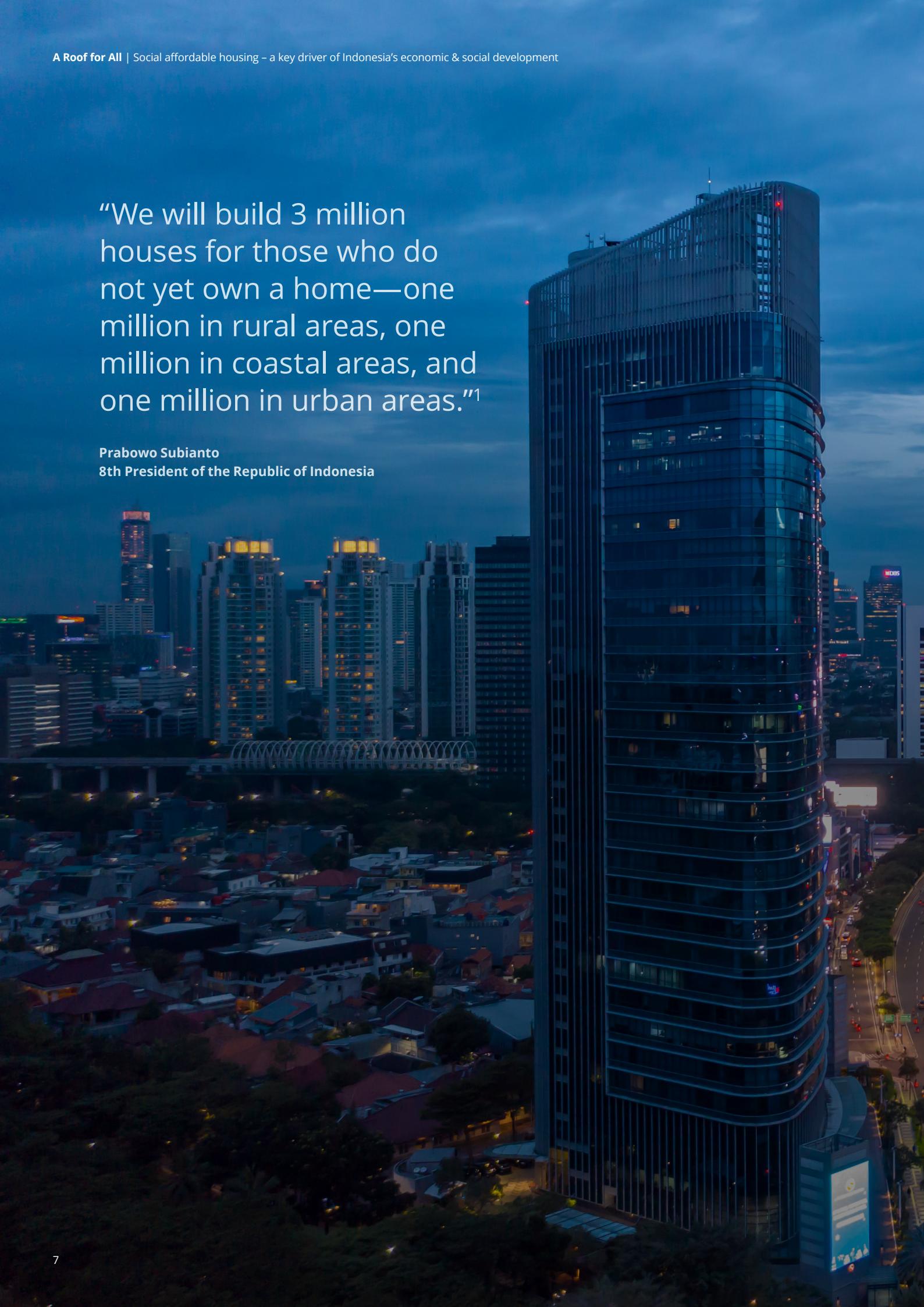
# List of case studies

CASE STUDY 1: Subsidised Apartment for Ownership ( <i>Rusunami</i> ) Bandar Kemayoran	27
CASE STUDY 2: Public Rental Apartments ( <i>Rusunawa</i> ): Pasar Rumput	28
CASE STUDY 3: Malaysia's People housing programme (PR1MA) for middle-income households	41
CASE STUDY 4: Singapore's Priority Schemes	42
CASE STUDY 5: Singapore's holistic-ecosystem-based approach to affordable housing	47
CASE STUDY 6: Housing financing schemes from Malaysia, Australia, and South Korea	51
CASE STUDY 7: PPPs in India under PMAY-U	52
CASE STUDY 8: Floor area ratio policy and incentives in India and Australia	55
CASE STUDY 9: Singapore Housing and Development Board (HDB)	59
CASE STUDY 10: Housing Australia	59
CASE STUDY 11: Housing and Urban Development Corporation (HUDCO) in India	60
CASE STUDY 12: Singapore's Housing Allocation Transparency and Data-based Planning	60
CASE STUDY 13: India's PMAY Housing Database Transformation	61
CASE STUDY 14: India's Affordable Housing Policy Blueprint	62
CASE STUDY 15: India's Primary Lending Institutions and Refinance through National Housing Bank	66
CASE STUDY 16: Lesson Learned from Flat House in Jakarta	86
CASE STUDY 17: Lesson learned from Housing PPP Implementation in Nusantara Capital City (IKN)	91



“We will build 3 million houses for those who do not yet own a home—one million in rural areas, one million in coastal areas, and one million in urban areas.”<sup>1</sup>

**Prabowo Subianto**  
8th President of the Republic of Indonesia



# Overview

## The report at a glance

### Chapter 1

#### Benefits of Social Housing

Understand the value of affordable housing through global benchmarks highlighting its economic and social benefits.

### Chapter 2

#### Indonesia's Housing Landscape

A review of Indonesia's past, current and future initiatives, stakeholders, and challenges in providing affordable housing for all.

#### "A Roof For All" Framework

A resilient affordable housing strategy focused on affordability & accessibility, livability, financing, private sector incentives, and strong government commitment and governance.

### Chapter 3

#### Lessons From Overseas

Brief how selected countries have made housing affordable, accessible, and liveable through targeted programs, strategic planning, effective financing, private sector engagement, and strong government leadership & governance.

### Chapter 4

#### Recommendations

Actionable strategies for the Three Million Houses Program to deliver housing that is affordable, accessible, and liveable, by leveraging effective financing mechanisms and private sector incentives, supported by a strong institutional framework and governance.

**Access to affordable housing is a fundamental human right and a cornerstone of Indonesia's development strategy and long-term vision.** It addresses social inequities by supporting vulnerable groups, including low-income families, the elderly, and individuals with disabilities, while enhancing the housing ecosystem connected to health, education, transportation, and utilities.

**Affordable housing investments can have a significant and positive impact on economic growth and social development.**

These investments will boost GDP and create jobs in construction and related industries, while lowering healthcare and other public expenditures. Stable housing also improves health, education, and workforce outcomes, as shown by examples in Australia, China, India, Malaysia, Singapore, South Korea, the United Kingdom, and the United States.

**Indonesia has implemented several programmes in the past to expand access to affordable housing.** These include the One Million Houses Program and the 1,000 Towers Program, which aimed to increase the national housing supply; the Self-Help Housing Stimulant Assistance Program (BSPS), which focused on home renovations and constructions in rural areas; and a range of affordable housing financing schemes, such as FLPP, SBUM, and SSB, that offer below-market interest rates, extended loan tenures, and reduced down payments.

**Despite these efforts, challenges for affordable housing remain in Indonesia.** Housing is still not equally affordable and accessible for all. In some places where affordable houses are built,

they are poorly connected, with limited transportation options and are far from jobs, markets, and schools. Meanwhile, the government has limited budgets to roll out affordable housing programmes, and existing incentives may not be sufficient to encourage broader or long-term private sector participation in affordable housing programmes. At the point this report was written, there had not been any Public-Private Partnership (PPP) for housing implemented in Indonesia. Finally, programmes are unnecessarily inefficient due to lack of government commitment and governance.

**Against this backdrop, we have identified four pillars and one foundation that form the framework of a holistic affordable housing initiative. Each of the pillars and the foundation tackle a specific housing challenge in Indonesia.**

The overarching goal of the framework is to ensure a successful Three Million Houses Program that contributes to Indonesia's economic growth, symbolising the broader goal of driving national development, reducing inequality, and enhancing human capital through improved housing outcomes.

The pillars and foundations that make up the "A Roof for All" framework integrate global best practices and stakeholder insights to address Indonesia's housing challenges.

The framework conceptualises the housing ecosystem as a system built on a foundation of Strong Government Commitment and Governance, supported by four pillars: Affordability and Accessibility, Livability, Financing for Programs, and Private Sector Incentives.

**Figure 1: "A Roof for All" framework**



**Aligned with Indonesia's constitutional goals, the framework promotes efficient programme delivery, equitable beneficiary selection, and institutional coordination.** It offers actionable strategies for affordable housing, considering demand, supply, and governance dimensions holistically. This structure enables the translation of strategic intent into practical solutions for sustainable housing. Each pillar and the foundation pose key questions that guide the structure of this report.

**We have selected exemplary countries with affordable housing programmes to inform Indonesia's housing goals.**

For each country, we applied the five key questions derived from the framework's pillars and foundation to identify best practices in promoting housing affordability, accessibility, and liveability. These examples highlight how countries around the world have sought to ensure inclusive housing through effective financing schemes, often involving private sector participation, and supported by strong government commitment and governance.

Singapore excels in public housing governance and liveability through its holistic-ecosystem approach to housing development. Malaysia's programme promotes inclusivity and accessibility for both low- and middle-income, as well as formal and informal workers. Australia provides guidance on multi-level collaboration and effective financing mechanisms for both buyers and developers through its various programmes facilitated by Housing Australia. China has stimulated economic growth through housing development. India's *Pradhan Mantri Awas Yojana* (PMAY) focuses on slum redevelopment and offers a comprehensive array of PPP models for housing projects in urban areas. South Korea successfully incentivised the private sector successfully through loan provisions, rights to issue company bonds redeemable for housing, and granting higher FSR for developers that include public rental units in their projects.

Based on the international lessons and contextualised to Indonesia's unique housing challenges, we have developed recommendations which address key aspects of the housing ecosystem, including the demand-side, supply-side, and governance.

**Pillar 1: Affordability and Accessibility: How can we ensure that housing is affordable and accessible for citizens across all sectors?**

**Homeownership and rental programmes should be tailored according to whether households belong to low- or middle-income brackets and whether they work in the formal or informal sector, especially in urban areas.**

**In urban areas**, for both low- and middle-income workers, the government should implement **a gradual repayment scheme** to ease financial burdens on homebuyers. For middle-income workers, existing programmes such as **FLPP, SSB, SBUM, Tapera, and subsidised rental schemes should be continued and further strengthened** to broaden their reach and impact. The scope of housing loans should be expanded to include renovations and home construction, on top of property purchases. For lower-income households and informal workers, deeper interventions are necessary. These include offering **heavily subsidised homeownership options with small, symbolic payments** to foster a sense of ownership and responsibility, encouraging more banks to provide **Rent-to-Own (RTO) schemes** that convert regular rental payments into mortgage instalments, and supporting the adoption of **alternative income verification methods**—such as utility bills, bank or fintech transaction

histories, and digital footprints from platforms like GoPay, Tokopedia, and Grab—to enable access to financing for those outside the formal employment system.

**In rural areas**, lower-income groups can be supported through the **Self-Help Housing Stimulant Assistance (BSPS)** programme, on top of other government social and environmental initiatives, while middle-income groups can be supported through the provision of **village-based mortgage schemes**.

**To promote inclusivity and social integration**, enforce Government Regulation No. 12/2021 on **balanced housing**, which mandates a proportionate mix of high-end, mid-range, and affordable housing within the same area, **prioritise vulnerable groups** in accessing affordable homes, and **design programmes that cater to the needs of groups across all life stages** (first-time and second-time homebuyers with growing families).

**As an enabler, it is also highly recommended to roll out a nationwide financial education programme** to help borrowers effectively manage loans and reduce risks of default.

## Pillar 2: Liveability: How can we ensure that affordable housing is connected, convenient, secure, and durable for all citizens?

**All housing developments should be designed as part of holistic housing ecosystems that integrate essential services and infrastructure to promote community well-being.** These ecosystems should include access to transportation, education, healthcare, green spaces, and utilities, ensuring that housing is not developed in isolation but as part of a broader framework that supports residents' quality of life and fosters economic and social integration.

**Securing land in strategic locations is essential for a sustainable affordable housing ecosystem.** Indonesia has begun to utilise idle state land and confiscated assets but must go further by enabling the use of privately-owned idle land through regulatory measures, expanding lease-based arrangements, conducting a comprehensive land inventory to identify all idle or underutilised land, and acquiring low-cost land for future housing developments aligned with future infrastructure plans to ensure long-term supply.

**Affordable buildings and units should employ a standardized construction quality, requirements for maintenance mechanisms, and sizes/ areas that are adequate for living.**

Existing guidelines for housing development and maintenance must be effectively enforced. Housing units should meet a clear liveable size standard, which must be determined through meaningful public consultation to ensure it reflects community needs and expectations. For coastal housing guidelines should be developed to address regional risks, such as seismic activity, flooding, and extreme weather, with particular attention to the unique challenges of coastal housing. Coastal developments must prioritise measures like erosion control, elevated foundations, and storm-resistant designs to mitigate the impacts of climate change and rising sea levels. These standards will ensure that housing developments should not only be liveable but also sustainable, adaptable, and protective of the communities they serve. Embedding sustainability and eco-friendly principles into every aspect of housing construction is essential to ensure the long-term resilience of the built environment. Developers can be incentivised to adopt green, climate-resilient construction practices through additional floor space ratio (FSR) allowances. Developers can be incentivised to adopt green, climate-resilient construction practices through additional floor space ratio (FSR) allowances.

## Pillar 3: Financing for Programmes: How can the government effectively and efficiently finance affordable housing programmes?

**Indonesia could enhance its housing funds and issue investment-grade housing bonds.** The bonds could be purchased by pension funds, insurance firms, and impact investors, with the potential to establish a new institution to issue them, thereby isolating housing-related debt from the government's balance sheet. **The Conversion Fund under a dedicated housing body could be enforced** by requiring developers to contribute after non-compliance with balanced housing policies. The **existing housing fund can be expanded** to include other funding sources beyond employer and employee contribution and the proceeds from the housing bonds can be collectively managed under this fund.

**Mortgage-based securities (MBS) and Real Estate Investment Trusts (REITs) can be leveraged for non-state sources of funding** to enhance liquidity and provide capital to increase supply of housing. Indonesia already has MBS and REITs but both are

underdeveloped and need proactive promotion endeavours to increase its uptake among both retail and institutional investors.

**The potential of blended financing** should be explored as affordable housing fulfils SDG 11 on making cities and human settlements inclusive, safe, and resilient, and land value capture mechanisms leveraged especially given the increasingly popular TOD approach in housing development.

Finally, Indonesia can actively engage the private sector to finance housing programmes, which can be done through PPPs. Indonesia can explore to establish a dedicated PPP unit for housing (or expand the existing one) to identify and structure viable projects, coordinate government support, and lead capacity-building efforts. This unit should be supported by a dedicated PMO to address bottlenecks and accelerate implementation.

## Pillar 4: Private Sector Incentives: How can we incentivise the private sector to be involved in affordable housing programmes?

**To attract private sector participation, incentives and schemes must ensure returns comparable with market standards.** Various PPP models, such as availability payments, user charges, and hybrid annuity models, should be leveraged to achieve bankable returns. These PPP models should be supported by appropriate government support such as Viability Gap Funding (VGF) and government guarantees through institutions like the Indonesia Infrastructure Guarantee Fund (IIGF). Trade-off benefits, including higher floor space ratios (FSR), reduced or free land

acquisition costs in strategic areas for commercial developments, and expedited approvals, can also be offered in exchange for investments in affordable housing units. Additional tax incentives, such as reductions in withholding tax for capital gain attributable to investments in affordable housing, increases in capital works depreciation rate tax deductions, Value-added Tax (VAT) exemptions on construction materials, deferral of capital gains taxes, and reduction in property taxes could also be provided to encourage private sector involvement.

**Foundation: Strong Government Commitment and Clear Governance: How can we enhance government coordination across institutions to deliver successful programmes that are efficiently managed and ensure genuine eligibility beneficiaries?**

**To accelerate affordable housing developments, the a dedicated housing body could be empowered and immediately utilised as a central housing delivery and coordinating unit.** This organisation would play a critical role in streamlining efforts across various stakeholders, including government bodies, private developers, and community organisations. By serving as a cohesive and authoritative entity, BP3 or its successor can ensure alignment in housing strategies, faster project implementation, and the removal of bureaucratic bottlenecks.

**A unified data platform would monitor subsidy allocations and ensure that resources reach intended beneficiaries.** Such a system would help prevent misallocation and mistargeting of subsidised housing, enabling more effective and equitable distribution of affordable housing opportunities. Together, these measures would create a coordinated, data-driven, and strategic approach to meeting Indonesia's housing needs.

**Finally, a comprehensive national affordable housing blueprint must be developed to provide a clear vision and strategic framework for addressing the country's housing challenges.** This blueprint should be underpinned by robust data systems to enable evidence-based housing policies, ensure accurate targeting of beneficiaries and serve as a common reference for all stakeholders within the affordable housing program.

**Remapping the regulatory ecosystem for affordable housing is essential to address persistent gaps and implementation challenges.** The government must establish a coherent and well-defined regulatory framework that facilitates effective coordination among stakeholders and supports efficient, scalable affordable housing delivery.

**Recommendations Roadmap**

Just as every housing project requires a solid foundation, Indonesia's Three Million Houses Program must start with strong government commitment and clear governance. This includes creating a national housing blueprint, enhancing the institutional and regulatory framework, and building an integrated housing database to ensure assistance reaches those most in need.

Given fiscal constraints, the government should prioritise Pillar 3 – Financing for Programmes – while simultaneously progressing Pillar 4 – Private Sector Incentives. Encouraging private sector participation through attractive incentives will be essential to closing the funding gap and accelerating delivery.

Once this groundwork is established, the focus can shift to Pillar 1 – Affordability and Accessibility and Pillar 2 – Liveability, addressing the housing needs of Indonesia's low- and middle-income populations.



# Chapter 1: Benefits of Social Housing

"Indonesia's Three Million Houses Program will add up to 2% to GDP and boost nationwide growth for small and medium enterprises."<sup>2</sup>

**Hashim Djojohadikusumo**  
Head of the Indonesian Housing Task Force



## Notable Highlights



Affordable housing drives **economic growth** and **social development**.



Housing sectors contribute significantly to GDP, with **multiplier effects** seen globally.



Affordable housing has significant social development benefits, **improving quality of life, education, and economic resilience**.

## Overview of the benefits of affordable housing

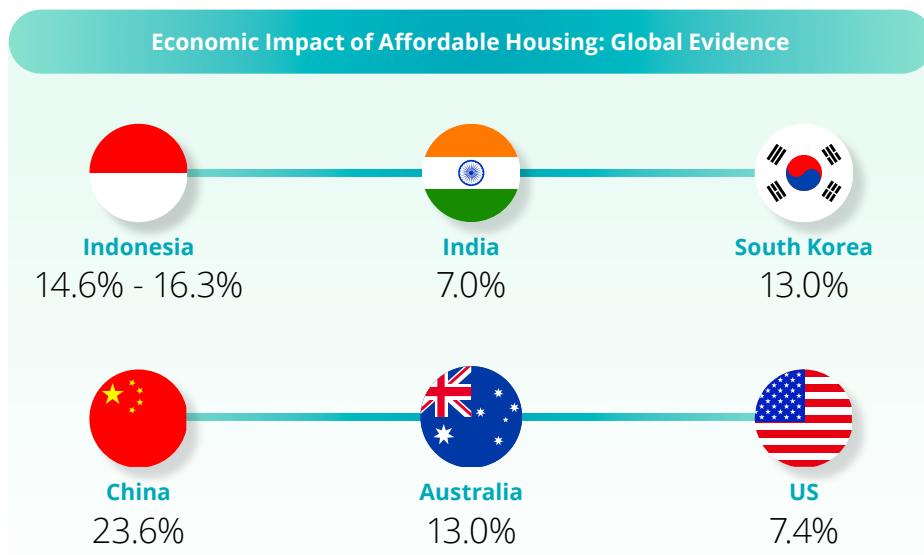
**Access to affordable housing fulfills a fundamental human need**, empowering individuals to actively participate in society as contributors to economic progress. By providing adequate shelter without forcing compromises for other necessities, affordable housing drives both economic growth and social development. It serves as a powerful engine for economic expansion, generating multiplier effects across multiple sectors, while also fostering community resilience and enhancing social inclusion. In Indonesia, affordable housing supports the UN Sustainable Development Goals (SDGs) by creating economic opportunities and promoting socially sustainable, equitable living conditions.



## Impact on economic growth

The housing sector exerts a significant **multiplier effect** that involves diverse stakeholders, including landowners, banks, building professionals, construction firms, and manufacturers. The housing sector stimulates an extensive network of upstream and downstream industries, including construction materials, banking, and professional services, thereby creating jobs, and boosting tax revenues.<sup>3</sup> Additionally, housing investment stimulates demand in related industries, including real estate and construction sectors, driving industrial output and contribution to the nation’s GDP. Evidence from Indonesia and other countries underscores the substantial impact of housing on economic growth.

**Figure 2: Economic impact of housing and real estate: Global Evidence**



Sources: Coordinating Ministry for Economic Affairs of RI, 2023; IBEF, 2023; Statista, 2025; Cushman & Wakefield, 2025; Real Estate Institute of Australia, 2022; Eftimoski & McLoughlin, 2015; Fuller, 2020.

Note: Construction is also included in the economic impact of Indonesia.

- In **Indonesia**, the construction and real estate sectors contributed 14.6%-16.3% of GDP between 2018-2022.<sup>4</sup> The sector also absorbed 13.8 million workers or 10.5% of the overall workforce in 2022 and contributed to the government tax income of 9.3%.<sup>5</sup>
- In **China**, real estate remains a critical economic pillar, accounting for 23.6% of GDP in 2021.<sup>6</sup> China’s experience demonstrates how a well-developed housing sector can be a mainstay of national economic performance.
- **South Korea’s** investments in housing have stabilised the real estate market, enhanced household welfare, and contributed to GDP growth, where the construction and real estate sector in 2024 contributed approximately KRW275 trillion USD198.24 billion<sup>a</sup> to the country’s GDP in 2024, representing around 13% of the country’s total economic output.<sup>7</sup> South Korea demonstrates that long-term policy consistency and targeted investments in housing can ensure market stability, protecting vulnerable groups while boosting overall economic performance.
- **India’s** real estate sector is projected to contribute 15% to GDP by 2030, increasing from 7% in 2024, driven by urbanisation, government initiatives, and technological advancements.<sup>8</sup> India’s increasing GDP share highlights how government backing and innovative technological solutions can effectively scale housing construction, providing a valuable model for Indonesia to follow.
- **Australia’s** housing initiatives have reduced living costs, improved savings, and increased economic productivity through strategic investments. Every AUD1 in the residential housing construction industry generates approximately AUD2.9 (USD1.84)<sup>b</sup> of industry output and consumption.<sup>9</sup> Additionally, fixing inefficiencies in the housing system has been demonstrated to boost economic productivity significantly. A housing capital subsidy of AUD7.27 billion (USD460.68 billion) (NPV) would, over 40 years, generate AUD17.57 billion USD11.45 billion (NPV) in human capital uplift. The real estate sector contributed to 13% of GDP in 2021. Australia’s success highlights the potential economic impact of residential projects.<sup>c</sup><sup>10</sup>
- In the **United States**, every dollar spent on residential housing construction generated a USD3.08 GDP increase, accounting for 7.4% of GDP in 2019. In addition, reducing land restrictions in major cities in the U.S. led to an estimated GDP increase of 3.7% in 2009.<sup>11</sup> Housing projects have effectively increased tax revenue by raising property values in surrounding areas. When new residents move in, consumer spending rises, which in turn boosts local businesses’ incomes. As property values rise, municipal governments benefit from higher property tax revenues, which can be reinvested into essential public services such as schools and infrastructure. The US example suggests that streamlined regulatory policies and flexible land use can amplify the economic impact of housing investments.

<sup>a</sup> Exchange rate: USD1 = KRW1,387 (as per 22 July 2025)

<sup>b</sup> Exchange rate: USD1 = 1.53AUD (as per 22 July 2025)

<sup>c</sup> Numbers are based on a model on an Economic Impact Assessment (EIA) by UNSW’s City Futures Research Centre in Australia

## Impact on social development

**Affordable housing contributes to better health outcomes.** In the US, 59% of people that moved to Permanent Support Housing (PSH) experienced improvement in access to healthcare, and decreased expenses on average by 12%.<sup>12</sup> Significant healthcare savings can be associated with the provision of affordable housing, where there is a consistent reduction in hospital bed occupancy and emergency department visits, highlighting the broader social and economic benefits of stable housing. In Malaysia, housing quality, environmental condition, and size of households living in the same quarters have a significant relationship on physical health status.

### Higher upward mobility in housing wealth is evident for children growing up in public housing.

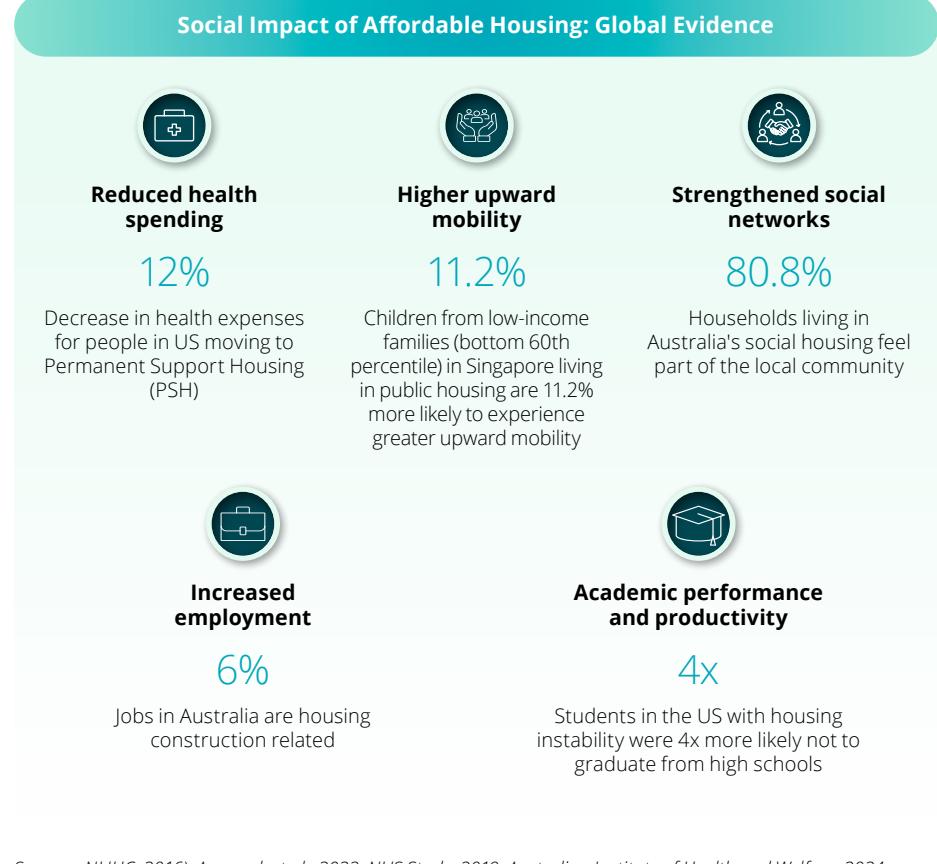
**In Singapore, the type of housing owned by parents plays a significant role in shaping their children's future economic status.** Children from low-income families (bottom 50<sup>th</sup> percentile) living in public housing are 11.2% more likely to experience greater upward mobility in terms of housing status compared to their parents.<sup>13</sup> This is partly attributed to access to higher-quality public schools in their neighbourhoods. Taken together, this underscores that the benefits of social housing are closely linked to both location and the quality of the surrounding ecosystem.

**Affordable housing increases employment.** Australia prioritised social housing development as a strategy for fostering economic and social progress. By investing in social housing projects, the government stimulated job creation across various sectors, including construction and real estate. Community housing providers (CHPs) in New South Wales, Australia have supported more than 8,000 jobs since 2012, and are projected to support 13,500 more jobs for 5,000 new dwellings every year for a decade with an annual investment of AUD1.5 billion (USD0.98 billion).<sup>14</sup> In addition, 6% of all jobs in Australia are housing construction related.

**Affordable housing fosters sustainable communities by enhancing quality of life and safety, promoting social inclusion and cohesion.** The Public Rental Housing (PRH) in Chongqing, China fosters social ties for rural migrants, where social spaces create neighbourhood networks, expand social circles, and develop a sense of place attachment. Public housing in Australia provides social benefits, where 80.8% of households feel that they are a part of the local community, while ensuring that 90.9% households can continue living in the area.<sup>15</sup> The affordable housing programmes in Malaysia, such as PPAM and PPR, reduce crime rates.

**Housing stability is intricately linked to household welfare, productivity, and future earning potential,** as housing affordability and tenure uncertainty are often cited as having adverse effects on health, mental well-being, and overall household welfare. These challenges arise from a diminished sense of security and reduced feelings of empowerment and control. Frequent relocation and/or homelessness negatively impact children's academic performance, and are associated with increased truancy, behavioural issues, and dropout rates.<sup>16</sup> In the US, students with housing instability were four times more likely not to graduate from high school. Academic achievement and school completion are crucial mechanisms linking housing stability to human capital accumulation and future productivity and earnings potential.<sup>17</sup> Moreover, the stress of frequent relocations and the ongoing search for affordable housing exacerbate these issues.<sup>18</sup>

**Figure 3: Social impact of affordable housing**



Sources: NLIHC, 2016; Agarwal, et.al., 2023; NUS Study, 2019; Australian Institute of Health and Welfare, 2024; Shelter WA, 2020; Chan Zuckerberg Initiative, 2022.

The next chapter turns to the Indonesian context to explore the nation's existing initiatives, challenges, and stakeholders involved in providing housing for all.



## Chapter 2: Indonesia's Housing Landscape

"The main problem lies in the lack of regulatory coherence. As a result, institutions that are built upon this weak foundation also lack solidity. That is why regulatory bodies overseeing the housing and property sectors tend to change frequently and lack consistency." <sup>19</sup>

**Fahri Hamzah**  
Vice Minister of Housing and Settlement of the Republic of Indonesia

## Notable highlights



A deeper dive into the profiles of households included in the housing backlog revealed that:

- **Majority (>50%) prefers homeownership** but are **constrained by high housing prices** and inadequate income levels.
- **Renting is three times more common in urban areas** than in rural areas, primarily driven by the **inability of prospective buyers to find suitable homes in their preferred locations**.
- **A quarter of urban residents and over a third of rural residents have little or no interest in homeownership**, either due to inheriting family housing or preferring the convenience of renting and are unlikely candidates for homeownership programmes.



Historically, affordable housing programmes in Indonesia have had **mixed outcomes in terms of reach and impact**.



The **Three Million Houses Program** seeks to build on and enhance previous efforts by streamlining permitting processes, offering tax incentives for buyers, and attracting private investment to accelerate housing delivery.



The **Indonesian government has established institutions like the Ministry of Housing and Settlement** that collaborate with the Ministry of Finance, Ministry of National Development Planning (Bappenas), and Ministry of Agrarian Affairs and Spatial Planning, to implement affordable housing programmes and coordinate with key stakeholders such as the private sector, banks, and local governments.



**Despite implementing the programmes through established institutions, Indonesia's housing programmes still face key challenges:**

- Housing remains **unaffordable** for minimum wage earners and informal sector workers, compounded by the limited availability of subsidized loans for housing construction and renovation.
- In some areas, affordable housing developments **lack adequate access** to employment opportunities, markets, and schools.
- The government has **limited budget** to roll out affordable housing programmes, and other **non-state potential sources of funding** are not optimal.
- **Private sector participation is limited** due to low profit margins and inadequate incentives.
- **Programme inefficiencies persist**, due to lack of governance, and mistargeted subsidies.



**Based on these challenges, we developed the framework: "A Roof for All" that identifies key strategies for affordable housing**, drawing on global models, and is built around four core pillars and one foundation: Affordability & Accessibility, Liveability, Financing for Programmes, Private Sector Incentives, and Strong Government Commitment and Clear Governance.

## Housing backlog

The Indonesian Ministry of Public Works defines the ‘housing backlog’ as the **number of households which do not own a home** and includes those renting, leasing, or living rent-free including in family homes,<sup>20</sup> and excludes special households (e.g., dormitories, orphanages, boarding houses).<sup>21</sup> The estimated backlog in Indonesia was 9.9 million in 2024.<sup>22</sup>

**Figure 4: Definition and classification of housing backlog according to the Ministry of Public Works and Indonesia Central Bureau of Statistics**



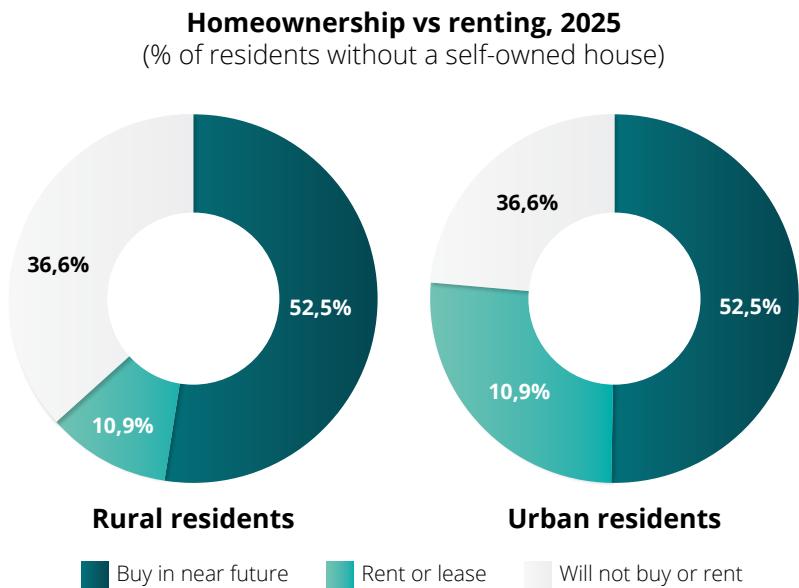
Sources: Deloitte Analysis from Metadata of Housing Backlog by HREIS-Ministry of Public Works & Housing, 2024; Welfare Indicators by Indonesia Central Bureau of Statistics (BPS), 2024.

**The current definition of ‘housing backlog’ may overstate the actual need for affordable housing, as it includes individuals who do not own a home but already reside in adequate housing, such as those living in inherited family properties or those who choose to rent by preference.** Although these individuals are technically classified as part of the backlog due to lack of ownership, they may not require immediate housing assistance. Therefore, targeting should prioritize households that lack access to safe, secure, and adequate housing, not simply those without ownership.

**In 2025, Deloitte conducted a survey of low-income residents across Indonesia to analyse the profiles contributing to the housing shortage** to properly understand the target population for affordable housing programmes. The study revealed that:

01. **Majority (>50%) prefer homeownership** but are constrained by high housing prices and inadequate income levels.
02. **Renting is three times more common in urban areas than in rural areas**, primarily driven by the inability of prospective buyers to find suitable homes in their preferred locations.
03. **A quarter of urban residents and over a third of rural residents have little or no interest in homeownership**, either due to inheriting family housing or preferring the convenience of renting and are unlikely candidates for homeownership programmes.

**Figure 5: Preference of housing ownerships or rentals for Residents without a self-owned house**

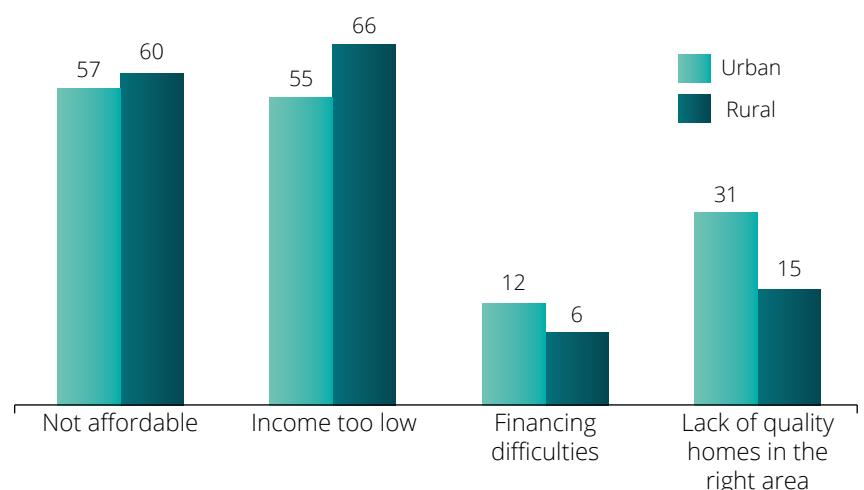


Source: Deloitte survey, 2025.

**Prospective homebuyers often cite high housing costs and insufficient income as the primary barriers to homeownership**, with only a small percentage identifying loan accessibility as a major issue. This suggests that many view housing costs as prohibitively high, to the extent that even with loans or government subsidies, they remain uncertain about their ability to repay.

**Figure 6: Barriers to homeownership among aspiring buyers**

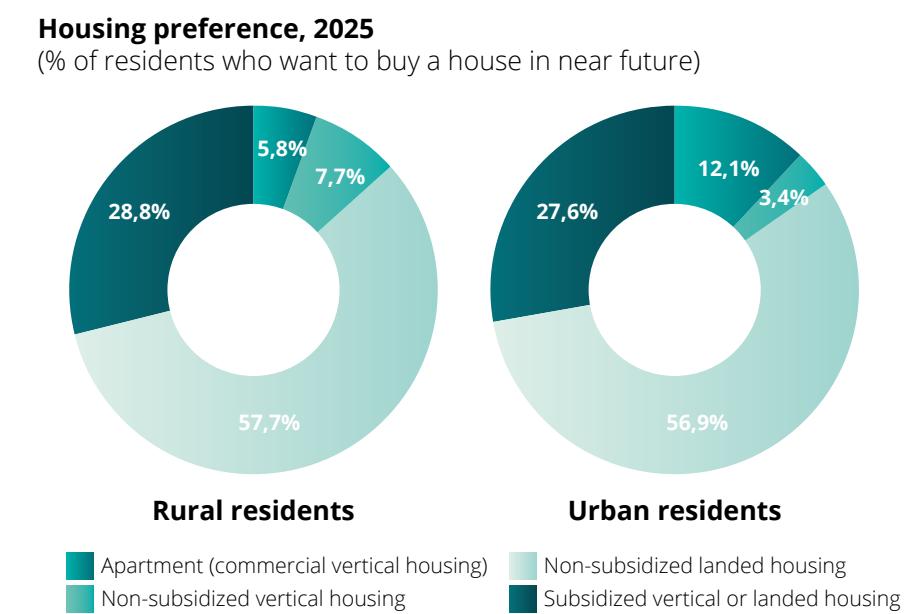
**Challenges in buying a house, 2025**  
(% of residents who plan to buy a house in the near future)



Note: Respondents are allowed to choose more than one options.  
Source: Deloitte survey, 2025.

**Landed houses remain the top choice among individuals** who aspire to buy a home. This reflects a strong preference for landed properties over apartments, even when the former is more expensive.

**Figure 7: Housing type preference among residents who want to buy a house in the near future**



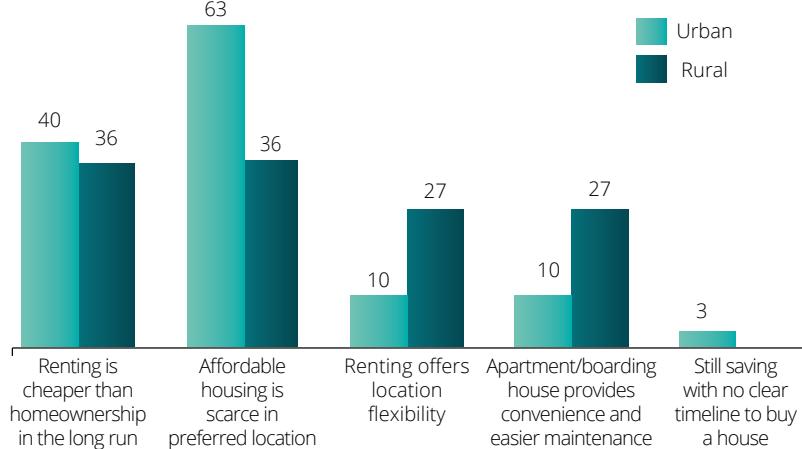
Source: Deloitte survey, 2025.

**For those who prefer renting, the two most common reasons are the inability to find suitable homes in desired locations and the belief that renting is more cost-effective than homeownership** in the long run. Interestingly, location flexibility as a reason for renting is cited more often in rural areas (27%) than in urban areas (10%), highlighting differing housing priorities between regions.

**Approximately 32.7% of people are unlikely candidates for affordable homeownership programmes, as they have no plans to buy or rent**, primarily because they will inherit family housing. Others prefer renting due to its convenience and flexibility.

**Figure 8: Reasons for renting instead of owning a home among current renters**

**Reasons of choosing renting over homeownership, 2025**  
(% of residents choosing renting in urban and rural area)



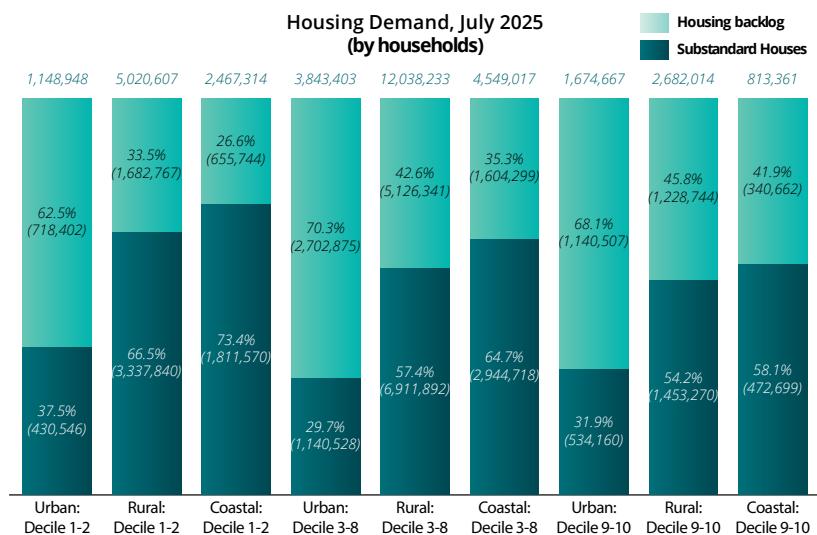
Note: Respondents are allowed to choose more than one options.

Source: Deloitte survey, 2025.

### Uninhabitable houses

**Please change to: In addition to the housing shortage, another critical issue is the prevalence of uninhabitable or substandard houses**, known as Rumah Tidak Layak Huni (RTLH). According to the Ministry of Public Housing and Settlements (PKP), Indonesia has a total of 19 million houses categorized as uninhabitable or substandard per July 2025—25% higher than the estimated housing backlog of 15.2 million units.<sup>23</sup> The surplus of substandard housing over the backlog is mostly found in rural and coastal areas, to the opposite of urban areas, highlighting the need for quality improvements in those regions. The data, also segmented by income level, shows that the proportion of substandard houses relative to the housing backlog decreases with higher income—as expected. However, even households in the 9th–10th income deciles,<sup>d</sup> which is above the low-income (MBR) threshold,<sup>e</sup><sup>24</sup> still accounts for 2.5 million substandard houses. This presents a significant housing challenge that demands urgent attention.

**Figure 9: Status of housing demand in Indonesia**



Sources: Ministry of Housing and Settlements, 2025.

<sup>d</sup> A decile represents 1/10 of the sample or population. For example, decile 9 means the 90th percentile (80% and below 90%).

<sup>e</sup> The MBR threshold, set by the Ministry of Housing and Settlements, ranges from IDR 12–14 million per household, depending on location and marital status.

## The housing lifecycle ("Housing Career")

### Housing demand is also influenced by different stages in the housing lifecycle.

Temporary housing needs often emerge when newly formed families seek to move out of their parent's homes. As families grow and children get older, the demand shifts toward larger, more permanent housing solutions.

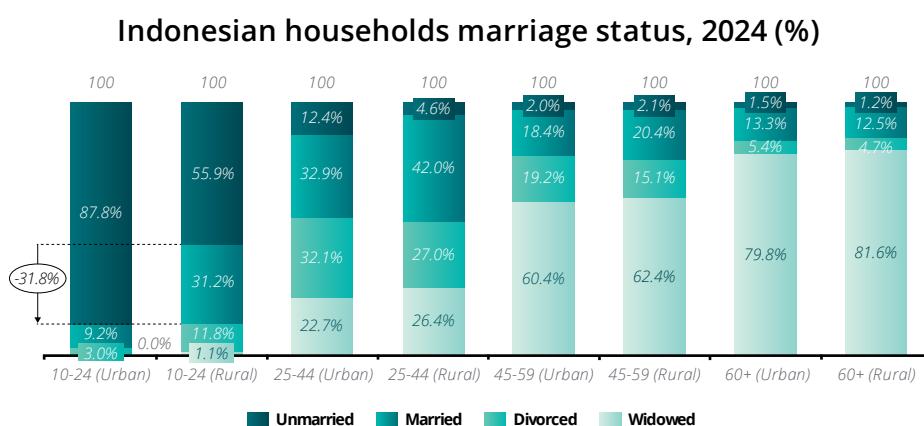
Figure 10: Stages of housing careers



Sources: Murdie et. al., 1999; Haan, 2005; Ministry of Public Works and Housing.

**In Indonesia, marriage rates rise sharply between the ages of 25 and 44 across both urban and rural areas, signalling that the need for permanent housing generally starts at age 25.** Moreover, households are often quite large, with 47% consisting of more than 4 members.<sup>25</sup> These demographic patterns highlight the importance of incorporating such trends into minimum housing standards to ensure sufficient living space and comfortable conditions.

Figure 11: Indonesian households marriage status



Note: Age group indicates the age of the head of family.

Source: Indonesia Central Bureau of Statistics (BPS).

## Affordable housing programmes in Indonesia

**Past and current programmes in Indonesia face persistent challenges**, including mistargeted subsidies, quality issues, and limited private sector involvement, indicating a need for strengthened governance, effective coordination, and robust oversight mechanisms.

**Table 1: Summary of affordable housing programmes in Indonesia (non-exhaustive list)**

Programmes	Description	Evaluation
<b>Past Programmes</b>		
<b>1000 Tower Program</b>	<ul style="list-style-type: none"> <li>Launched in 2007 to create balanced residential zones for low-income households (MBR).</li> </ul>	<ul style="list-style-type: none"> <li>Halted in 2012 after achieving only 10% progress.</li> <li>Poor planning, land availability issues, insufficient incentives, and lack of coordination with regional governments led to delays. Developers shifted their focus to middle-class buyers due to inadequate fiscal incentives.<sup>27</sup></li> </ul>
<b>One Million Houses (2014 – 2024)</b>	<ul style="list-style-type: none"> <li>Aimed to reduce housing backlog by providing homes for MBR.</li> </ul>	<ul style="list-style-type: none"> <li>Successfully delivered 9.2 million<sup>28</sup> houses to reduce the housing backlog.</li> <li>Faced challenges with insufficient government oversight, resulting in over 38,000 problematic certificates across 4,000 projects since 2019.</li> </ul>
<b>BP2BT (Savings-Based Housing Financing Assistance)</b>	<ul style="list-style-type: none"> <li>Provided a down payment subsidy of up to IDR40 million (USD2,454)<sup>f</sup> for informal workers.</li> </ul>	<ul style="list-style-type: none"> <li>Achieved only 87% of its 2022 target due to unqualified applicants.<sup>29</sup></li> <li>The programme was discontinued in 2022.</li> </ul>
<b>Current Programmes</b>		
<b>FLPP (Subsidised Mortgage Financing)</b>	<ul style="list-style-type: none"> <li>Offers low-income households fixed 5% interest over 20 years, financed jointly by the government and banks (75:25 ratio, transitioning to 50:50).</li> </ul>	<ul style="list-style-type: none"> <li>Approximately 1.3 million units of houses financed through FLPP.<sup>30</sup></li> <li>Mistargeted disbursements to ineligible borrowers have been reported, based on finding by the Audit Board of Indonesia (BPK).</li> </ul>
<b>BSPS (Self-Help Housing Stimulant Assistance)</b>	<ul style="list-style-type: none"> <li>Cash and material support for house renovation or new house construction, to reduce the number of uninhabitable houses (RTLH).</li> </ul>	<ul style="list-style-type: none"> <li>Approximately 760,000 houses were renovated and/or built from 2015 to 2024.<sup>31</sup></li> <li>Struggled with quality, timelines, cost transparency, and inadequate supervision.</li> </ul>
<b>SSB (Interest Rate Differential Subsidy)</b>	<ul style="list-style-type: none"> <li>Provides a fixed 5% interest rate by subsidising the gap with commercial rates</li> </ul>	<ul style="list-style-type: none"> <li>Benefiting over 800,000 units since 2015,<sup>32</sup> but mistargeted disbursements persist.</li> </ul>
<b>SBUM (Down Payment Assistance Subsidy)</b>	<ul style="list-style-type: none"> <li>Offers a direct subsidy of IDR4 million (USD237.64) for FLPP recipients.</li> </ul>	<ul style="list-style-type: none"> <li>Reached 1.5 million units between 2015 and 2024,<sup>33</sup> but also faces issues of mistargeted disbursements.</li> </ul>
<b>BP Tapera</b>	<ul style="list-style-type: none"> <li>Mandates 3% salary contributions from public and private workers.</li> <li>The BP Tapera members can apply for mortgages (KPR), house renovation (KRR), or house construction (KBR) with a fixed 5% interest rate.<sup>35</sup></li> </ul>	<ul style="list-style-type: none"> <li>Disbursed IDR76 trillion (IDR4.5 million) for 655,300 houses between 2022- 2024,<sup>34</sup> and managed IDR105.2 trillion (USD6.2 million) until May 2024.</li> <li>However, low public trust remains a concern due to historical concerns over how public funds were handled.</li> </ul>
<b>Three Million Houses Program<sup>g</sup></b>	<ul style="list-style-type: none"> <li>The programme aims to construct 3 million houses annually for 5 years, with 1 million houses each in urban areas, rural areas, and coastal areas.</li> </ul>	<i>Impacts cannot be measured yet since the programme was launched only in November 2024.</i>
<b>Special Houses (Rumah Khusus)</b>	<ul style="list-style-type: none"> <li>Special or transit houses are provided for individuals facing challenges in securing temporary housing, such as those affected by disasters, relocations, legal disputes, or those who are newcomers, fishermen, transmigrants, border communities, orphans, and the elderly.<sup>36</sup></li> </ul>	<ul style="list-style-type: none"> <li>Long administration and technical verification processes in the special houses proposal, up to 28 days.</li> <li>The e-monitoring and evaluation system by PUPR lacks real-time monitoring and forecasting for special housing, leading to potentially misinformed decisions</li> <li>Housing utilization is hindered by missing guidelines and weak local government commitment.<sup>37</sup></li> </ul>
<b>Indonesia Green Affordable Housing Program (IGAHP)</b>	<ul style="list-style-type: none"> <li>The programme responds to climate change issues, to save water, energy, and reduce greenhouse gas (GHG), and to comply with Green Building principles instructed in the PP 16/2021 on Buildings.<sup>38</sup></li> <li>The programme was piloted in 2022, launched in 2024, and targets 1 million green houses construction by 2030</li> <li>The pilot programme in Kendal received a grant from Build Change, an international non-government organization (NGO) in housing, which was facilitated by PT Sarana Multigriya Finansial (SMF) and disbursed through PT BPR Nusamba Cepiring, a credit provider.<sup>39</sup></li> <li>IGAHP has been listed in the Green Book 2024, an international programme list by Ministry of National Development and Planning (Bappenas).<sup>40</sup></li> </ul>	<i>Impacts cannot be measured yet since the programme was launched only in 2024.</i>

<sup>f</sup> Exchange rate: USD1 = IDR16,298 (as per 24 July 2025).

<sup>g</sup> The Three Million Houses Program is elaborated further in the next section.

## PPP for housing projects

**To reduce the reliance on APBN (government budget), PPP has been put forward as an option for affordable housing.** PPPs for vertical housing projects were piloted in Bandung and Karawang, as part of the Medium-Term Development Plan (RPJMN) 2020–2024. However, this programme reported no updates after 2023, despite initial progress, and despite IRRs agreed with potential investors at approximately 13–16%<sup>41</sup> in the Final Business Case (FBC), using Availability Payment (AP) schemes.

### CASE STUDY

1

### Subsidised Apartment for Ownership (*Rusunami*) Bandar Kemayoran<sup>42</sup>

#### Apartment profile and features:

*Rusunami Bandar Kemayoran* is a government-subsidised apartment complex in Kemayoran, Central Jakarta, developed by Perum Perumnas to provide housing for middle- to lower-income residents. The project comprises of multiple towers, including Tower A4, completed in 2014 with 284 residential units, and Tower A5, housing 288 units. Each unit spans 27 square meters and includes 1 bedroom, a family room, 1 bathroom, and a kitchen.

#### Registration:

To qualify for *Rusunami Bandar Kemayoran*, applicants must fulfill specific criteria. Each household is limited to one unit, and the applicant's workplace must be within 30km of the complex. Applicants must be first-time homeowners and cannot have previously applied for a home loan. A clean BI checking credit history is required. The programme offers fixed installment payments of IDR987,000 (USD58.64) monthly over a 15-year term, making it a viable option for families seeking financial stability. Applicants can access units through the Subsidised KPR plan or the Housing Financing Liquidity Facility (FLPP). The mortgage programme is highly accessible, with a down payment of only 1% to 5% and a fixed interest rate of 5%.

#### Challenges:

Residents have raised concerns about recurring issues, such as leaking pipes, which are frequently left unaddressed by management. Furthermore, the limited space of the one-bedroom units has prompted many growing families to relocate, making them the most common group to move out of the complex.



## CASE STUDY

### 2

## Public Rental Apartments (*Rusunawa*): Pasar Rumput<sup>43</sup>

#### **Apartment profile:**

*Pasar Rumput* flats officially opened for registration in November 2024 under the supervision of the Ministry of Housing and Settlement. Managed by Perusahaan Daerah (PD) Pasar Jaya under the DK Jakarta provincial government, the complex comprises three identical towers. It offers two-unit types: the Standard Type (36m<sup>2</sup>) featuring a sitting toilet, shower, exposed ceiling, aluminum powder-coated window frames, 1,300-watt electricity, PDAM water supply, and Roman ceramic tiles; and the Hook Type, which includes the same features but is slightly larger at 38m<sup>2</sup>.

#### **Apartment features:**

The flats are located near facilities such as a traditional market, health clinic, community hall, park, ATM centre, minimarket, Bank DK branch, and an early childhood education centre (PAUD). Motorcycle parking is available for a membership fee of IDR100,000 (USD5.94) per month, managed by a third-party vendor.

#### **Rental price:**

Rental prices vary by floor. For example, units on the fourth floor of Tower I cost IDR2,250,000 (USD133.67) monthly, with 1-2 rooms, excluding water and electricity. Although non-subsidised, prices are accessible for low-income residents (MBR), increasing *Rusunawa Pasar Rumput* demand even among middle-income people who are seeking for cheaper rents with bigger space.

#### **Registration process for tenants:**

The registration process is managed directly by the apartment management, with no involvement from banks or developers. Applicants must complete an online form at [sirupa.pasarjaya.co.id](http://sirupa.pasarjaya.co.id) and submit necessary documents, such as a national ID, family card (KK), a tenant registration form, proof of income, and a statement of data accuracy. The Department of Housing and Settlement Areas (DPKP) verifies the data, and approved applicants receive an invitation via WhatsApp for on-site document verification at the minimum of three weeks since the submission. Final steps include unit allocation by lottery, virtual rental account creation, opening a Bank DKI account, making the first rental payment, and signing the rental agreement.

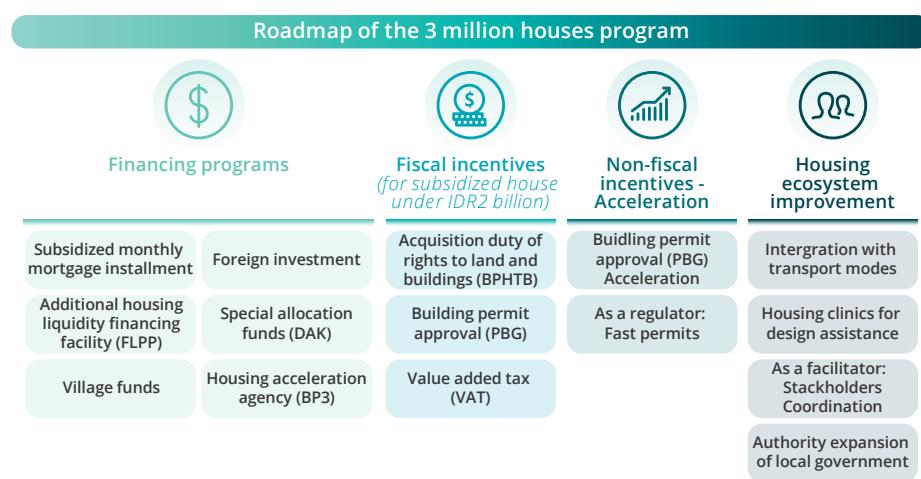
#### **Challenges:**

Despite being well-managed, the *Pasar Rumput* flats continue to face several issues, including leaky roofs, plumbing problems, and limited elevator functionality in Tower III—resulting in long wait times for residents. While households relocated to Tower III benefit from rent-free accommodation, they face a significant burden from high electricity and water bills. In addition, information about available facilities is not clearly presented on the official website, forcing prospective applicants to rely on web searches and social media before conducting in-person visits.

## The Three Million Houses Program

The new cabinet under President Prabowo launched a 'three-million affordable houses programme to tackle Indonesia's housing shortages across urban, rural, and coastal areas, with a target of building 15 million housing units in five years. In November 2024, the government partnered with Agung Sedayu Group to develop 250 fully subsidised units in Tangerang, funded by IDR60 billion (USD3.5 million), to be completed by Q3 2025.<sup>44</sup>

Figure 12: Roadmap for the Three Million Houses Program



Sources: Deloitte analysis based on the presentation by Ministry of Housing and Settlement, 2025.

**Foreign investments** include an MoU in January 2025 with a **Qatari company for IDR262-328 trillion (USD16 billion – 20 billion)** to build one million vertical units in Jakarta, with initial commitment of IDR40 trillion (USD2.5 billion) for the first 50,000 units,<sup>45</sup> commitments from **Qatar and the UAE to fund six million homes**, covering nearly half the five-year target.<sup>46</sup>

**To achieve 3 million houses, annual allocations of IDR14.4–21.6 trillion (USD860 million – 1,28 billion) will fund mortgage (KPR) subsidies for 2–3 million homes.** The FLPP funding split is set to shift from 75:25 to 50:50 (government:banks) which may raise KPR interest rates to 7–8% due to higher blended costs. Programmes like BSPS, SBUM, and SSB will provide additional support, with IDR980 billion (USD58.22 million) allocated for 240,000 SBUM units and IDR4.52 trillion (USD269 million) for 743,940 SSB units in 2025.<sup>47</sup> Special Allocation Funds (DAK) and village funds will contribute further. To increase the reach of the subsidised housing programme, the government has doubled the maximum eligible income range in 2025—from IDR7 to 8 million to IDR12 million for single individuals and IDR14 million for married couples.<sup>48, 49</sup> A village mortgage ('KPR Desa') is also proposed by a mortgage SOE bank (Bank BTN) to finance home purchase in rural areas.

**Fiscal incentives include waiving the 5% BPHTB tax on subsidised homes, covering building permit fees, and offering a 100% VAT subsidy** for homes priced up to IDR2 billion (USD118,818) until June 2025 (reduced to 50% for the second half of the year).<sup>48</sup> **Non-fiscal incentives aim to streamline the PBG permit process**, cutting approval times from 45 days to as little as one hour in some regions.<sup>50</sup>

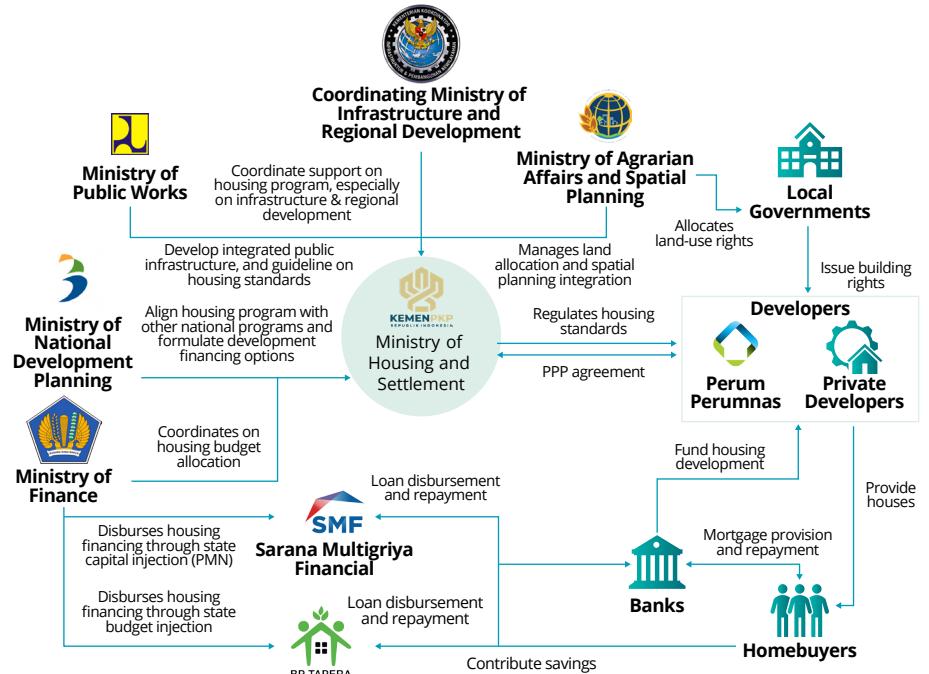
**The housing programme integrates with transportation infrastructure at 30 locations**, provides free design consultations, and **involves coordination among ministries**, OJK, PLN, developers, and financial institutions. The Ministry of Housing and Settlement has also planned to **utilise land confiscated in corruption cases as a resource** for the government's Three Million Houses Program SOEs like Perumnas contribute through **CSR and Transit-Oriented Development (TOD) initiatives**.<sup>51</sup> To explore housing financing options, the government initially planned an international loan from the Asian Development Bank, but is leaning toward domestic resources per July 2025, such as reductions in the Giro Reserve Requirement (GWM) by Bank Indonesia, and business credit (*KUR/Kredit Usaha Rakyat*) by Danantara, reaching IDR130 trillion (USD8 billion).<sup>52</sup>

These initiatives align with the government's Asta Cita missions and are expected to create **13.1 million jobs in housing, supporting SMEs and new developers**, and focusing on **rural development and disaster relief** housing.<sup>53</sup> The comprehensive approach contributes to economic growth, job creation, and social inclusion through expanded housing efforts.

### Stakeholders in Indonesia's housing landscape

To address Indonesia's housing needs, the government has already established institutions responsible for managing affordable housing and engaging with key stakeholders, including private sector entities, banks, and local governments.

**Figure 13: Stakeholders in Indonesia's housing landscape**



Sources: Presidential Regulation 191/2024; Presidential Regulation 176/2024; Presidential Regulation 170/2024; Presidential Regulation 195/2024; Perumnas Annual Report; Sarana Multigriya Finansial; Kompas.id; Indonesiahousing.id.

### **Policy makers and regulators**

The Ministry of Housing and Settlement plays a significant role in building the housing grand design, programme roadmap, formulating policies, and setting housing standards, initiatives, and schemes. It also facilitates land access and coordinates the construction, financing, and development of housing projects and related infrastructure.

The Coordinating Ministry of Infrastructure and Regional Development, while overseeing several other ministries, play a key role in housing through its coordination with the Ministry of Housing and Settlement, Ministry of Public Works, and Ministry of Agrarian Affairs and Spatial Planning to align and support on housing program, especially on infrastructure and regional development.

The Ministry of Public Works focuses on developing integrated public infrastructure to support housing development, and provides housing standards and specifications.

The Ministry of Agrarian Affairs and Spatial Planning manages land allocation and spatial planning policies, and coordinates with local governments on land provision.

The Ministry of National Development Planning (Bappenas) formulates the planning and macro policy of housing development strategies – including development financing, coordinates cross-sector stakeholders, alignment on the housing programme with other national programmes or policies, and conducts evaluation and monitoring.

The Ministry of Finance provides fiscal incentives to homebuyers. Local governments are responsible for issuing building permits (PBG) and Certificates of Feasibility Function (SLF).

### **Developers**

Perum Perumnas serves as the state-owned housing developer. Private developers contribute through building affordable housing through the FLPP scheme or through partnership schemes, including PPPs.

### **Housing financiers**

PT Sarana Multigriya Finansial (Persero) (SMF) ensures the distribution of liquidity funds to banks and financing institutions and operates as a Special Mission Vehicle (SMV) under the Ministry of Finance to raise funding in capital markets via housing securitisation instruments like Collective Investment Contracts – Asset-Backed Securities (KIK-EBA) and Asset-Backed Securities – Participation Certificates (EBA-SP).

BP Tapera collects housing savings contributions, invests the funds in financial instruments, offers financial assistance to participants, and disburses funds to banks. To improve liquidity, The Ministry of Finance provides State Capital Injection (PMN) to PT SMF and allocates state budget (APBN) into BP Tapera, which are then disbursed to banks that offer loans to homebuyers.

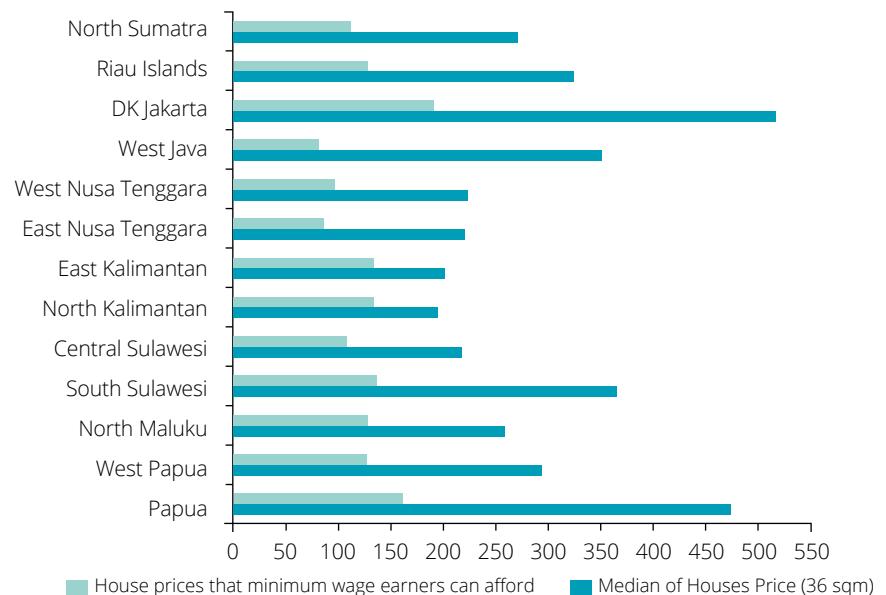
## Challenges for Indonesia's housing programmes

Despite various past and ongoing programmes aimed at improving housing affordability, **Indonesia continues to face significant shortages. We believe this persists due to five key challenges** that must be strategically addressed:

### 1. Housing is not equally affordable and accessible for all Indonesians

Individuals earning minimum wage and below cannot afford houses priced at market rates. The minimum wage across the region is insufficient to keep up with the median market price of 36 sqm (small type) houses. Renting in urban areas is also too expensive, with 37% of citizens' income being spent on rent.<sup>h</sup><sup>54</sup> Meanwhile, those working in the informal sector struggle to find housing, as the existing housing financing programmes (FLPP, SSB, SBUM) have requirements that are more likely to be met by those working in the formal sector, earning a predictable income and with specific documentation.

**Figure 14: Median price of 36sqm vs affordable of minimum wage earners (2024, in IDR Million)**



Sources: Deloitte simulation based on platform by Rumah123; Ministry of Public Works and Housing, 2021; CEIC, 2024.

Since national affordable housing financing programmes (FLPP, SSB, and SBUM) are currently only targeting home ownership, they are not accessible for those who want to construct or renovate their homes. At present, only Tapera and a limited number of banks offer renovation and construction loans—the latter typically offered through commercial loan products with higher interest rates and shorter tenures, either as dedicated housing loans or bundled into general-purpose loans (KTA). This limits access to housing for households seeking to build homes outside developer-backed projects. Although BSPS grants are available for construction and renovation, their coverage is limited and primarily targeted at severely inadequate housing.

<sup>h</sup> Income to rent expense ratio in DK Jakarta, using average renting price 2 million IDR divided by 5.4 million IDR (min wage). Average renting price is estimated based on Deloitte's judgment on various rental platforms (e.g., Mamikos, 99.co) and news articles.

**Table 2: Affordable housing financing products for house purchase, construction, and renovation**

BP Tapera membership	Purpose	Affordable housing programmes	Annual interest rate	Maximum tenure (years)
<b>BP Tapera members</b>	Purchase	KPR Tapera	5%	30
	Construction	KPR Tapera	5%	15
	Renovation	KPR Tapera	5%	5
<b>Non BP Tapera members</b>		KPR FLPP &SSB	5%	20
	Purchase	KPR Desa (not yet implemented)	6.62% <sup>i,55</sup>	30
	Construction	Commercial KBR/KRR/ KTA (multi-purpose loan)	Floating up to 8-13% <sup>56,57,58</sup>	Up to 10
		BSPS		N/A (Grant)

Sources: Deloitte analysis based on various sources.

To enhance fairness and accessibility in housing subsidy distribution, clear and transparent prioritization guidelines are essential—particularly for vulnerable groups.<sup>59</sup> While the government has prioritized certain professions (e.g., farmers, laborers, healthcare workers, police officers, journalists, and online transport drivers), this approach raises concerns about inclusivity and accuracy.<sup>60</sup> Occupational status does not always reflect economic vulnerability, and some ineligible individuals may face more urgent housing needs.<sup>61</sup>

The Audit Board of Indonesia (BPK) identified mistargeting issues in 2021, even before profession-based quotas were introduced, revealing deeper systemic flaws. Relying solely on occupation risks excluding those with greater need and misallocating subsidies to individuals who may not be economically disadvantaged.

Moreover, fixed quotas by profession may create operational challenges if applicant numbers exceed allocations, requiring additional selection criteria. This further complicates efforts to ensure the system is equitable, responsive, and aligned with real-world needs.

<sup>i</sup> Calculated based on housing price of IDR75 million, monthly instalment of IDR480,000, and tenure of 30 years, as proposed by Ministry of SOE and Bank BTN.

## **2. Affordable housing lacks adequate connectivity, convenience, security, and durability for all citizens**

Citizens desire durable homes that are connected to public amenities, are reasonably near to their workplace, offer affordable renting and ownership options, can accommodate various family sizes, and meet basic living standards. However, in Indonesia, current housing options often fall short of these needs. Additionally, uninhabitable houses remain a significant challenge, with over 25.3 million people living in such conditions in 2024.<sup>62</sup>

Vertical housing in Indonesia has struggled to attract interest, as evidenced by our survey showing that even low-income households prefer non-subsidized landed houses over subsidized vertical housing. Compared to commercial landed housing built by developers, subsidized vertical housing in Indonesia often lacks a supportive ecosystem—including adequate accessibility, public facilities, and social infrastructure. Many residents who were relocated from slum areas into subsidized vertical housing lost access to their sources of income and received little to no economic support or assistance.<sup>63</sup> Affordable land availability, as a key component of affordable housing, presents a significant challenge in Indonesia, mainly due to three main causes. Uncontrollable land prices in urban areas result in affordable housing developments being built on less strategic land that is far from key activity centres, undermining the concept of a well-connected affordable housing ecosystem. In 2024, Indonesian labourers criticised government-provided affordable housing as being too far from their workplaces. In addition, state-owned land, which should ideally be utilised for housing, often faces many ownerships conflict. Another frequent challenge is conflict of interest in land use, particularly concerning productive land such as agriculture areas. Government policy-based, structural, and multilayer interventions are needed to address cross-sectoral conflicts of interest related to land use and allocation.

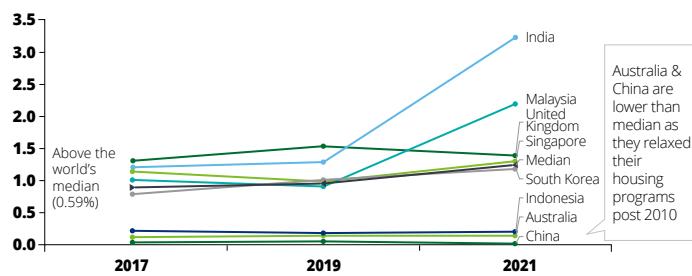
On housing size, as of June 2025, the government initially proposed subsidized housing units with a limited size of just 18 m<sup>2</sup> per house, sparking public concern.<sup>64</sup> This proposal stands in stark contrast to the Indonesian National Standard (SNI), which sets the minimum liveable space at 36 m<sup>2</sup> per household (for a family of four).<sup>65</sup> Although the plan was cancelled in July 2025, ensuring the provision of livable housing remains essential to meet public needs.

Building standards of affordable housing is regulated by Government Regulation No. 16/2021 and Law No. 28/2002 on Buildings; for materials specifications developers refer to SiKumbang a government-run system for developers of affordable housing. Projects financed by the state budget are supervised by independent consultants appointed by the housing taskforce to ensure adherence to construction standards. For developments funded through non-state sources, compliance with structural and building regulations is monitored via the building permit (PBG) process. Despite these regulations, quality issues persist in some past projects, including poor construction and inadequate access to water and sanitation. Developers have also raised concerns about the rigidity of SiKumbang requirements—particularly regarding materials—which often do not align with what is locally available, forcing them to source materials from other regions at additional cost. Moreover, the low selling price of affordable housing limits their ability to absorb these costs, pressuring developers to cut expenses while trying to not compromise on quality. Collectively, these issues contribute to subpar housing quality that fails to meet basic liveability standards.

### 3. The government needs to effectively and efficiently finance affordable housing programmes

Between 2017 and 2022, Indonesia's public budget for housing and community amenities was only around 0.20% of the country's GDP.<sup>66</sup> This compares with a world average of 0.59%, and much higher levels in neighbouring countries like India (around 3%) and Malaysia (over 2%).

**Figure 15: Percentage of housing and community amenities expenditure of country**



Sources: Calculated based on IMF world's budgetary from central government in 2017-2021 across 137 countries.<sup>67</sup>

The Indonesian government has introduced the Housing Finance Liquidity Facility (FLPP) to improve housing finance liquidity, but its reliance on state budget funding makes it costly. Securitisation has strong potential to enhance liquidity and affordable housing loans, yet Indonesia's mortgage-backed securities (MBS) market remains underdeveloped, with only IDR1.68 trillion (USD100.07 million) securitised in 2025,<sup>68</sup> against a potential of IDR733 trillion (USD43.53 billion). Despite AAA ratings and competitive returns of 6.6%, institutional investor participation is limited due to low public outreach, financial literacy, and lingering caution post-2008.

Real Estate Investment Trusts (REITs) offer additional prospects but face challenges due to perceived risks and double taxation.<sup>69</sup> While fiscal incentives like reduced BPHTB and income tax have been introduced, the REIT market remains stagnant,<sup>70</sup> with only three REITs launched since 2012,<sup>71</sup> likely due to limited awareness of these incentives.

### 4. The private sector needs to be incentivised to be involved in affordable housing programmes

Given the scale of Indonesia's housing shortages, public sector efforts alone are likely to be insufficient to bridge the gap. So private sector participation is critical. However, for developers to engage meaningfully, affordable housing must offer a compelling commercial case. From the developers' point of view investing in affordable housing presents both financial and operational challenges. Rental housing for low-income households carries higher risks of not paying fees, resulting in very limited private sector participation in affordable rentals segment. The majority of rental housing in DKI

Jakarta has been developed, operated, and maintained by the local government using Regional Owned Budgets (APBD).<sup>72</sup> Meanwhile, margins on subsidised home sales through the FLPP programme are approximately 15-20%, much lower than the 20-30% margins, and 15% IRR typical in commercial housing developments.<sup>73</sup>

Developers also report significant barriers in navigating complex permitting processes (such as PBG building permits) and securing strategically located land suitable for market-driven housing development.

### 5. Programme inefficiency due to lack of strong commitment, coordinated governance, and mistargeted subsidies

Indonesia's affordable housing programme faces efficiency and targeting challenges, including unintended subsidies such as the IDR26 billion (USD1.5 million) in misallocated FLPP-Tapera funds in 2022. A key issue is the lack of a centralized, detailed beneficiary database. Housing data is regionally fragmented, with varying structures and limited household-level detail.

A 2021 BPK audit in DKI Jakarta highlighted critical gaps—no clear beneficiary classification, no verified lists, and no data on housing conditions or affordability. In response, Jakarta launched a data initiative in 2023, collaborating with BPS and six universities to collect geospatial, housing backlog, and uninhabitable home (RTLH) data. This effort was benchmarked against Central Java's SIMPERUM system.<sup>74</sup>

Established in 2021, SIMPERUM offers household-level, field-verified data integrated with national systems like DTKS and GISTARU. It supports spatial planning down to the village level. While similar efforts have begun in regions such as Gresik, West Seram, and Natuna, these initiatives remain fragmented, underscoring the need for a unified, national database to ensure targeted, data-driven housing policy.<sup>75,76,77</sup>

Subsidised housing may also be purchased in cash, as permitted under Ministry of Finance Regulation No. 60/2023. In such cases, beneficiary verification is no longer conducted by banks but becomes the responsibility of the developers. However, this verification process is not yet clearly regulated, creating a risk of mistargeted distribution—such as allocation to middle- or upper-income households, or individuals who already own a home.<sup>78</sup>

Despite the structured framework under PUPR Regulation No. 03/PRT/M/2018, housing infrastructure support by local governments continues to face quality and asset handover delays. Developers must build housing at least a year prior to PSU fund use, with oversight by a Verification Team and reference to the Detailed Engineering Design (DED). Payments are made post-handover to mitigate non-compliance, yet developers frequently delay transfers, profiting during the interim. These issues highlight enforcement and oversight gaps despite formal processes.

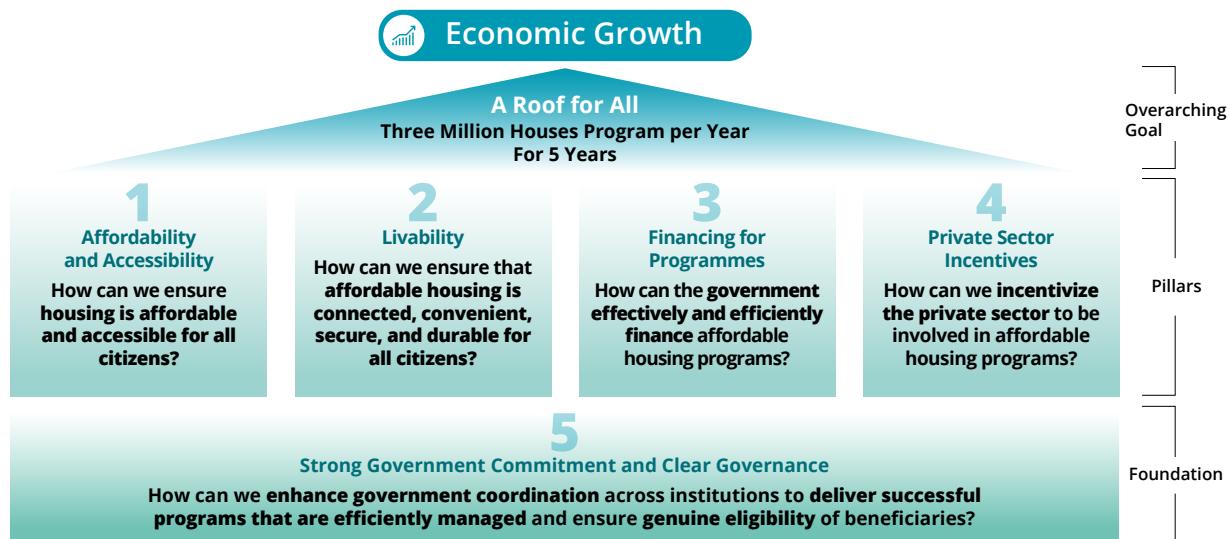
Broader governance challenges stem from overlapping mandates. Under UU 23/2014, low-income housing remains centrally managed, while UU 1/2011 assigns regional governments responsibilities for strategies development, budgeting, and land allocation. This fragmented authority creates duplication, limiting regional impact and accountability.

PUPR Regulation 17/2021 introduces SKBG—a certificate for flats (*Sarusun*) on government-owned land—as a potential solution for urban home ownership. Though it enables use of underutilized land for low-income housing, SKBG faces legal ambiguities and overlaps with existing land titles (e.g., HGB over HPL, SHM *Sarusun*).<sup>79</sup> Uncertainty over extension mechanism after longterm lease, along with the lack of technical guidelines from the National Land Agency (BPN), has stalled local implementation and generated stakeholder concern.

## "A Roof for All" framework

The "A Roof for All" framework identifies key strategies for affordable housing, drawing on global models, and is built around four core pillars and one foundation.

Figure 15: "A Roof for All" framework



Source: Deloitte analysis.

### 01. Affordability and accessibility

Affordable housing should not cost more than 30% of household income and must be accessible to all, especially low- and middle-income families working in both formal and informal sectors. Programs must be inclusive and avoid excluding those just above eligibility thresholds, who may still be unable to afford market-rate housing.

### 02. Liveability

Housing should be seen as an interconnected ecosystem that provides liveable spaces with access to transportation options, jobs, markets, schools, hospitals, and other public facilities. At the housing unit level, homes should be safe, disaster-resilient, and sustainably built to ensure long-term comfort and security for residents.

### 03. Financing for programmes

Robust housing programmes require sustainable financing. Given limited state budgets, innovative financing solutions that tap into non-state sources are essential. The focus should be on mechanisms that are efficient, effective, and scalable without overburdening public finances.

### 04. Private sector incentives

Private sector participation is key to scaling affordable housing. Incentives such as tax breaks, streamlined regulations, and creative finance approaches can unlock private investment and support inclusive, sustainable urban development. Private sector can also view its involvement as part of their CSR, with due government recognition conferred on them.

### 05. Strong government commitment and clear governance

Affordable housing requires strong leadership, clear institutional coordination, and transparent governance. Efficient programme delivery and accurate beneficiary targeting depend on streamlined collaboration and robust data systems.



# Chapter 3: International Lessons

“Housing is the number one priority—when the policy is right, it can eradicate poverty, absorb regional labour, attract global investment, and contribute to economic growth”.<sup>80</sup>

**Fahri Hamzah**  
Vice Minister of Housing and Settlement of the Republic of Indonesia

## Overseas best practice provides helpful lessons for Indonesia:



### Affordability and accessibility

**Housing affordability and inclusivity** can be improved using flexible financing, Rent-to-Own schemes, tiered grants, subsidised housing construction and renovation loans, mandate on minimum affordable housing loans by banks, symbolic fees to foster homeowner responsibility, and prioritisation of vulnerable groups for access to affordable housing.



### Livability

**End-to-end government involvement** in zoning, standards, project verification, and maintenance ensures better **housing ecosystem quality**.



### Financing for programmes

**PPP models** (including availability payments, user charges, and/or trade-off benefits), **housing funds**, **employee savings programmes** can provide diverse housing funding sources, alongside innovative financing like **Land Value Capture**, **blended finance**, **use of bonds and securities**, **on-lending and direct assignments**. **Phased budgeting and BTO schemes** can reduce fiscal burden while ensuring optimal utilisation of housing units.



### Private sector incentives

**Private investment** can be incentivised through **tax exemptions, availability of low-interest and long-term financing** for housing development, **higher FSR allowances, discounted land and land grants, and faster permits**, enabling lower IRRs (12-14% in UK, around 12% in India, 8% in Australia, and even 3-5% in China) to be accepted by developers.



### Foundation

**Strong collaboration**, streamlined **governance, semi-autonomous entities**, and **tech-driven transparency** can drive **project success and efficiency**.

## Selection of benchmarking countries

To ensure comprehensive and well-rounded recommendations for Indonesia, **we have also drawn on lessons learned from a diverse range of countries. In selecting the countries, we considered stages of public housing development, adoption success, and similarities with Indonesia**. Singapore, with approximately 80% of its residents in public housing<sup>81</sup>, represents a mature model. China and India, with large low-income populations, highlight effective PPPs and economic growth driven by housing. Malaysia, as a fellow ASEAN nation, shares urbanisation challenges and ongoing housing programmes. South Korea offers insights into organised private sector collaboration, while Australia exemplifies multi-level government coordination through agencies like Housing Australia.

To ensure comprehensive and well-rounded recommendations for Indonesia, **we have also drawn on lessons learned from a diverse range of countries**.

# Pillar 1:

## Affordability and accessibility

How can we ensure housing is affordable and accessible for all citizens?

Housing costs are often considered overburdening when they exceed 40% of household income,<sup>82</sup> driven by rent, mortgages, and mandatory service fees. Adequate housing must address the needs of marginalised groups, ensure affordable land availability, and be located near public facilities.

### **Global models include targeted subsidies and financing strategies for inclusivity**

**and affordability.** Australia and China offer reduced deposits and housing cost caps.

To ensure the housing units are affordable, Brazil provides government subsidies for low-income families, China's government provides subsidies, and subsidised rental houses, and India and Malaysia offer interest rate subsidies and direct cash assistance. Malaysia's Rent-to-Own (RTO) programme, 'Skim Smart Sewa', supports informal workers through payments that can lead to mortgage approval. **Affordable housing ownership with symbolic monthly fees** is promoted by Brazil under the *Minha Casa Minha Vida* programme, which subsidises 95% of costs.

### **Subsidised housing loans cover all housing options which includes home**

**construction and renovation, not only home ownership.** India's private bank, HDFC

Bank, provides home construction loans, under the government's PMAY 2.0 program.<sup>83</sup> China's Housing Provident Fund (HPF), employee & employers contributions fund, can be used for house purchase and renovations.<sup>84</sup> Malaysia's *Rumah Mesra Rakyat* (RMR) programme provides loan for house construction or renovation for individuals owning land.<sup>85</sup>

**Inclusive programmes cater to specific groups.** South Korea has improved their general one-size-fits-all housing benefit scheme in the last ten years under the National Livelihood Protection law, in which the benefit is specified according to the household income, family size, tenure type, rent level, and location residence. Singapore's Enhanced CPF Housing Grant scheme provides higher grants for lower-income families and support for second-home purchases via the Step-Up Grant. India and Malaysia offer interest subsidies for middle-income groups, while India prioritises vulnerable communities, such as widows and disabled individuals. Singapore provides housing options for seniors and retirees.

**Informal workers, often most affected by housing shortages, benefit from flexible eligibility criteria and/or specific programmes.** Malaysia utilises 'BE form', an income tax form for non-business sources, including workers with irregular income frequency, which can substitute traditional income documentation in, such as pay slips, during verification. In South Korea, self-employed or informal workers with very low earnings might qualify for permanent rental if they receive the National Basic Livelihood stipend. Indian financial institutions provide flexible mortgage payments, while the U.S. government offers graduated payment mortgages, which grow along with beneficiaries' earning potential.

**With the support of government incentives to improve liquidity, mandating a minimum allocation of bank loans to affordable housing can increase the overall mortgage quota and enhance accessibility for intended beneficiaries.** In India, 40% of total bank lending is required to be directed toward priority sectors, including housing, under the Priority Sector Lending (PSL) policy. To help banks meet this requirement, the government introduced flexibility in the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)—both of which typically constrain lending capacity and profitability.<sup>86</sup> By easing these requirements, banks benefit from increased liquidity, which helps offset the lower margins associated with affordable housing loans.

**Digital platforms are leveraged to expand access on affordable housing.** India uses 'Housing.com' to match buyers and renters with affordable housing and loan options. Singapore also has their 'SingPass' portal, where citizens can access data regarding their CPF accounts and housing applications.



## CASE STUDY

### 3

## Malaysia’s People housing programme (PR1MA) for middle-income households

Perbadanan PR1MA Malaysia (PR1MA) was established under the PR1MA Act 2012 with the mandate to plan, develop, and provide affordable, high-quality homes for Malaysia’s middle-income households. Unlike public housing programmes that target low-income groups, PR1MA focuses on households earning between RM2,500 (USD581.40) and RM15,000 (USD3,488.37) per month, a segment that often struggles to afford private housing but does not qualify for government low-cost housing schemes. PR1MA determines the sales price, allocates PR1MA homes through audited balloting, and collaborates with financial institutions to give homebuyers access to financing schemes.

PR1MA is government-funded, operating under the Ministry of Local Government Development (KPKT). Financial support is provided through federal allocations, government-backed financing mechanisms, and land provisions, with an allocation of RM1.5 billion (USD348.83 million) for development in 2022.

PR1MA is governed by a Members of Corporation (MoC) structure. The MoC oversees PR1MA’s strategic direction and ensures alignment with national housing policies. While PR1MA operates with a degree of autonomy, it is still accountable to the Federal Government. The Prime Minister appoints the Members of Corporation.





## CASE STUDY 4 Singapore's Priority Schemes

Singapore's Housing and Development Board (HDB) implements a needs-oriented and inclusive public housing system that serves over 80% of Singapore's population, with nearly 90% of residents owning their HDB flats. HDB flats are classified into three types—Standard, Plus, and Prime—distinguished by location, level of subsidy, resale conditions, and minimum occupation period (MOP). To promote equitable housing access, HDB adopts a priority allocation system through various ballot schemes, each with a designated quota across different flat types. This ensures that diverse social groups can access housing opportunities across Standard, Plus, and Prime flats in alignment with their life-stage needs.

HDB's layered, needs-based allocation approach applies clearly defined quotas to prioritize first-timer applicants and key demographic groups according to their varying housing needs. Family-oriented schemes such as the Family and Parenthood Priority Scheme (FPPS) and the Married Child Priority Scheme (MCPS) are given priority in allocating them 3-room and larger flats which are dedicated for families to better support growing households and intergenerational living. In contrast, single applicants are eligible only for 2-room BTO flats, reflecting their typically smaller household size. Meanwhile, a quota of up to 5% of 2-room and 3-room Standard BTO flats are reserved for the the Assistance Scheme for Second-Timers (Divorced/Widowed Parents), which reflects their previous homeownership and aims to balance support with housing availability for first-timer families. The Sale of Balance Flats (SBF) scheme offers unsold HDB flats from previous launches, typically with a shorter waiting time compared to the oversubscribed BTO scheme. Under this scheme, priority is given to families over singles, even for 2-room flats. By thoughtfully tailoring these quotas to demographic profiles and life-stage needs, HDB promotes a more equitable and responsive housing system.

For the category of Build-To-Order (BTO) 2-room Flexi Flats, specific measures have been implemented to prioritize seniors. Under current policy, 40% of these flats—or at least 100 units per project—are reserved for senior applicants. This allocation ensures that seniors have improved access to flats that accommodate their housing preferences and evolving lifestyle needs, including flexibility in lease duration. Such provisions aim to support ageing-in-place by offering seniors housing options that promote independence and well-being.



Summary of Build-to-Order (BTO) Flat Distribution for Non-seniors in Singapore<sup>87</sup>

Scheme Type	Standard Flats			Plus Flats		Prime Flats	
	2 rooms	3 rooms	4+ rooms	2 rooms	3+ rooms	2 rooms	3+ rooms
<b>First Timer</b>	Families (FPPS)	10%	40%	40%	10%	40%	10%
	Families (MCPS)	5%	30%	30%	5%	30%	3%
	Other families	5%	15%	25%	5%	25%	7%
	Singles	65%	NA	NA	65%	NA	65%
<b>Second Timer</b>	Families (ASSIST)	5%	5%	NA	NA	NA	NA
	Families (MCPS)	5%	5%	3%	5%	3%	2%
	Other families	5%	5%	2%	10%	2%	13%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Summary of Sale of Balance Flat (SBF) Distribution for Non-seniors in Singapore

Scheme Type	Standard Flats		Plus Flats		Prime Flats	
	2 rooms	3 rooms	2 rooms	3+ rooms	2 rooms	3+ rooms
<b>First Timer</b>	Families (FPPS)	10%	40%	10%	40%	10%
	Families (MCPS)	5%	30%	5%	30%	3%
	Other families	5%	15%	5%	25%	7%
	Singles	65%	NA	65%	NA	65%
<b>Second Timer</b>	Families (ASSIST)	5%	5%	NA	NA	NA
	Families (MCPS)	5%	5%	5%	3%	2%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Other family schemes include the Third Child Priority Scheme (TCPS) and the Tenants' Priority Scheme (TPS), which provide additional support for larger families and rental tenants. Within the Married Child Priority Scheme (MCPS), priority is given to applicants seeking to live with their parents or married child, further refining the needs-based approach.

## Pillar 2: Liveability

How can we ensure that affordable housing is connected, convenient, secure, and durable for all citizens?

### **According to the WHO, healthy housing promotes physical and mental health.**

In urban areas, housing thrives when communities are also liveable. Integrating basic infrastructure into affordable housing schemes enhances liveability.

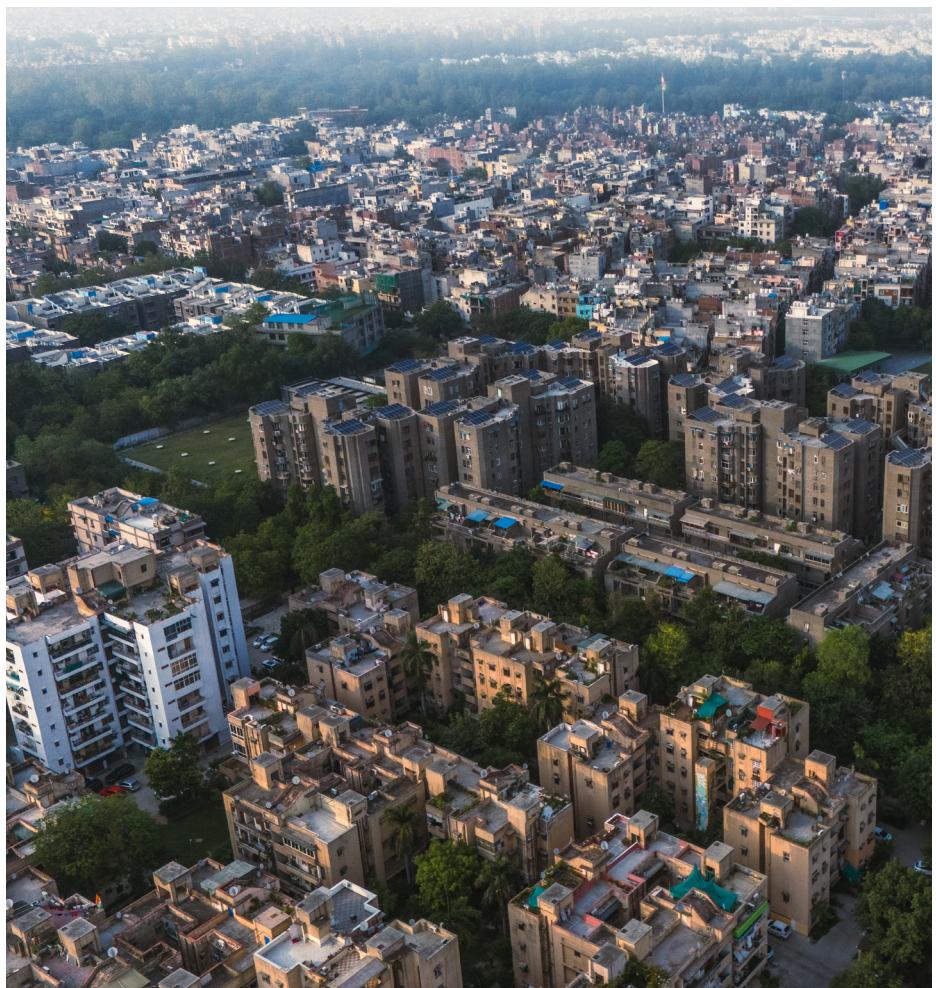
**Housing developments are built in locations that are close to public facilities, transportation, jobs, markets, and schools.** Vietnam builds worker housing in industrial hubs. Singapore’s HDB are built using a township approach. Australia prioritises infrastructure development alongside housing projects and integrates affordable housing development into transport hubs, employment districts, and key amenities in urban centres. Housing Australia has both an infrastructure facility and a home guarantee scheme, to provide support not only for housing development but also for the supporting infrastructure.

**Long-term durability of housing stock is supported by robust building standards** that incorporate resilience measures and quality control, including the use of trained masons for rural housing. In Singapore, all HDB developments must be approved by the Building and Construction Authority (BCA) to ensure structural integrity. Singapore has increasingly used Building Information Management (BIM) and prefabricated construction by building the room units in prefabrication sites, including Johor Bahru with lower industrial cost and delivered the units to Singapore to be assembled to the building. Australia enforces building standards for coastal housing through its National Construction Code (NCC), while India maintains quality through government-supervised proposal verification and trained rural masons who assist beneficiaries in constructing safe and durable homes.

**Land for housing is provided via leasing mechanisms, regulatory measures, town-planning schemes, and increases in FSR.** Singapore’s high public land ownership and 99-year leasehold model enable strategic, flexible land use guided by regularly updated national plans. China uses regulatory measures, such as idle land surcharges (20% surcharge levies) and land recovery rights, to discourage speculation and unlock urban land for development.<sup>88</sup> In India, Gujarat’s Town Planning Scheme enables land readjustment by reallocating land for public infrastructure while allowing original owners to retain a portion. Maharashtra supports slum rehabilitation by increasing allowable Floor Area Ratio (FAR) from 3.0 to 4.0 to enhance redevelopment viability.<sup>89</sup>

**Housing maintenance programmes support affordable housing lifecycle**, such as Singapore’s Home Improvement Program (HIP), China’s Shantytown Redevelopment and the Malaysian Housing Maintenance Fund (TPPM). In India, the maintenance of affordable housing is primarily managed by Residential Welfare Associations (RWAs) in each residential community with authority to oversee and ensure proper maintenance.

**Grants and incentives are provided to encourage sustainable construction and housing quality.** To adopt technology and eco-friendly materials in affordable housing construction, India provides the Technology Innovation Grant (TIG). Similarly, China advances modular and prefabricated methods for affordable, high-quality, and sustainable housing and establish an incentive to promote green buildings. A developer will get a 3% bonus on the allowable building area if at least 50% of the building uses prefabricated materials. This bonus is excluded from the plot ratio calculation, allowing the developer to build slightly more than normally permitted.<sup>90</sup>



## CASE STUDY

### 5

## Singapore's holistic-ecosystem-based approach to affordable housing

Over 80% of HDB residents will live within 10 minutes of an MRT station by 2030, thanks to LTA Master Plan, URA and SLA's strategic land releases and collaboration with HDB. This proximity reduces healthcare and transport costs—as noted in a 2015 ADB report estimating SGD50–70 million (around USD38 million to USD53 million) in annual healthcare savings. SLA allocates its land bank for affordable housing using data, long-term planning frameworks, and acquisition tools to ensure placement near public infrastructure, schools, and shopping centers. With over 90% of Singapore's land now state-owned (up from 49% in 1965), agencies have the flexibility to embed affordable housing in vibrant, well-connected communities, avoiding haphazard development and setting a global benchmark.

HDB developments in Singapore are designed as self-sufficient townships with 40,000 to 90,000 units, adopting an integrated planning approach in collaboration with relevant agencies. Land-use plans are finalised and approved by the Urban Redevelopment Authority (URA). Each township follows the "Live, Work, Play, and Learn" concept, providing housing, commercial spaces, transport, community facilities, education, and light industries. The SLA prioritises land near existing or planned amenities. For instance, HDB estates are often co-located with schools (e.g., 3-12 primary schools per new town), community clubs, and retail hubs like neighborhood centers. If the amenities are not available yet, the government announces the plan transparently in terms of future MRT connection and public facilities to be built in the vicinity. Accessibility is ensured through guidelines such as neighborhood centers within a 10-minute walk, adequate commercial spaces, and essential services like schools, clinics, parks, sport facilities and libraries based on population needs. Standards are reviewed regularly, with HDB coordinating their integration for balanced, sustainable living environments.



## Pillar 3: Financing for programmes

How can the government effectively and efficiently finance affordable housing programmes?

According to the OECD, public investment in housing includes capital transfers and direct funding. **To ensure successful and scalable affordable housing programmes, governments must maximise impact while minimising financial strain.** Indonesia faces challenges in maintaining budget feasibility for affordable housing and can benefit from studying successful models in other countries.

According to the OECD, public investment in housing includes capital transfers and direct funding. **To ensure successful and scalable affordable housing programmes, governments must maximise impact while minimising financial strain.** Indonesia faces challenges in maintaining budget feasibility for affordable housing and can benefit from studying successful models in other countries.

**Government budgets can be managed through strong governance, creative schemes, and housing funds.** Malaysia emphasises strict auditing and phased budgeting to prevent overspending, while Singapore’s Build-to-Order (BTO) programme reduces fiscal burden by starting construction only after approximately 70% of units are pre-sold. Australia ensures fiscal sustainability through its AUD10 billion (USD6.34 billion) Housing Australia Future Fund (HAFF), which generates long-term income from institutional investors and private entities.

**Employee savings programmes for housing are adopted to reduce government burden.** One example is China’s HPF promoting financial sustainability. China implemented the Housing Provident Fund (HPF), a mandatory scheme that provides employees with financial assistance for housing-related expenses, funded through contributions from both employees and employers. These accumulated funds can be used for various purposes, including home purchases, renovations, and mortgage repayments. By enabling individuals to build up housing capital over time, programs like the HPF lessen dependence on direct government subsidies and support more sustainable models of affordable housing provision.

**Blended finance, combining multiple funding sources, supports affordable housing in India, Vietnam, and South Korea.** In India, blended concessional loans offset green housing costs, with the IFC providing loan support. Vietnam’s Nam Long integrates corporate bonds, equity, tax exemptions, low-interest loans, and development bank investment bonds. Korea’s National Housing and Urban Fund (NHUF) mobilises capital from a mix of sources, including national housing bonds, citizen housing savings accounts, investment returns, asset securitisation, and a modest allocation from the government budget.

### **Value Capture Financing (VCF) leverages rising property values to fund affordable housing.**

India's Transfer of Development Rights (TDR) model ties development rights to infrastructure-driven value increases, enabling public housing redevelopment. The U.S. government collects impact fees, imposed by a local government on developers for the new infrastructure development, to offset affordable housing costs.

### **The South Korean government has involved the private sector since the beginning of housing programmes in the 1980s.**

Under the Two Million Housing Drive (1988-1992), the government segmented the below middle-income class housing funds of ~850,000 units from the government budget, and NHF and housing built by state-owned developers, whereas the remaining units for above middle class were allocated to be fully funded by private sectors and developers. Their involvement continues until today, supporting the government as the contractor with guaranteed profits.

### **China and Australia have utilised Real Estate Investment Trusts (REIT) to increase the supply of affordable housing, mostly in the form of affordable rentals.**

Australia offers a reduced withholding tax (WHT) on gains and payments received by investors in funds that invest in build-to-rent housing. In contrast, China's REITs are structured to invest in asset-backed securities (ABS) linked to income streams such as rent, rather than owning the physical assets directly. This structure allows the state to maintain control over infrastructure while minimising investor exposure to asset management risks. To bolster investor confidence and promote affordable housing, the Chinese government has issued policy guidance, curbed speculation, and provided re-lending facilities through the People's Bank of China, enabling state-owned enterprises to convert unsold housing into affordable rentals. This combination of stable income returns and strong policy support has enhanced the appeal of affordable housing REITs, despite their typically lower yields.



**Long-term leases provide a win-win solution by providing stability for renters and steady income for developers, while the community-based cooperative structure builds trust and shared accountability.** Australia’s Build-to-Rent (BTR) co-operative scheme offers valuable lessons on how affordable rental housing can be financed and sustained with minimal government expenditure. Under this model, Community Housing Providers (CHPs) play a central role by owning and maintaining housing stock, providing long-term leases, and reinvesting rental income to expand affordable housing.<sup>91</sup> The non-profit nature of CHPs eliminates the need for high developer margins, and the co-operatives (managed by tenants themselves) act as intermediaries by sub-leasing units and overseeing community governance.

**Housing bonds are leveraged to fund housing projects that increase the supply of houses.** China’s government, through the National Development and Reform Commission and Ministry of Finance, have granted allowances for local governments to issue special-purpose bonds to fund land and affordable housing. Australia, through the Affordable Housing Bond Aggregator (AHBA) under Housing Australia, issues government-backed long-term social and sustainability bonds to offer low-interest loans to Community Housing Providers (CHPs) for the development of social and affordable housing. Similarly, Singapore finances the construction, upgrading, and renewal of its public housing stock through HDB bond issuances.

**Malaysia and South Korea enhanced its market liquidity through Mortgage-Backed Securities (MBS)** that enables banks to transfer risks and generate capital to issue more loans. Malaysia’s ‘Cagamas Berhad’ issues corporate bonds and sukuk to purchase housing loans and receivables from financial institutions, acting as Malaysia’s secondary mortgage liquidity facility. South Korea’s MBS is backed by a government guarantee, providing investor protection and fostering greater market confidence.<sup>92</sup>

**On-lending—where banks borrow funds from development institutions or larger banks and relend them to end borrowers—has emerged as an alternative mechanism for financing affordable housing.** The Asian Development Bank, for instance, has extended on-lending facilities to support affordable housing loans for women in India through AHFL, a dedicated housing finance company.<sup>93</sup>

**Banks could be encouraged to invest in mortgage-backed securities (MBS), along with direct assignment (DA) or portfolio sale, which can improve the executing banks or originators’ liquidity.** This policy is adopted by India’s Priority Sector Lending.<sup>94</sup> DA has contributed to a peak of 9.1% of retail loans in India, including housing.<sup>95</sup> The risk is entirely transferred to the investors, although the loan services (e.g., collection) are still handled by the originators.<sup>96</sup>

**PPPs could support the government to accelerate the delivery of affordable housing.** India has a comprehensive mechanism of PPPs, derived from various PPP models under the PMAY-U programme. Australia’s National Rental Affordability Scheme (NRAS) operates under a PPP model in collaboration with non-governmental organisations to distribute affordable rental units. Similarly, Malaysia’s Civil Servant Housing Program (PPAM) follows a PPP model where profits from housing development on government land are used to cross-subsidise the costs of affordable housing. In Australia, for instance, through the Availability Payment, the government guarantees long term financial support for the delivery of social and affordable housing. The Availability Payments under the Housing Australia Future Fund recur quarterly during the operating phase of projects, over a 25-year term.<sup>97</sup>

## CASE STUDY

### 6

## Housing financing schemes from Malaysia, Australia, and South Korea

### **Cagamas Berhad, Malaysia**

From 1986 to 2024, Malaysia's Cagamas Berhad has raised RM445 billion (USD99.6 billion) through sukuk and bonds, achieving high subscription rates of 2 to 5 times due to strong investor demand. It acquires housing loans from banks and government entities, pooling them to issue securities like low-risk Cagamas Mortgage-Backed Securities (CMBS) for civil servants—backed by salary-deducted mortgage repayments—and higher-risk bonds for affordable housing, mitigated by credit enhancements like overcollateralisation and reserved funds. Despite no direct government guarantees, Cagamas builds trust with a diverse portfolio, including sharia-compliant options, and a match-funding policy that ensures self-sufficient cash flows to cover investor repayments. Foreign investment, contributing 4.8% of funds via its Asian Secondary Mortgage Market Association membership, further strengthens its success.

### **Affordable Housing Bond Aggregator (AHBA), Australia**

The AHBA, operated by Housing Australia, facilitates low-cost, long-term financing for registered community housing providers (CHPs)—not-for-profit entities that reinvest profits into affordable housing—by issuing government-guaranteed Housing Australia Bonds in the domestic debt market, initially supported by a government credit line that is later refinanced through bond sales. This structure allows CHPs to secure larger, more favourable loans (minimum AUD5 million (USD3.17 million), 10–15 years, or up to 25 years under funds like HAFFF and NHAF) with lower interest rates than they could achieve individually, enabling them to build, maintain, or refinance housing, including mixed-tenure projects where at least 50% supports affordable units, while covering costs like land acquisition and construction. AHBA loans, offered as fixed or variable commitments, come with financial safeguards such as a 1.5x interest coverage ratio, a 60% loan-to-value cap, and a 40% borrowing limit relative to property values, with Housing Australia assessing CHPs' financial health and project viability through detailed applications submitted via its portal.

### **National Urban Housing Fund (NHUF), South Korea**

Under the Ministry of Land, Infrastructure and Transport (MOLIT), South Korea's NHUF, formerly the National Housing Fund (NHF), supports rental housing and urban renewal by funding Korea Land & Housing Corporation (LH). NHUF attracts private capital for affordable housing through innovative financing like loans, investments, and guarantees, with an initial capital of KRW10 trillion (USD705.5 million) and guarantees up to 90 times its equity (valid until 31 March 2027).

Funding for public rental housing comes from government budgets, NHUF loans, tenant contributions, and developers, while NHUF raises capital via housing bonds, subscription savings, and loan collections. NHUF operates two accounts—Housing (rental housing, home financing) and Urban (regeneration, economic development).

In 2023, NHUF's USD81.15 billion budget is sourced from surplus fund recovery (32%), subscription savings and loan recoveries (32%), reinvested income (17%), National Housing Bonds (14%), and others. Housing and Urban Guarantee Co., Ltd (HUG), a government entity, manages investments through asset managers and pension funds, oversees Real Estate Investment Trusts (REITs), and had USD5.13 billion in total investments in 2023.

NHUF issues Type 1 bonds (1.3% compound interest over 5 years) and discontinued Type 2 bonds (0% interest over 10 years) in 2023. These bonds fund housing and urban regeneration, encouraging private sector participation.

## CASE STUDY 7 PPPs in India under PMAY-U

India has a robust PPP framework to address the nation's increasing housing demand. The Ministry of Housing and Urban Affairs (MoHUA) formed a Committee on PPP in Affordable Housing to identify challenges and propose solutions using various PPP models. These initiatives, part of the PMAY-U programme, foster collaboration between public and private sectors to boost affordable housing development.

India's PPP framework utilises three main modes:

### 1. Availability Payment models:

- **Government-land Based Subsidised Housing (GSLH):** The government provides land to private developers, who design, build, and operate affordable housing. Developers are compensated upon project completion.
- **Annuity-Based Subsidised Housing:** Developers receive annuity payments over a contract term, maintaining assets during this period before transferring them back to the government.
- **Annuity-cum Capital Grant Subsidised Housing:** The government offers partial construction grants (40–50% of costs) during the building phase and pays the balance after project completion.

### 2. User Charge models:

- **Direct Relationship Ownership Housing (DROH):** Allottees directly engage with developers and pay them, while the government provides the land.
- **Direct Relationship Rental Housing (DRRH):** Allottees pay rent directly to developers, with land provided by the government.

### 3. Trade-Off Benefit model:

- **Mixed Development Cross-Subsidised Housing (MDCH):** Private developers build and sell high-end housing on government-provided land, in return for constructing affordable housing in a similar area.

This framework emphasises private-sector participation while addressing diverse housing needs.

## Pillar 4: Private sector incentives

How can we incentivise the private sector to be involved in affordable housing programmes?

### **As the private sector is profit-motivated, governments must provide incentives**

**that ensure economic viability.** These incentives need to be sufficient to encourage private developers to accept the typically lower profit margins associated with affordable housing compared to commercial projects. Globally, private sector involvement spans PPPs, institutional financing, construction, development management, and housing sales.

**In China, state-owned enterprises (SOEs) dominate affordable housing and are given access to strategic land banks and preferred partner status for future, more profitable, contracts.** This enables them to accept low IRRs of 3–5% for affordable housing projects, compared to 10–20% for non-affordable projects. The government also provides discounted or free public land for affordable housing developments.

**In Australia, affordable housing developers benefit from low-interest, long-term financing, land grants, tax incentives, and additional floor space allowances.** These measures improve capital growth to commercially viable levels, allowing developers to accept an 8% or lower internal rate of return (IRR) compared to the usual 20–25% for commercial projects. Acceptable returns are also achievable through long-term rental holdings and mixed-tenure developments. The Affordable Housing Bond Aggregator (AHBA) provides registered community housing providers (CHPs) with low-cost, long-term financing for housing acquisition, construction, maintenance, working capital, and debt refinancing. Build-to-Rent (BTR) projects benefit from tax incentives, including reduced withholding taxes for foreign investors (15%), enhanced corporate tax deductions for capital works (4% depreciation), and a 10% capital gains tax discount for eligible properties rented for three years or more. Subsidies like floor space allowances further support affordable housing under the National Rental Affordability Scheme (NRAS).

**Table 3: Estimation of affordable housing IRRs across countries**

Countries	IRR of Affordable Housing
China	3-5%
Australia	<8%
UK	12-14% <sup>j</sup>
India	~12%

<sup>j</sup> The IRR for a mixed affordable and private housing is a projection by BN Paribas Real Estate (2023) based on precedents on IRRs of other public infrastructure projects in UK.

**India leverages a combination of land grants, incentive-based trade-offs, and tax benefits to encourage private sector involvement in affordable housing projects.** Public land is provided at a discount or without charge. Around 10% of affordable housing can be used for commercial spaces to generate more revenue. Additional floor space ratios are given to compensate for low returns in affordable housing projects. For affordable rental housing, India has two primary models tailored for private developers:

**Model 1: The government offered 25-year leases on vacant housing units**, allowing private developers to refurbish and manage them. This approach was estimated to yield an IRR of approximately 20%, enabling developers to recoup their initial investments within six to eight years.

**Model 2:** To further encourage the construction of affordable housing, the government introduced several incentives for private developers. These **include development grants, an additional 50% allowable Floor Space Ratio (FSR), and tax benefits**, making participation from the private sector more financially attractive.

**Vietnam and South Korea rely on tax incentives to attract private investment.** Vietnam offers corporate income tax reductions of 50% for worker housing developers, along with VAT exemptions and property tax reductions. In South Korea, tax incentives, including capital gains deductions and reduced property taxes, support affordable housing through the National Housing Fund.

**To attract greater private participation in affordable rental housing, demand risk can be mitigated through structured payment contracts or transferred to a Special Purpose Vehicle (SPV) or even assumed directly by the government.**

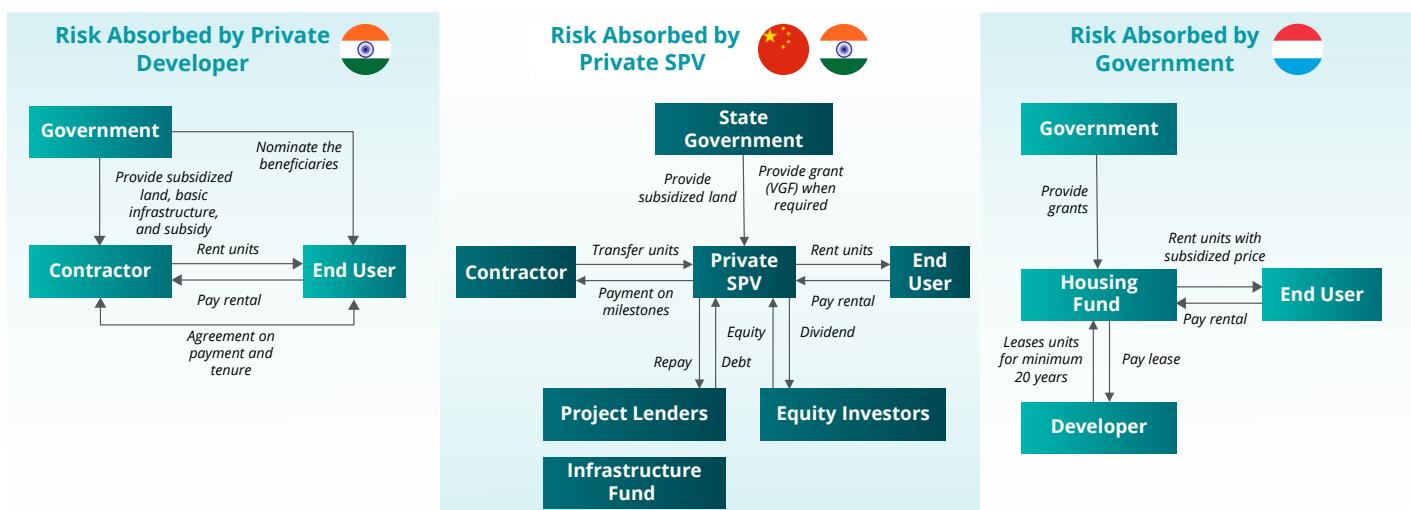
Beyond financing instruments, the allocation of demand-related risks—such as occupancy and rental uptake—critically shapes the scalability of affordable housing programmes. India's DRRH model places financial and operational risks on private developers, with government support limited to beneficiary nomination and subsidies. Developers mitigate risk through enforceable rent schedules, penalties for non-payment, eviction rights, and streamlined dispute resolution.<sup>98</sup>

In contrast, the SPV models in India and China centralize risk management. SPVs handle financing, operations, and rent collection, supported by mechanisms like Viability Gap Funding.<sup>99</sup> India's SPV integrates multi-stakeholder equity and debt financing, while the government provides land and design standards. China supplements this with REITs and infrastructure loans, offering predictable revenue streams and reducing upfront pressure.

Luxembourg's approach shifts most demand risk to the state, which leases units from developers and sub-leases to tenants at subsidized rates—effectively functioning as a social landlord and absorbing occupancy-related risks.<sup>100</sup>

Together, these strategies reduce fiscal burdens and encourage private sector involvement in affordable housing.

**Figure 16: Global Practices on Affordable Rental Model based on Demand Risk with graphic provided in the Word file.**



Sources: Deloitte analysis based on World Bank Group, Delano, and India's Ministry of Housing and Urban Affairs

## CASE STUDY

8

### Floor area ratio policy and incentives in India and Australia

#### India

The Indian government introduced an additional 50% Floor Space Index (FSI) incentive for developing affordable rental housing complexes.<sup>101</sup> In certain cases, developers can acquire extra FSI beyond the standard limit by paying a premium fee to local authorities, provided that the adjacent road width meets specific criteria. This policy enables higher-density development while ensuring that infrastructure can adequately support increased demand.

The FSI policy was established by the Bureau of Indian Standards through the National Building Code (NBC) and is regulated by local governments. FSI values vary across regions based on location and zoning laws, with the NBC providing overarching guidelines on urban planning, land use, and building regulations. Each city's Development Control Regulations (DCRs) determine FSI limits, considering factors such as population density, infrastructure availability, and urban planning goals.

#### Australia

The New South Wales (NSW) government provides Floor Space Ratio (FSR) incentives through its in-fill affordable housing policy. A bonus of 20–30% in FSR and an additional 20–30% in building height are granted to projects that allocate 10–15% of their Gross Floor Area (GFA) to affordable housing. These incentives apply exclusively to residential flat buildings and shop-top housing, encouraging higher-density development in targeted areas.<sup>102</sup>

The FSR calculation in NSW is tailored to specific situations. If a development spans multiple lots, only those that share a common boundary can be combined for FSR calculation. Additionally, only lots where major construction or refurbishment is planned can be included in the site area, meaning undeveloped lots under the same ownership must be excluded. Furthermore, if development occurs on, above, or below public land, a separate FSR calculation is required, with councils responsible for setting specific FSR regulations for community or public land.



## Foundation: Strong government commitment and clear governance

How can we enhance government coordination across institutions to deliver successful programmes that are efficiently managed and ensure genuine eligibility beneficiaries?

**Singapore's affordable housing success has been driven by strong data governance combined with strict regulatory oversight and heavy penalties for rule violations.** Effective coordination between the MND, SLA, URA, and HDB ensures efficient urban planning, sustainable housing development, and strategic land allocation. This integrated approach not only optimises land use but also upholds transparency, fairness, and long-term affordability in the housing market. The Central Provident Fund (CPF) system maintains a comprehensive database of all Singaporean citizens, allowing housing benefit eligibility to be accurately verified against this data, thereby preventing fraud and mistargeting of benefits.

**China and India have implemented their affordable housing programmes through strong inter-agency coordination, guided by clear and well-defined policies.** China's affordable housing governance is highly centralised, with the Ministry of Housing and Urban-Rural Development (MOHURD) directing national policies to align with broader socio-economic objectives. Although local governments have autonomy in implementation, their actions are guided by central directives. India follows a structured, multi-tiered coordination process among various institutions for the approval and sanctioning of houses under its national affordable housing programme (PMAY) across both urban and rural areas.

**Collaboration across the housing ecosystem is essential for developing robust programmes and ensuring efficient processes.** In South Korea, the government partners with the Korea Land and Housing Corporation (LH), leveraging the National Housing Fund (NHF) to finance public housing through bonds and loans. Additionally, LH secures low-interest financing for developers and collecting rents and mortgage payments from renters and homebuyers.



**Semi-autonomous entities like India's HUDCO and Housing Australia provide dedicated authority for housing development through structured collaborations.**

HUDCO specialises in providing long-term financing for housing and urban infrastructure projects. Similarly, Housing Australia manages housing funds (HAFFF), generates funds through bonds issuances (AHBA), and administers affordable housing programmes (HGS). Both entities serve as key intermediaries, fostering structured collaboration among government agencies, financial institutions, and private sector stakeholders.

**Transparent reporting, application and/ or property management systems utilising digital technology can improve efficiency, and collaboration, such as Housing Australia Portal (HAP), India's 'Awaas+', China's Hangzhou Smart Housing, and Malaysia's Housing Integrated Management System (HIMS). In Malaysia, the government has established a one-stop centre for developers to enhance transparency and strengthen collaboration in affordable housing initiatives. The Chinese government has launched 'Qinqing Online' as a part of Hangzhou's City Brain effort. Innovative tools such as the Building Information Modelling (BIM), used in Singapore's public housing, enhance project design, planning, and monitoring, supporting high-quality and efficient housing delivery.**

## CASE STUDY

9

### Singapore Housing and Development Board (HDB)

Singapore's HDB, founded in 1960, is central to the nation's public housing success, housing over 80% of its residents in affordable, high-quality homes. HDB also fosters cohesive communities through careful planning, innovative solutions, and strong governance, contributing to socio-economic stability.

The Singapore government's dedication to affordable housing is reflected in HDB's integrated approach to planning, land allocation, financing, and policy implementation. This streamlines processes, reduces bureaucracy, ensures faster housing delivery, and protects resources through clear eligibility criteria and strict enforcement.

Technological advancements enhance housing governance, with platforms like Singpass and MyHDBPage enabling transparent interactions, from applications to feedback. Building Information Modelling (BIM) improves project monitoring and quality assurance.

HDB also provides financial support through subsidies such as the Family Grant (for first-time buyers of resale flats), Proximity Housing Grant (PHG, encouraging families to live near one another), and Enhanced CPF Housing Grant (EHG, assisting lower- and middle-income households). These measures ensure accessible and affordable homeownership.<sup>103</sup>

## CASE STUDY

10

### Housing Australia

Established on June 30, 2018, under the Housing Australia Act 2018, Housing Australia serves as the Australian Government's dedicated entity to improve housing outcomes nationwide. It is an independent national housing agency that works with the private sector, community housing providers and all levels of government to facilitate and deliver programmes that help Australians access social and affordable housing or buy homes. Housing Australia is governed by an independent board responsible for setting strategic direction, objectives, goals, and budgets. The agency reports to the Minister for Housing, who is the responsible minister under the Housing Australia Act.

Housing Australia administers several key funding and investment initiatives aimed at supporting community housing providers (CHPs), private developers, and state and territory governments. The Affordable Housing Bond Aggregator (AHBA) provides low-cost, long-term loans to CHPs, allowing them to develop and maintain housing for lower-income Australians. Additionally, the National Housing Infrastructure Facility (NHIF) finances critical infrastructure projects – such as roads, utilities, and public transport links – for affordable housing.

The Housing Australia Future Fund, a AUD10 billion (USD6.34 billion) investment vehicle launched in 2023, provides long-term financing for social and affordable housing. The National Housing Accord, a collaboration between federal and state governments, institutional investors, and private developers, aims to deliver 1.2 million homes in five years, with AUD350 million (USD223.53 million) allocated for 10,000 affordable units.

Since its establishment, Housing Australia has approved AUD4.2 billion (USD2.67 billion) in long-term loans, enabling over 19,100 social and affordable homes while saving community housing providers an estimated AUD750 million (USD477.71 million) in interest and fees. It has issued AUD2.8 billion (USD1.78 billion) in bonds to attract domestic and international investment in social housing. Additionally, AUD940 million (USD598.73 million) has been allocated for infrastructure financing, expected to support 11,700 new housing units.<sup>105</sup>

## CASE STUDY 11 Housing and Urban Development Corporation (HUDCO) in India

The HUDCO was established as a public financial institution under Section 4A of the Companies Act, 1956, in December 1996 by the Department of Company Affairs, Ministry of Finance. With 75% government ownership, HUDCO has played a pivotal role in India's socio-economic development by addressing finance needs for funding affordable housing developments and urban infrastructure linked to sustainable development goals. HUDCO also utilises AI in its project appraisal process.

Initially established with Rs.2 crores (USD233,429) in equity, HUDCO's authorised capital now stands at Rs.2,500 crores (USD291.86 million), with a paid-up capital of Rs.2,001.90 crores (USD233.51 million). It issues tax-free bonds, offering lower interest rates compared to other bonds, to retail, corporate, and institutional investors via public issues or private placements. These bonds are listed on the wholesale debt market. Substantial government support underpins HUDCO's asset quality, with 91% of its loan portfolio backed by bank and government guarantees as of March 2024.

HUDCO serves as an extension of the Ministry of Housing and Urban Affairs, implementing government housing schemes such as PMAY-U. As a nodal agency, HUDCO provides affordable loans to state/UT governments, urban local bodies (ULBs), parastatals, and public/private agencies under PMAY-U 2.0 to support affordable housing construction.

## CASE STUDY 12 Singapore's Housing Allocation Transparency and Data-based Planning

The HDB flat allocation system emphasises transparency and fairness through its fully computerized ballot process. First-time applicants and those eligible under multiple priority schemes receive sequential opportunities in the ballot, which enhances their chances of success. Eligibility verification is conducted automatically through real-time integration with national databases, ensuring accurate validation of marital status, homeownership, and family composition. To further improve fairness, first-timer families, including those under the FT(PCM) category, receive an additional ballot chance after two or more unsuccessful attempts for Standard flats.

HDB supports public transparency by offering real-time updates on flat availability, application status, and scheme details through its online platforms. Regular publication of comprehensive housing data—including flat launches, application rates, and geographic distribution—enables the public awareness and supports data-driven housing policies. This approach builds public trust, and by using a ballot-based bidding system, it provides insights into demand by location and unit type, helping ensure that future housing supply aligns with shifting demand patterns.

In response to heightened demand, especially following delays caused by the COVID-19 pandemic, HDB has significantly increased its Build-to-Order (BTO) flat supply. From 2021 to 2024, approximately 82,700 flats were launched. An additional 19,600 BTO flats are planned for 2025, bringing the total to about 102,300 flats over five years—exceeding the government's initial target of 100,000. This proactive supply strategy demonstrates the government's responsiveness in managing housing needs.

The expanded supply of BTO flats has improved applicants' success rates. In 2024, the average first-timer application rate (number of applications received/ flat supply) across all flat types was 2.1, down from 3.7 in 2019. For 3-room and larger flats, the rate fell to 2.2 from 4.0 over the same period.<sup>107</sup> These figures reflect a more favourable environment for first-time homebuyers, achieved through transparent allocation processes and calibrated supply measures.

## CASE STUDY 13 India's PMAY Housing Database Transformation

To exemplify a robust and inclusive transformation in housing database management, India's PMAY-G program has successfully transitioned from the earlier *Indira Awaas Yojana* (IAY) to a fully digital, evidence-based system. As of November 2021, over 21.6 million rural houses were geo-tagged, reflecting full-scale national deployment. The program achieved a significant increase in rural housing output, with 9.26 million houses built from 2017–2019, compared to 5.11 million units under IAY from 2012–2016.<sup>108</sup> This shift demonstrates how integrated digital platforms and targeted beneficiary selection can improve scale, transparency, and delivery.

Before PMAY-G's introduction in 2015, the IAY system was marred by critical shortcomings. Reports from India's Comptroller and Auditor General (CAG) in 2013 revealed poor transparency in beneficiary selection, data inconsistencies in the Permanent Wait List (PWL), and frequent mismatches between housing need and actual disbursement. There were documented cases of double allotments, allocation to unapproved beneficiaries, and housing provided to those not listed in the BPL (Below Poverty Line) census. Additionally, construction standards were inconsistent, with frequent delays, poor build quality, lack of disaster-resilient design, and failure to provide essential amenities like sanitation and electricity.<sup>109</sup>

PMAY-G addressed these issues through a centralised, evidence-based data transformation approach. Beneficiary identification is grounded in the Socio-Economic Caste Census (SECC) 2011 by Ministry of Home Affairs, which identifies households based on deprivation indicators. This was supplemented by the Awaas+ survey in 2018 and again in 2024–2025, which enabled state governments to update and validate household data—including names, addresses, income, housing conditions, land tenure, and photographs of current dwellings. Beneficiary data is verified by Gram Sabhas, the local government in India – similar to RT/RW level in Indonesia, ensuring community-level oversight and fairness. Once verified, eligible households are listed in a Permanent Wait List (PWL) that is made public and functions as a forward-looking registry for future allocation, thereby enhancing transparency and planning predictability.<sup>110,111,112</sup>

To avoid duplication and strengthen accuracy, each beneficiary is linked to a Unique ID based on Aadhaar, India's national biometric identification system managed by the Unique Identification Authority of India (UIDAI). State governments upload the verified beneficiary data to the central system, where each Aadhaar-linked ID is validated. The system is programmed to block duplicate entries, ensuring that the same individual cannot be assigned to multiple housing projects.<sup>113</sup> This mechanism not only improves targeting but also prevents misuse of funds, aligning with the scheme's objective of delivering housing support to genuinely eligible households.

To address challenges in construction monitoring, PMAY-G combined the database into an end-to-end e-governance model through the AwaasSoft Management Information System (MIS), which integrates real-time geo-tagging, digital photos of progress stages, and links to India's National Informatics Centre (NIC). The MIS tracks both physical and financial progress, with staggered fund disbursements contingent on geo-verified milestones from foundation to roof completion. Beneficiaries and state agencies use mobile applications to upload data, easing the burden of field monitoring and enhancing transparency.<sup>114,115,116</sup>

The transition from IAY to PMAY involved a series of structured reforms to enhance data accuracy and program transparency. It began with a shift to improved data sources, notably the SECC 2011 and Awaas+ surveys, which were validated and finalized by Gram Sabhas to ensure legitimacy at the local level. A centralised Management Information System (MIS) was then launched to integrate beneficiary lists, monitor housing construction status, and enable geotagging at multiple stages. To address data gaps, the Awaas+ survey was updated in 2018 and 2024–2025, capturing households missed in earlier efforts. Additionally, mobile apps such as Awaas streamlined data collection, allowing for self-registration, e-KYC, and real-time photo-based verification, which collectively strengthened the program's reach and accountability.

## CASE STUDY 14 India's Affordable Housing Policy Blueprint

Setting a clear blueprint for affordable housing initiatives is crucial, as it ensures policy certainty and provides guidance for all stakeholders working toward a government-initiated mission. Internationally, India's *Pradhan Mantri Awas Yojana* (PMAY) Housing for All Mission illustrates how government-led implementation guidelines can clarify mechanisms, define roles, and support the coordination of large-scale housing programs.

**Figure 17: India's Housing Blueprint to execute their housing programs**

**Table of Contents from India's Housing Blueprint**

No	Contents	No	Contents
1	Scope of PMAY U 2.0	1	Key features of PMAY G
2	Coverage	2	Financial Arrangement and Targets
3	Implementation Methodology	3	Identification and Selection of Beneficiaries
4.	PMAY U 2.0 - including its sub-schemes	4.	Construction of House
5	Technology and Innovation Sub-Mission	5	Beneficiary Support Services
6	Convergence with other Schemes	6	Implementation and Support Mechanism
7	Funding Pattern	7	Convergence
8	Mechanism of Central Assistance Release under its subschmes	8	Reporting and Monitoring Performance
9	Capacity Building Activities	9	Fund Management and Release
10	Administration and Implementation Structure	10	Special Projects
11	Unified Web Portal and Management Information System	11	Grievance Redressal
12	Promotion of Affordable Housing Ecosystem, Reforms, and Incentives	12	E-Governance in PMAY G
13	Monitoring and Evaluation		

### Key Takeaways

- All programs are elaborated in detail, including how the programs relate to each other, the mechanism for release of funds, and eligibility criteria for beneficiaries
- Capacity building activities are included to ensure programs are delivered well, continuously
- Monitoring & Evaluation and tools for governance are carefully thought through and elaborated properly

For example, the Government of India sets an ambitious target of delivering millions of affordable homes under its five-year Housing for All Mission, which addresses the housing needs of the Economically Weaker Sections to Middle Income Groups in both urban and rural areas through the PMAY initiative. Through PMAY, the government aims to construct habitable houses for both urban and rural families, with total target of 30 million houses under PMAY Urban and PMAY Gramin until 2029 (with respectively 10 million and 20 million houses). To achieve this goal, the government developed comprehensive policy guidelines outlining how it would deliver housing in urban and rural areas. The Ministry of Housing and Urban Affairs (MoHUA) and the Ministry of Rural Development (MoRD) published specific guideline for PMAY Urban and PMAY Gramin respectively. These guidelines detail requirements for eligible beneficiaries, the amount of financial assistance provided, standards for habitable (*pucca*) houses, and robust monitoring schemes.

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#### **PMAY Urban (PMAY-U)**

PMAY-U guidelines include clear mechanisms for disbursing government assistance to beneficiaries and private developers under different scheme components, with built -in flexibility to integrate with other programmes for providing basic amenities. Recognizing that one size does not fit all, PMAY U offers tailored solutions such as Beneficiary-led Construction (BLC), Affordable Housing in Partnership, Affordable Rental Housing, and Interest Subsidy Scheme.

#### **PMAY Gramin (PMAY-G)**

PMAY-G frameworks sets out detailed requirements for rural beneficiaries, procedures for transferring assistance from central to local levels, cost-sharing between central and state government, guidelines for employing trained rural masons, and a monitoring system that uses geotagging and a unified web portal.

The table below shows the components featured in both PMAY U and PMAY G

#### **Summary of PMAY U and PMAY G policy guideline components**

	<b>PMAY Urban</b>	<b>PMAY Gramin</b>
Eligibility criteria	<p>The blueprint includes detailed eligibility criteria of the beneficiaries, covering both income groups and priority target groups.</p> <p>Example: the blueprint mention the eligibility criteria which classification of beneficiaries based on its income group, alike</p> <ul style="list-style-type: none"> <li>Economically Weaker Sector : annual income up to Rs300,000 (USD3,468)<sup>k</sup></li> <li>Lower Income Group: from Rs300,000 (USD3,468) to Rs600,000 (USD6,937) and</li> <li>Middle Income Group: Rs600,000 (USD6,937) to Rs900,000 (USD10,405)</li> </ul> <p>This includes the preferred groups under the scheme, alike widows, single women, persons with disabilities, senior citizens, transgender, and persons belonging to scheduled castes</p>	<p>The eligibility criteria section includes the mechanism for selection of the beneficiaries and lists the vulnerable groups to receive programme benefits.</p> <p><b>Example:</b> the blueprint mentions that the beneficiaries will be prescribed under Socio Economic Caste Census (SECC)-2011 and verification by the Gram Sabhas, the local government in India. It includes the houseless and households living in zero, one or two room uninhabitable houses.</p>

<sup>k</sup> Exchange rate: USD1 = Rs86.49 (as per 22 July 2025).

	PMAY Urban	PMAY Gramin
Implementing Stakeholders (public and private)	<p>The blueprint outline the roles and responsibilities of central and state governments, as well as the involvement of housing financial institutions, and third parties such as auditors participating in the programme.</p> <p><b>Example:</b> The PMAY U blueprint includes the interrelation of implementing stakeholders alike requiring development authorities to submit proposals through ULBs for State and Central Committee approvals, while Third-Party Quality Monitoring Agencies oversee site visits and advise on quality issues.</p>	<p>The operational guidelines include the coordination flow and interrelation from central to village governments, as well as the role of designated rural masons under the programme.</p> <p><b>Example:</b> The PMAY G blueprint defines implementing stakeholders across levels, with central and state governments coordinating planning and funding, the Gram Panchayats managing the beneficiary selection and oversight. It also highlights the role of trained masons in ensuring compliance with habitable housing standards.</p>
Scheme Components	<p>PMAY-U comprises four distinct sub-schemes outlined in the blueprint, which includes detailed mechanisms for each, including its convergence with other schemes.</p> <p><b>Example:</b> the Beneficiary-led Construction sub-scheme specifies direct subsidy disbursement to beneficiaries for incremental housing construction, with flexibility to integrate support with other government programme alike Atal Mission for Rejuvenation and Urban Transformation (AMRUT 2.0) to support provision of civic amenities and infrastructure development.</p>	<p>The PMAY-G blueprint includes detailed mechanisms for implementing the program from higher to lower levels, including its convergence with other schemes.</p> <p><b>Example:</b> the blueprint includes the unit assistance through convergence with other programmes alike Swachh Bharat Mission – Gramin to facilitate the beneficiaries with Rs12,000 (USD138.7) for proper sanitation construction.</p>
Financing Scheme	<p>he PMAY-U blueprint includes the programme's financing scheme, detailing the roles of States and Union Territories, with variations across different sub-schemes.</p> <p><b>Example:</b> The financing scheme in the PMAY-U guidelines mandates a compulsory contribution from State Governments, while also requiring beneficiaries to provide a minimum share of 25% of the project costs. To reduce this financial burden, beneficiaries have the option to secure housing loans through approved Housing Finance Companies, enabling more accessible and sustainable homeownership.</p>	<p>PMAY-G operational guidelines includes the financing design of the programme, including the share between state and central government in State/Union Territories and within designated region. It also mentions the aid that will be given to the beneficiaries.</p> <p><b>Example:</b> PMAY G operational framework includes the provision financial aid to the beneficiaries based on the areas, for instance:</p> <ul style="list-style-type: none"> <li>• Assistance of Rs120,000 (USD1,387) per unit in plain areas; and</li> <li>• Assistance of Rs130,000 (USD1,503) per unit in hilly regions, districts, and certain territories (Jammu-Kashmir and northeastern areas).</li> </ul> <p>Moreover, the beneficiaries could avail a loan of Rs70,000 (USD809.3) from Banks if they wish to construct their house.</p>

	PMAY Urban	PMAY Gramin
Construction standard for pucca houses	<p>PMAY-U blueprint outlines housing standards that vary across sub-schemes, with quality benchmarks tailored to each scheme's specific requirements.</p> <p><b>Example:</b> under BLC, beneficiaries may be allowed to construct habitable houses of minimum 30sqm and maximum of 45 sqm. The houses built should conform the safety and design standards as in the National Building Code (NBC).</p>	<p>The operational guideline of PMAY G provides the quality standards for the houses built under the programme.</p> <p><b>Example:</b> The PMAY-G operational guidelines specify a minimum unit size of 25 square meters, including a dedicated area for hygiene cooking. They require that houses be built using local materials and constructed by trained masons to ensure quality standards are met.</p>
Monitoring and Evaluation	<p>PMAY U blueprint includes details on the programme's monitoring and evaluation, ensuring that all stakeholders can track housing projects effectively.</p> <p><b>Example:</b> PMAY U ensures that the programme can be monitored transparently using geo-tag. The geo-tagging of houses is required before release of each instalment. Moreover, it also mentions the usage a Unified Web Portal and Management Information System (MIS) accessible to all stakeholders, enabling beneficiaries to apply and track their application status in real time.</p>	<p>The PMAY-G blueprint includes monitoring and evaluation details to ensure that all stakeholders can transparently access progress information.</p> <p><b>Example:</b> The PMAY G guidelines include the monitoring and evaluation process of the programme, such as Gram Sabhas approval, evidence-based monitoring through geo-tagged photographs at key stages of construction and real-time monitoring through AwaasSoft and AwaasApp.</p>

India's experience demonstrates how a nation can pursue housing for all through a well-defined blueprint featuring clear goals, flexible delivery mechanisms, land reforms, improved access to finance, strong coordination, private sector engagement, and integration with broader public infrastructure. Comprehensive policy blueprint for affordable housing provision offers a valuable model for other countries seeking to design effective and sustainable affordable housing strategies.



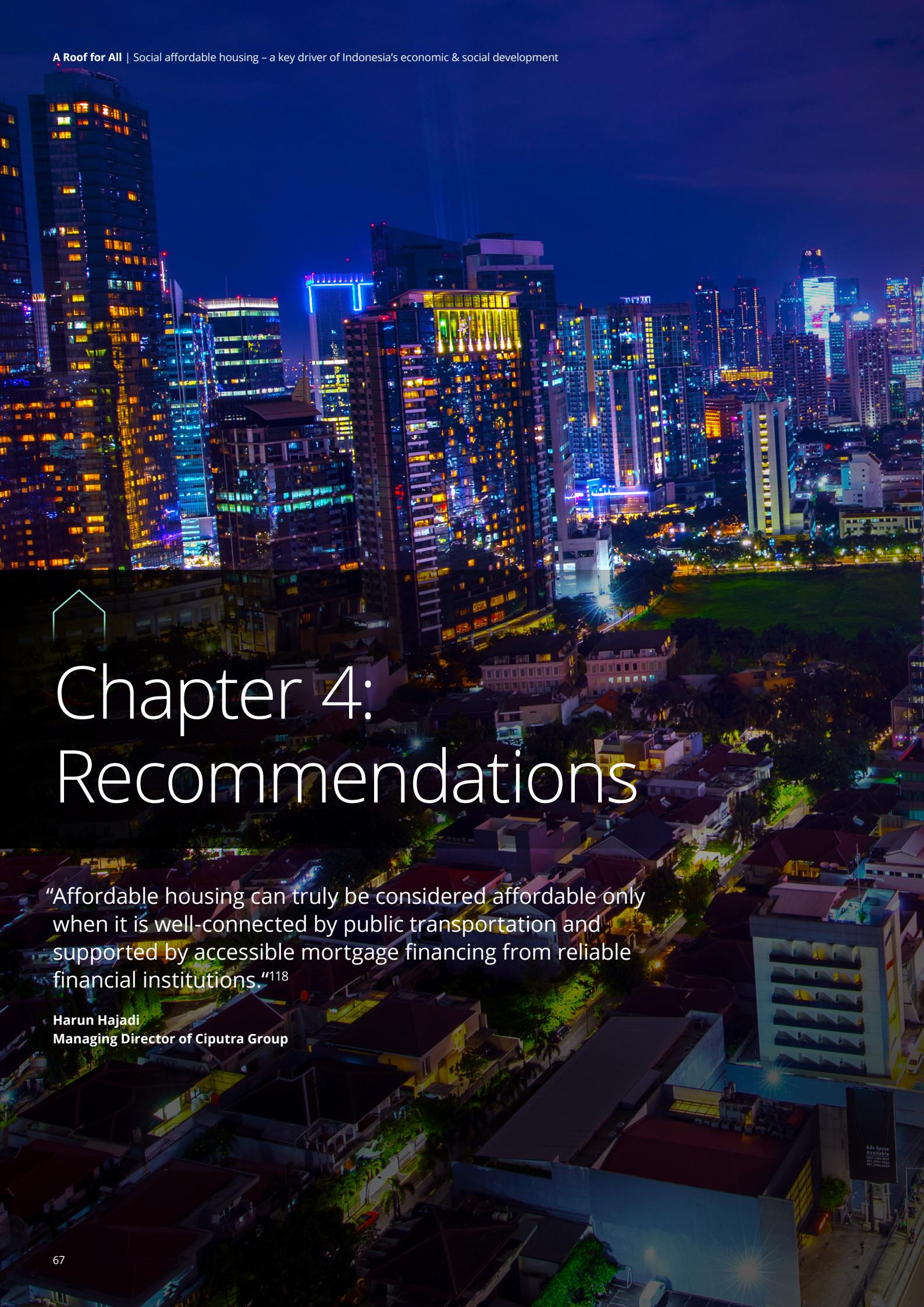
**CASE STUDY 15****India's Primary Lending Institutions and Refinance through National Housing Bank**

To support the Housing for All Mission, the PMAY programme, and the Economically Weaker Section (EWS) in general, the Government of India provides refinancing assistance through the National Housing Bank (NHB) to Primary Lending Institutions (PLIs). PLIs are financial institutions that provide loans directly to individuals or businesses for specific purposes such as housing, MSMEs, or other eligible categories. PLIs include Scheduled Commercial Banks, Housing Finance Companies, Regional Rural Banks (RRBs), State Cooperative Banks, Urban Cooperative Banks, or any other financial institutions as identified by the Reserve Bank of India. Through PLIs, the reach of affordable housing loans can be expanded.

In the context of PMAY, PLIs consist of banks or financial institutions that have signed a Memorandum of Understanding (MoU) with PMAY-U to contribute to loan disbursement for eligible beneficiaries. For instance, under PMAY-U, PLIs provide interest subsidies to eligible beneficiaries and offer loans at affordable interest rates (3–4%) to help cover construction costs. Meanwhile, under PMAY-G, PLIs can provide loans of Rs70,000 (USD809.3) at a subsidized interest rate of 3% to beneficiaries who wish to construct houses based on their own preferences.

To strengthen the lending capacity of PLIs, the National Housing Bank offers refinance assistance by providing funds to PLIs after they have extended loans to individuals, with loan tenures of no less than one year and not exceeding 15 years. Repayment of this assistance by PLIs to NHB is done on a quarterly basis, beginning from the date of disbursement.

The refinancing scheme of India's National Housing Bank for Primary Lending Institutions helps maintain the continuity of loan provision to low-income groups through housing finance institutions or banks. This mechanism enables PLIs to expand their lending capacity and offer affordable housing options to a broader segment of the population.<sup>117</sup>



# Chapter 4: Recommendations

“Affordable housing can truly be considered affordable only when it is well-connected by public transportation and supported by accessible mortgage financing from reliable financial institutions.”<sup>118</sup>

**Harun Hajadi**  
Managing Director of Ciputra Group

Against the background of Indonesia's housing landscape and the diverse needs of urban and rural populations, the following recommendations aim to assist the Government of Indonesia in implementing its Three Million Houses Program. These recommendations are structured under the "Roof for All" housing framework. Pillars 1 and 2 address citizen-driven housing demand, Pillar 3 focuses on enhancing financing for both demand and supply, and Pillar 4 strengthens housing supply through private sector involvement. The foundation supports effective and seamless program implementation.

**Table 4: Summary of recommendations**

Themes	Recommendations
<b>Pillar 1 - Affordability &amp; accessibility</b>	
Interventions for urban areas	<ol style="list-style-type: none"> <li><b>Implement a gradual repayment scheme to alleviate the financial pressure</b> on homebuyers.</li> <li><b>Provide subsidised loans for house construction and renovation.</b> Encourage banks, or mandate SOE banks, to provide these subsidised loans.</li> <li><b>Continue and strengthen existing affordable housing programmes</b> such as FLPP, SSB, SBUM, Tapera and subsidised rental schemes.</li> <li><b>For lower-income households and/or informal workers:</b> <ul style="list-style-type: none"> <li>Offer heavy subsidies for homeownership with small, symbolic payments to foster a sense of ownership and responsibility.</li> <li>Encourage more banks to offer Rent-to-Own (RTO) schemes, where regular rent payments can be converted into home ownership mortgage.</li> <li><b>Support banks in adopting alternative income verification methods</b>—such as utility bills and transaction histories—for credit assessments to extend financing to informal workers.</li> </ul> </li> </ol>
<p><i>Note: interventions to improve affordability and accessibility in rural areas are differentiated between income levels (low and middle) and status of employment (formal and informal).</i></p>	
Interventions for rural areas	<ol style="list-style-type: none"> <li><b>Continue the BSPS programme to support house construction or renovation and integrate the programme with other social and environmental initiatives</b>, ensuring access to clean water, sustainable energy, and proper waste management.</li> <li><b>Provide village mortgage to middle-income households with relatively lower credit risk.</b> Implement a flexible yet reliable income level verification to ensure the programme reaches the right beneficiaries.</li> </ol>
<p><i>Note: interventions to improve affordability and accessibility in rural areas are differentiated between income levels (low and middle).</i></p>	

Themes	Recommendations
Mandatory affordable housing loan ratio	<p><b>7. Advocate for Bank Indonesia (BI) to refine its Giro Reserve Requirement (GWM) reduction incentives</b> by targeting them specifically toward affordable housing, rather than broadly applying them to the general housing sector.</p>
Inclusivity and social integration	<p><b>8. Effectively enforce Government Regulation 12/2021 on balanced housing</b> to achieve a proportionate composition of high-end, medium-range, and affordable houses in a single area to prevent socio-economic segregation.</p> <p><b>9. Improve the current profession-based priority allocation schemes with a needs-oriented and inclusive approach</b>, such as first-time homebuyers, divorced/widowed, seniors, family with 3 and above children, and <b>a flexible quota allocation through percentage-based quota</b>.</p> <p><b>10. Ensure vulnerable groups receive priority access to affordable housing programmes</b>. Utilise socio-economic criteria such as disability status, female-headed households, and landless workers to determine prioritisation.</p> <p><b>11. Design programmes that cater to the needs of groups across life stages</b> to ensure programme inclusivity. Housing should be affordable for first-time homebuyers as well as growing families that need larger homes.</p>
Nationwide financial education	<p><b>12. Provide financial literacy and homeownership education programmes</b> to help borrowers effectively manage loans and reduce default risks. Adopt a nationwide implementation to ensure consistency of financial literacy across Indonesia.</p>
<b>Pillar 2 – Liveability</b>	
Holistic housing ecosystems	<p><b>13. Mandate that all affordable housing developments be integrated within broader ecosystems</b> or townships with access to public facilities, jobs, markets, schools, and transport options. Establish regulations and a national housing blueprint that prioritises development in transit-oriented areas, special economic zones, and industrial hubs.</p>
Land provision	<p><b>14. Utilise idle state-owned and private-owned land in strategic areas</b> for affordable housing. Conduct a nationwide stock-take of land to assess the full potential land that can be used for affordable housing developments.</p> <p><b>15. Secure land near future economic hubs to preserve strategic sites for housing in the future</b>. Foster collaboration among housing, transport, infrastructure, regional planning, and land management agencies to identify these sites.</p>

Themes	Recommendations
Standardised building and construction quality	<p><b>16. Implement agile design guidelines and principles</b> that are adaptable to regional availability of materials. Provide flexibility for contractors and developer to adjust their budget without compromising the building standards and ensure consistency in quality across all development (e.g., good ventilation, lighting, space efficiency, and sanitation).</p>
	<p><b>17. Develop a guideline on the maximum allowable number of units within a given floor area to ensure liveable housing space.</b> This guideline should align with Indonesia's National Standard (SNI), which sets the minimum liveable space at 36 square meters.</p>
	<p><b>18. Mandate contractor certification programme</b> to set the standard of credentials and requirements for contractors in alignment with work integrity and safety.</p>
	<p><b>19. For larger developments, leverage building and construction technologies</b> like the Building Information Modelling (BIM) and prefabricated construction methods to reduce on-site errors and ensure structural integrity to minimise post-construction defects. Leverage 3D printing technology to build units for affordable housing in the future.</p>
	<p><b>20. Authorise building quality assessment to rate the structural works</b>, architectural finishes, and safety to ensure the work meets the standard requirements and specification through systematic process and tech-based approach with justifiable cost and time.</p>
	<p><b>21. Conduct post-construction maintenance and feedback mechanisms</b> that allow the project owner and residents to report defects that must be rectified by contractors within certain period.</p>
Coastal housing standards	<p><b>22. For coastal housing, develop and enforce building standards that address environmental risks specific to coastal areas.</b> These standards should include the use of corrosion-resistant materials and elevated floor levels.</p>
Technology and green innovation	<p><b>23. Provide incentives for developers to adopt green, climate-resilient construction practices.</b> Incentives can be in the form of grants and additional Floor Space Ratio (FSR).</p>
<b>Pillar 3 – Financing for programmes</b>	
Housing funds and bonds	<p><b>24. Issue investment-grade housing bonds to fund housing financing for projects.</b> Create a new institution specialising in issuing housing bonds outside Ministry of Finance, to isolate housing-related debt from the government debt. Encourage large institutional investors like pension and insurance funds and impact investors to invest in these bonds.</p>
	<p><b>25. Implement the already-regulated Conversion Fund under Government Regulation 21/2021</b>, sourced from developer contributions mandated under balanced housing regulations.</p>
	<p><b>26. Expand existing housing fund to include other funding sources beside employer and employee contribution.</b> Proceeds from housing bonds can be collectively managed under this fund. Current regulations and risk management mechanisms may be revisited and refreshed to reflect its broader responsibilities.</p>

Themes	Recommendations
Mortgage-Backed Securities (MBS)	<p><b>27. Proactively promote MBS as a secure, high-yield investment backed by an AAA rating, full Ministry of Finance ownership, and strong OJK oversight.</b> Leverage the government's "stage" to actively market MBS' credibility and advantages to boost investor confidence and uptake.</p> <p><b>28. Expand existing market Mortgage-Backed Securities (MBS) beyond the current platforms.</b> Explore partnerships with banks and digital investment platforms.</p> <p><b>29. Position MBS as a social and sustainable investment vehicle</b> to attract impact-focused institutional and retail investors, including those seeking to meet ESG or socially responsible investment mandates.</p> <p><b>30. Establish Special Purpose Vehicles (SPVs) to increase MBS supply.</b> Provide products with different ratings and returns to cater to the diverse risk appetites of investors.</p>
Real Estate Investment Trusts (REITS)	<p><b>31. Promote awareness of the existing fiscal incentives related to REIT investments to increase the number of REITs.</b> Hold consultations with REIT managers and investors to identify incentive structures that enhance REIT attractiveness and viability.</p> <p><b>32. Securitise rents income instead of physical assets to minimize investors' exposure to asset management risks,</b> which can build investors' trust.</p> <p><b>33. Provide lending facilities that allow developers to acquire unsold properties</b> and expand REIT portfolios.</p> <p><b>34. Provide withholding tax reduction for investments in affordable housing REITs</b> to attract more capital.</p>
Blended finance	<p><b>35. Leverage the SDG Financing Hub under the Ministry of National Development Planning (Bappenas) to mobilise blended finance</b> for affordable housing initiatives aligned with SDG 11: Make cities and human settlements inclusive, safe, and resilient.</p> <p><b>36. Ensure affordable housing projects are listed in Bappenas' Green and Blue Books</b> to qualify for international funding opportunities.</p>
On-lending from development banks and large banks	<p><b>37. Propose on-lending for housing, where banks borrow funds from development banks and large banks and subsequently relend them to end borrowers.</b> Strongly assists during the approval and execution stages of housing on-lending proposals by development banks.</p>
Investment in Direct Assignment/ Portfolio Sale and MBS	<p><b>38. Encourage large banks to invest in Direct Assignment (DA) transactions and Mortgage-Backed Securities (MBS).</b> Provide government-led capacity building to raise awareness and promote adoption among major financial institutions.</p>
Value Capture Financing (VCF)	<p><b>39. Implement Value Capture Financing (VCF) to fund affordable housing, harnessing land value increase obtained by beneficiaries.</b> Utilise funds generated from Land Value Capture (LVC) to finance affordable housing, and formally recognise affordable housing as an eligible use of LVC proceeds, building on precedents set by transit-oriented development (TOD) initiatives in Indonesia.</p>

Themes	Recommendations
Public Private Partnerships (PPP)	<p><b>40. Engage the private sector through PPPs</b> to finance affordable housing programmes. Refer to Pillar 4 for more details.</p> <p><b>41. Establish a dedicated PPP unit for housing (or expand the current PPP unit to cover housing)</b>, responsible for identifying suitable projects for PPPs, coordinating, and assisting in the selection and structuring of schemes and preparation of PPPs, facilitating government support and guarantee process, and implementing capacity-building programmes. The PPP unit needs to be supported by a dedicated Project Management Office (PMO) to resolve bottlenecks and accelerate project implementation.</p>
	<b>Pillar 4 – Private sector incentives</b>
Note: Any engagement with the private sector should account for overall economic returns to build a compelling business case for affordable housing development.	<p><b>42. Implement appropriate PPP models for affordable housing offering competitive returns (both Project and Equity IRR)</b>, including:</p> <ul style="list-style-type: none"> <li>– <b>Availability Payments</b>, where the government assumes demand risk and pays developers based on construction and maintenance quality and milestones.</li> <li>– <b>User Charges</b>, where the developers bear demand risk and recover costs through beneficiary payments, with government covering shortfalls.</li> <li>– <b>Hybrid Annuity models</b>, with milestone-based payments during construction and performance-linked payments during operations.</li> </ul> <p><b>43. Integrate affordable vertical housing into urban planning in high-demand, strategic locations to reduce the demand risk in PPPs.</b></p> <p><b>44. Provide appropriate government support</b>, such as:</p> <ul style="list-style-type: none"> <li>– <b>Viability Gap Funding (VGF)</b> partially finances construction costs for economically viable but financially infeasible projects.</li> </ul> <p><b>45. Government guarantees through PII (IIGF)</b> which covers GCA's failure to fulfill its financial obligations to the private party as outlined in the cooperation agreement. This includes compensation owed due to political events and termination of the agreement arising from political events, GCA's unilateral termination, GCA's default, or prolonged force majeure.</p>
Trade-off benefits	<p><b>To cross subsidise the lower profits from building affordable houses:</b></p> <p><b>46. Grant higher Floor Space Ratios (FSR)</b> for projects that include affordable units, allowing developers to build additional floor area.</p> <p><b>47. Offer reduced-cost public land or land grants for high-end housing developments</b> in exchange for benefits for affordable housing development.</p>

Themes	Recommendations
Tax incentives	<p><b>48. Include affordable housing as one of the prioritised business eligible to receive tax allowances.</b> Several forms of tax incentives and allowances that can be enacted:</p> <ul style="list-style-type: none"> <li>– <b>Reduction of withholding tax (WHT)</b> on payments from funds that invest in affordable housing developments.</li> <li>– <b>Increases in the capital works tax deduction depreciation rate</b> for developments related to affordable housing.</li> <li>– <b>VAT exemptions on construction materials</b> used for affordable housing developments.</li> <li>– <b>Capital gains tax deferrals</b> in investments in affordable housing.</li> </ul> <p><b>49. Reduction property taxes</b> on properties used for affordable housing.</p>
<b>Foundation: Strong Government commitment and clear governance</b>	
Institutional framework and expansion of housing delivery unit	<p><b>50. Immediately enable BP3 to execute its mandate to accelerate housing developments or create an alternative national housing delivery unit</b> and expand its role to also provide strategic policy support at both national and regional levels. Strengthen the legal foundation for BP3 (or its replacement) by building on Presidential Regulation No. 9/2021 and progressing toward a dedicated law to support multi-sectoral and multi-level coordination, enacted to accelerate execution and address bureaucratic complexities, while also specifying clear implementing regulations and technical guidelines. Ensure the body is supported by a dedicated operational budget, separate from the Conversion Fund, and is led by experienced professionals to uphold strong governance standards. Institutional backing should be provided through a high-level coordinating ministry or direct endorsement from the President, to ensure alignment and sustained momentum across government stakeholders.</p>

Themes	Recommendations
Housing data system	<p><b>51. Implement a national transformation toward a by-name, by-address housing database.</b> Involve local governments—from province to RT/RW—in data collection, verification, and approvals to ensure fairness. Leverage national datasets like Susenas by BPS Indonesia and DTKS by Ministry of Social Affairs. Improve records with housing conditions and ownership details. Integrate database with affordable housing project matching, use geotagged photos for documentation, and connect with Dukcapil's digital ID to prevent duplication. Integrate with ATR/BPN and Bank Tanah data will verify land status, while linking to BPJS employment and income records will strengthen subsidy targeting and housing allocation.</p>
	<p><b>52. Introduce a computerised ballot system, integrated with the database, to enhance fairness in the allocation of affordable housing.</b> Incorporate clear eligibility criteria and publish the results transparently.</p>
	<p><b>53. Integrate the database into a dashboard for real-time updates on housing availability, application status, and scheme details, to significantly enhance transparency while supporting more responsive, demand-driven planning.</b> Integrate demographic, migration, and economic data, to enable policymakers anticipate demand, allocate resources efficiently, and prevent housing oversupply.</p>
	<p><b>54. Feature geotagging in the project monitoring dashboard to enable real-time documentation of construction progress, improving oversight of timelines and quality.</b> Enable financial disbursements tracking, with payments to contractors released in stages based on geo-verified milestones.</p>
National Housing Blueprint	<p><b>55. Develop a standardised five-year national housing roadmap or blueprint</b> with predictive analytics to improve resource allocation and project execution. Align national priorities with investment opportunities and promote transparency and accountability through enabling citizens to track progress toward the Three Million Houses target.</p>
Strong regulatory framework Recommendations	<p><b>56. Remapping the regulatory ecosystem for affordable housing is essential to address persistent gaps and implementation challenges.</b> These include the SKBG certificate, unclear roles between central and regional governments, and the reuse of idle government assets.</p>

Source: Deloitte analysis.

Just as every housing project requires a solid foundation, Indonesia's Three Million Houses Program must start with strong government commitment and clear governance. This includes creating a national housing blueprint, enhancing the institutional and regulatory framework, and building an integrated housing database to ensure assistance reaches those most in need.

Given fiscal constraints, the government should prioritise Pillar 3 – Financing for Programmes, while simultaneously progressing Pillar 4 – Private Sector Incentives. Encouraging private sector participation through attractive incentives will be essential to closing the funding gap and accelerating delivery.

Once the groundwork is established, the focus can shift to Pillar 1 – Affordability and Accessibility and Pillar 2 – Liveability, addressing the housing needs of Indonesia's low- and middle-income populations.

# Pillar 1:

## Affordability and accessibility

How can we ensure housing is affordable and accessible for all citizens?

**Indonesia offers a range of affordable housing programmes in urban and rural areas.** FLPP (Housing Loan Liquidity Facility), SSB (Interest Rate Subsidy), SBUM (Downpayment Subsidy), and Tapera are primarily targeted at urban populations. In rural regions, the BSPS programme provides grants for home improvement and development, but only for beneficiaries who already own land.

Despite informal workers and entrepreneurs comprising 82% of the housing backlog, 76% of housing financing subsidies are allocated to formal workers. These individuals, with predictable incomes and payslips, are able to meet banks' loan repayment criteria. This reflects a structural imbalance in subsidy distribution, favouring formal workers over the majority who lack access. **A strategic and tailored approach is essential to ensure equitable housing affordability and accessibility for all.**

**In order to execute the programme effectively, it is essential to establish a clear and targeted definition of urban and rural areas.** The Ministry of Housing and Settlements (PKP) has initiated tailored housing programmes for urban, rural, and coastal areas, and defined the delineation of each area in the Ministerial Decree of Housing and Settlements 023/KPTS/M/2025. Urban areas include all cities and provincial capitals, coastal areas are defined by a dominant coastline, and rural areas encompass the remaining regencies. While this administrative approach appears straightforward, it overlooks the fact that some regencies exhibit clear urban characteristics. To address this, the Ministry of PKP can adopt the more nuanced classification system used by Indonesia Central Bureau of Statistics (BPS), as outlined in the Head of BPS Regulation 120/2020 about Classification of Urban and Rural Areas in Indonesia.<sup>119</sup> BPS applies a scoring system based on population density, share of farmer households, and access to urban facilities. Using the metrics given by BPS, a clear distinction can be made between urban and rural areas. Aligning with this method will improve the targeting and effectiveness of housing policies by better accounting for the functional characteristics of each region.

### Interventions for urban areas

**In urban areas, we propose a housing affordability strategy that accounts for varying income levels (low and middle) and employment types (formal and informal).** This high-level approach is detailed in the accompanying table, contextualized to the current MBR classification structure regulated in Ministry of Housing & Settlements Regulation 5/2025. The Ministry of PKP has developed a tiered intervention model tailored to different incomes. In addition, the model could adopt a tiered subsidy approach inspired by Singapore's model, where housing assistance is calibrated based on income brackets, by offering higher subsidies for lower-income groups and gradually reducing the amount for higher-income tiers.

**Table 5: Urban affordable housing programmes by household income levels & employment types**

<i>Masyarakat Berpenghasilan Rendah (MBR) based on Ministry of Housing Settlements 5/2025</i>							
	Lower Income <50% of the upper limit		Tapera member		Low to Middle Income 50%-100% of the upper limit		
	Non-Tapera member		Single	Married	Non-Tapera member	Single	
<b>Zone I</b> (Java – except Jabodetabek, Sumatera, West Nusa Tenggara, East Nusa Tenggara)	<Rp4.000.000	<Rp5.000.000	<Rp5.000.000		Rp4.000.000	Rp5.000.000 – Rp8.500.000	Rp5.000.000 – Rp10.000.000
<b>Zone II</b> (Kalimantan, Sulawesi, Bangka Belitung, Riau Islands, Maluku, Maluku Utara, Bali)	<Rp4.500.000	<Rp5.500.000	<Rp5.500.000		Rp4.500.000	Rp5.500.000 – Rp9.000.000	Rp5.500.000 – Rp11.000.000
<b>Zone III</b> (Papua)	<Rp5.000.000	<Rp6.000.000	<Rp6.000.000		Rp5.000.000 – Rp10.500.000	Rp6.000.000 – Rp12.000.000	Rp6.000.000 – Rp12.000.000
<b>Zone IV</b> (Jabodetabek)	<Rp6.000.000	<Rp7.000.000	<Rp7.000.000		Rp6.000.000 – Rp12.000.000	Rp7.000.000 – Rp14.000.000	Rp7.000.000 – Rp14.000.000
<b>Formal (With payslips)</b>	<ul style="list-style-type: none"> <li>Subsidised rentals</li> <li>Gradual repayment schemes</li> <li>Rent-to-own programmes</li> </ul>		<ul style="list-style-type: none"> <li>Existing affordable housing financing mechanisms (FLPP, SSB, Tapera, and SBUM)</li> <li>Subsidised renovation loans</li> <li>Subsidised construction loans</li> <li>Subsidised rentals</li> <li>Gradual repayment schemes</li> </ul>				
<b>Informal (No payslips)</b>	<ul style="list-style-type: none"> <li>Heavily subsidised homeownership programmes with small, symbolic payments</li> <li>Subsidised rentals</li> <li>Gradual repayment schemes</li> <li>Rent-to-own programmes</li> </ul>		<ul style="list-style-type: none"> <li>Existing affordable housing financing mechanisms (FLPP SSB and SBUM) that can provide loans to informal workers</li> <li>Subsidised renovation loans</li> <li>Subsidised construction loans</li> <li>Subsidised rentals</li> <li>Gradual repayment schemes</li> </ul>				

#### a. Heavily subsidised homeownership

The government should heavily subsidise housing for low-income, informal sector workers, requiring only small symbolic payments to encourage ownership and responsibility, inspired by Brazil's *Minha Casa Minha Vida* programme.

### **b. Subsidised rentals**

Indonesia’s Rusunawa provides affordable rentals with variable rates based on income and unit size. To expand rental access and supply, tax incentives could encourage landlords with multiple properties to rent them out, following South Korea’s example. Additionally, housing vouchers for private rentals, similar to India’s model, could be introduced.

### **c. Gradual repayment schemes**

A progressive mortgage repayment scheme helps low-income households by starting with low monthly payments that increase gradually with projected income growth. This is similar to the U.S. Federal Housing Administration (FHA) Graduated Payment Mortgage programme, which allows repayments to rise over five to ten years as the homebuyer’s income grows.

### **d. Rent-to-Own programmes**

Rent-to-Own (RTO) schemes, like Malaysia’s *Skim Smart Sewa*, can support young and informal low-income workers who cannot afford down payments or secure loans. Participants make regular payments that can later qualify as mortgage approvals. Currently offered by BTN, RTO schemes should be extended to all banks offering FLPP loans.

### **e. Inclusive loans for informal workers**

Alternative financing mechanisms should cater to informal workers by using innovative income verification, flexible repayment aligned with income patterns, and options for loan restructuring, inspired by models in Malaysia, India, and Brazil. Banks should accept alternative data, such as utility bills, fintech transaction histories, or digital footprints from platforms like GoPay, Tokopedia, and Grab. For those with poor credit histories—often due to digital lending—RTO schemes offer a pathway to homeownership. Given that 40% of loan applications in Indonesia are rejected, government-backed mortgage insurance is crucial to mitigate risk for banks. Financial credibility can also be established through participation in cooperatives or verification of residence and community ties by local neighbourhood units (RT/RW).

### **f. Subsidised renovation and construction loans**

Banks should introduce subsidised loans for housing construction and renovation, offering lower interest rates and longer tenures. The government can encourage and support banks through capacity-building initiatives, or, if necessary, mandate state-owned banks (SOEs) to offer these loans.

## Interventions for rural and coastal areas

**Table 6: Rural and coastal affordable housing programmes by household income levels & employment types**

Masyarakat Berpenghasilan Rendah (MBR) based on Ministry of Housing Settlements 5/2025							
	Lower Income <50% of the upper limit		Tapera member		Low to Middle Income 50%-100% of the upper limit		
	Non-Tapera member		Non-Tapera member	Tapera member	Non-Tapera member	Tapera member	
	Single	Married	Single	Married	Single	Married	
<b>Zone I</b> (Java – except Jabodetabek, Sumatera, West Nusa Tenggara, East Nusa Tenggara)	<Rp4.000.000	<Rp5.000.000	<Rp5.000.000		Rp4.000.000 – Rp8.500.000	Rp5.000.000 – Rp10.000.000	Rp5.000.000 – Rp10.000.000
<b>Zone II</b> (Kalimantan, Sulawesi, Bangka Belitung, Riau Islands, Maluku, Maluku Utara, Bali)	<Rp4.500.000	<Rp5.500.000	<Rp5.500.000	Rp4.500.000	Rp5.500.000 – Rp9.000.000	Rp5.500.000 – Rp11.000.000	Rp5.500.000 – Rp11.000.000
<b>Zone III</b> (Papua)	<Rp5.000.000	<Rp6.000.000	<Rp6.000.000	Rp5.000.000 – Rp10.500.000	Rp6.000.000 – Rp12.000.000	Rp6.000.000 – Rp12.000.000	Rp6.000.000 – Rp12.000.000
<b>Zone IV</b> (Jabodetabek)	<Rp6.000.000	<Rp7.000.000	<Rp7.000.000	Rp6.000.000 – Rp12.000.000	Rp7.000.000 – Rp14.000.000	Rp7.000.000 – Rp14.000.000	Rp7.000.000 – Rp14.000.000
	<ul style="list-style-type: none"> <li>BSPS (housing grants) for construction and renovation</li> </ul>		<ul style="list-style-type: none"> <li>Village mortgage ('KPR Desa')</li> <li>Subsidised renovation loans</li> <li>Subsidised construction loans</li> <li>Existing affordable housing financing mechanisms (FLPP, SSB &amp; SBUM)</li> <li>Gradual repayment schemes</li> </ul>				

**In rural areas, the BSPS programme should continue, offering grants for lower-income beneficiaries to renovate or build homes under the guidance of rural technical masons using local materials.** This ensures proper construction, empowers small-scale developers, fosters homeowner responsibility through 'sweat equity', and benefits local economies. To improve BSPS, integrating other social and environmental programmes that provide clean water, sanitation, and waste management could enhance living conditions, as seen in India's PMAY-G, which ensures all homes are equipped with necessary infrastructure.

### **BTN's proposal on village mortgage ('KPR Desa') can be applied for middle-income rural residents, providing financing options for purchasing, building, or renovating homes.**

Unlike the BSPS grant, a mortgage carries credit risk, making the village mortgage more suitable for the middle-income households who are more able to pay compared to lower-income households. To ensure the programme reaches the right beneficiaries, implementing a flexible yet reliable income level verification is essential, especially since many rural residents work in the informal sector or are self-employed.

### **Earmark GWM incentives to affordable housing**

**Earmark the incentives through the Giro Reserve Requirement (GWM) relaxation to affordable housing rather than applying them broadly to the general housing sector.**

With such incentives, banks can provide more affordable housing loans.

### **Inclusivity and social integration**

**To strengthen social integration, strict enforcement of Indonesia's Government**

**Regulation (PP) 12/2021 is crucial**, which governs housing and settlement development, requiring proportional construction of high-range, medium-range, and affordable/public housing within a single area. This ensures shared spaces and facilities are free from segregation. Inspired by Singapore's policies and practices in promoting social harmony, such as Ethnic Integration Policy (EIP), this approach could help foster social cohesion among diverse communities.

**A needs-oriented and inclusive approach to housing allocation prioritisation can be achieved by using percentage-based quotas to address the different life stages and social circumstances in Indonesia.** This approach can improve the current profession-based priority allocation schemes in Indonesia. A reference point is India's *Pradhan Mantri Awas Yojana* (PMAY), which uses socio-economic criteria such as disability status, female-headed households, and landless workers to determine housing eligibility. Additionally, Indonesia could introduce targeted support for second-time homebuyers, following Singapore's CPF Step-Up Grant model, to assist households transitioning through various stages of homeownership. Indonesia can adopt Singapore's needs-oriented priority schemes and percentage-based quota. Customising prioritisation between urban and rural Indonesia contexts and needs would further improve the effectiveness and equity of public housing policies.

### **Nationwide financial education**

**Indonesia could improve financial literacy and homeownership education, taking inspiration from Malaysia's RumahKu portal, to help borrowers manage loans effectively and mitigate default risks.** Although certain affordable housing programmes initiated by local or city governments already incorporate such measures, implementing them nationwide could help to ensure consistent financial literacy for homeownership across all provinces.

## Pillar 2: Liveability

How can we ensure that affordable housing is connected, convenient, secure, and durable for all citizens?

**Addressing liveability as a core design principle is critical to driving sustainable outcomes and ensuring long-term community resilience.** International experience underscores that successful affordable housing must be embedded within a holistic, integrated urban ecosystem, offering proximity to employment, transport, education, and healthcare. A key enabler of this ecosystem is access to well-located, strategic land, which remains a significant constraint, particularly in dense urban centres. Additionally, high-quality construction standards and a robust maintenance framework, particularly for shared facilities, are essential to preserve asset value and enhance resident well-being over time.

### Holistic housing ecosystems

Many government-backed affordable housing projects in Indonesia remain unoccupied due to poor connectivity to employment centres, inadequate public transportation, and a lack of essential social infrastructure. **A holistic housing ecosystem is needed, especially to gain interest on vertical housing, ensuring homes are strategically located and integrated with transport networks, economic hubs, and community facilities, as exemplified by Singapore’s approach.**

**While the government has piloted affordable housing in some TOD areas, there is a need to scale up the implementation of the holistic housing ecosystem through clear regulations and comprehensive national blueprints.** Aligning housing developments with Special Economic Zones (SEZs) and industrial hubs, as demonstrated in China and Vietnam, can bring residents closer to employment opportunities using government-allocated land for mixed-income housing. Furthermore, essential infrastructure like schools, healthcare centres, and markets should be incorporated into housing projects, following Singapore’s example.

**While Indonesia’s Government Regulation (PP) 12/2021 mandates accessibility for affordable housing, clearer guidelines on service proximity are needed,** along with private developer co-investment in community infrastructure. These measures can enhance housing accessibility, economic integration, and liveability.

### Recycling government assets in strategic areas

The government can repurpose idle government buildings, which should be located in strategic urban areas, as affordable rental housing. **These buildings should be well-suited to support a holistic housing ecosystem with access to jobs, transportation, and public services.**

## Land provision

**To provide land in strategic areas, the government has begun utilising idle government-owned land and assets confiscated from corruption cases to support affordable housing, particularly in urban areas. To take a step further the government can explore to leverage vacant, private-owned land in strategic areas** through regulatory measures that enable the government to use it if the land remains idle for a specified period, like the case in China. Lease-based land arrangements, especially in urban areas, can also enable flexible land readjustment to meet future housing needs. A comprehensive inventory of idle land would further clarify the full potential for affordable housing development.

**The government should proactively identify and secure land near future economic hubs for affordable housings, as part of forward-looking strategy, rather than focusing solely on land in existing TOD zones, where land values and opportunity costs are high.** This forward-looking strategy is needed since idle strategic land might be insufficient to meet long-term demand. This strategy should align affordable housing development with national transport and infrastructure plans, and this requires strong coordination across housing, transport, infrastructure, regional planning, and land management agencies to optimise land availability and affordability over time.

## Standardised building and construction quality

**To ensure liveable housing, a guideline on the maximum number of units allowed per floor area should be enforced in line with Indonesia’s National Standard (SNI),** which currently sets the minimum liveable space at 36 m<sup>2</sup>. This standard should be reviewed periodically with public consultation to ensure its continued relevance to actual living conditions.

**Liveable affordable housing relies on robust standards, skilled contractors, and consistent quality monitoring to ensure long-term durability.** Indonesia’s building guidelines can be strengthened by tailoring material specifications to local availability and embedding green, climate-resilient features. Emerging technologies like BIM, prefabrication, and 3D printing can lower construction costs, accelerate timelines, and enhance build quality, as seen in countries that assemble prefabricated units on-site. Quality checks should be streamlined through digital reporting tools to monitor progress and accountability. A contractor certification system, like India’s, can ensure competency and safety compliance. Post-construction, developers should offer 10-year maintenance contracts, supported by community housing associations and feedback mechanisms to report, and fix defects. These steps help deliver sustainable, high-quality housing that meets residents’ needs.

## Coastal housing standards

**Indonesia should adopt coastal building standards** modeled on international best practices, such as **Australia’s National Construction Code (NCC)**, which mandates the use of **corrosion-resistant materials and elevated floor levels**. With a target of constructing one million coastal homes annually, it is crucial that these houses are resilient to rising sea levels. As an archipelago, Indonesia has approximately 920,000 fisherman households and about 75% of Indonesia’s major cities are in coastal areas.<sup>120</sup> Community-led coastal projects, where residents manage maintenance, can improve sustainability and engagement. Indonesia can reference global frameworks, such as UNEP’s guidelines and CTCN’s support for Bangladesh’s coastal housing, for durable construction strategies.

## Technology and green innovation

**Technology and green incentives can encourage sustainability in affordable housing.** Incentives, such as those in India’s Technology Innovation Grant and China’s extra Floor Space Ratio (FSR), can encourage sustainable construction, while prefabricated technologies can boost efficiency, reduce costs, and speed up housing delivery without sacrificing quality.



## Pillar 3: Financing for programmes

How can the government effectively and efficiently finance affordable housing programmes?

**The affordable housing programmes outlined in Pillars 1 and 2 will require substantial government funding, but given Indonesia's fiscal constraints, it is essential to explore alternative financing from non-state sources.** This can include leveraging PPPs which will be further elaborated in Pillar 4, upgrading the existing housing fund to draw funds from diverse sources such as housing bonds and conversion funds, in addition to employer and employee contribution, exploring blended financing and value capture mechanisms, and enlarging and strengthening the Mortgage-Backed Securities (MBS) market and Real Estate Investment Trusts (REITs).

### Housing funds and bonds

**Indonesia can enhance the financing capacity of its national housing funds by diversifying its funding sources beyond employer and employee contributions, through housing bonds.**<sup>1</sup> The issuance of housing bonds could attract investments from pension funds, global impact investors, and insurance companies. To further incentivise the uptake of housing bonds, the government can offer tax deductions for investors that purchase and hold housing bonds over a period of time.<sup>121</sup> In addition, the government should promptly establish the Conversion Fund—already regulated under the Presidential Regulation 21/2021—sourced from developer contributions mandated under balanced housing regulations. Effective enforcement of this fund alone has the potential to generate approximately IDR20.1 trillion (USD119.4 million) to support affordable housing initiatives.<sup>122</sup> Decisions on how, and through which body, housing bonds should be issued, will need to be made by the Ministry of Finance, in consultation with Bank of Indonesia and other stakeholders. Currently housing bonds are issued by the Ministry of Finance to be bought by the Central Bank of Indonesia in secondary markets, as a form of liquidity support for banks offering FLPP loans.<sup>123</sup> There is potential for housing bonds to be issued by an institution outside the Ministry of Finance that specialises in issuing housing bonds, like Housing Australia's AHBA, which would isolate housing-related debt from the government debt.

BP Tapera, the current housing fund, is already regulated and overseen by the Financial Services Authority (OJK), with a defined investment mandate and risk management framework, with published monthly and yearly reports. However, if the fund is expanded beyond employer and employee contributions, existing oversight regulations may need to be revisited and strengthened to reflect its broader responsibilities.

<sup>1</sup> Currently Tapera is Indonesia's sole housing fund funded by employer and employee contributions.

### **Mortgage-Backed Securities (MBS)**

**Greater awareness and interest in government-backed Mortgage-Backed Securities (MBS) should be cultivated among both domestic and foreign, retail as well as institutional investors to deepen the market and expand affordable housing finance.** The government can position MBS as a secure and appealing investment, emphasising its AAA rating, full ownership of PT SMF by the Ministry of Finance, and strong regulatory oversight by OJK. With retail investors growing by 30% between 2024 and 2025, half of whom are under 30, targeting younger, retail investors should be a priority. To gain stronger investment trust, government can guarantee the MBS, like South Korea. Expanding MBS distribution beyond current platforms (BIONS by BNI and BRIGHTS by BRI) through partnerships with more banks and popular digital investment platforms like Bibit and Stockbit can broaden reach. Moreover, positioning MBS as a social and sustainable investment product could attract institutional and impact investors with ESG mandates, inspired by Malaysia’s *Cagamas* model. Regulations by the Financial Services Authority (OJK) permit financial institutions, such as insurance companies and pension funds, to invest in MBS,<sup>124,125</sup> while investments by non-financial institutions or corporations are not specifically regulated by OJK. This highlights that the key barrier to greater MBS uptake is not regulatory, but rather the need for stronger promotion, investor awareness, and guarantee by government to minimise the risks of investing in MBS.

**To increase supply of MBS, more Special Purpose Vehicles (SPVs) should be established.** Currently, only PT SMF issues mortgage-backed securities (MBS) in Indonesia. However, in global MBS markets, it is common for multiple special purpose vehicles (SPVs) to issue MBS by pooling mortgage loans and structuring products with varying credit ratings and returns, tailored to different investor risk profiles. In MBS issued by SPVs, the investment risk is fully borne by the investors.

### **On-lending from development banks and large banks**

**Indonesia could explore on-lending mechanisms—where executing banks borrow funds from development banks or large commercial banks and re-lend them to end borrowers—as a strategy to enhance liquidity for affordable housing.** There is already precedent for on-lending in Indonesia, particularly in infrastructure financing. For example, the Asian Development Bank (ADB) successfully facilitated on-lending for infrastructure projects in 2019.<sup>126</sup> This model could be adapted for the housing sector to mobilise much-needed capital.

Although ADB published a housing-sector on-lending proposal as early as 2010, implementation has been limited, with no major progress reported to date.<sup>127</sup> This gap underscores the need for stronger government commitment and coordination during both the approval and execution stages of future on-lending initiatives for affordable housing.

## Investment in Direct Assignment/ Portfolio Sale and MBS by Banks with minimum affordable housing loan ratio

### Larger banks can be encouraged to invest in Direct Assignment (DA) transactions and Mortgage-Backed Securities (MBS).

This can be supported by government-led capacity-building initiatives to raise awareness and promote adoption among major financial institutions.

## Real Estate Investment Trusts (REITs)

**To boost investment in REITs, especially for affordable housing, fiscal incentives and REIT model adjustment can be implemented, complemented by public communication.** Fiscal incentives, such as reduced Acquisition Duty on Land and Building Rights (BPHTB) and income tax (PPH), should be clearly conveyed to REIT managers. Learning from China's approach, securitising income streams instead of physical assets can mitigate asset management risks and suit affordable rental housing. To diversify REIT portfolios, the government, via state-owned banks, can provide lending facilities for developers to acquire unsold properties and convert them into rentals. Additionally, adopting withholding tax incentives, inspired by Australia, could attract more investors. These initiatives should be complemented by effective public communication to prevent speculation, build trust, and establish a stable, income-generating REIT ecosystem.

## Blended finance

**Indonesia can explore the leveraging of blended finance, facilitated by Ministry of National Development Planning (Bappenas), which combines development and commercial finance to promote sustainable development and offers an innovative approach to financing SDG-aligned projects.** It draws on diverse funding sources, including public and private contributions through commercial loans, grants, equity, and investments, enabling the government to access resources beyond a single funding stream. The Ministry of National Development Planning (Bappenas) acts as the gateway for international funding through its Blue Book and Green Book and has established an SDG Financing Hub to evaluate proposals seeking blended finance for projects aligned with the SDGs, such as affordable housing under SDG 11. The Ministry of Housing and Settlement can collaborate with Bappenas to leverage these mechanisms for housing initiatives. As the lead agency for planning and strategising blended finance, Bappenas can provide support through the SDG Financing Hub by helping integrate SDG principles into housing programmes and assessing alignment with international donor and multilateral development bank funding criteria. It also has expert staff focused on accelerating innovative and blended finance schemes, reporting to the Minister, and coordinating with the Deputy of Development Financing and Investment to support the advancement of affordable housing initiatives.

## Value Capture Financing (VCF)

### Indonesia could adopt Value Capture Financing (VCF) to fund affordable housing, drawing inspiration from India's development-based model and the US' cash-based approach.

Cash incentives, offered through various schemes, would be managed by a land value capture (LVC) manager appointed by regional governments. This management could take the form of regional-owned enterprises (BUMD), regional government task forces (*Satker Perangkat Daerah*), or regional technical units (*Unit Pelaksana Teknis*). The generated cash could then be allocated to area managers, infrastructure providers, ministries, local governments, or Special Purpose Vehicles (SPV).

### For development-based LVC, Indonesia could follow MRT Jakarta's transit-oriented development (TOD) scheme and emulate DKI Jakarta's practice to fund affordable housing.

Under this model, developers in the TOD area are required to fund specific programmes as compensation for exceeding the Building Floor Coefficient (KLB). The list for programmes that can be funded by LVC is outlined in the TOD Urban Design Guidelines (UDGL) and proposed by MRT Jakarta as the TOD operator. The project value for the programmes is also set by DKI Jakarta, based on TOD tariff compensation values. The current list in Jakarta includes a green open space and affordable housing, among other projects, which meant that the Ministry of Housing and Settlement can tap into this funding to increase supply of affordable housing. Previously, DKI Jakarta required PT Kepland Investama to build a public rental housing (rusunawa) to compensate for exceeding the KLB Limit.<sup>128</sup>

## Community-based cooperative for affordable housing

**Long-term lease of idle individual land by the community-led cooperative could be an alternative of B2B scheme to reduce government's burden in delivering affordable housing, and address the problem of urban density.** These multi-family flats, introduced by Rujak, an NGO in urban planning in Indonesia, is to provide stable homeownership for its members. On the other hand, the long-term lease provides recurring income for the landlords without releasing ownerships. Further details are provided in the case study below.

### To extend this initiative, government could issue regulations and/or provide incentives for land use rights certification and the cooperative establishment.

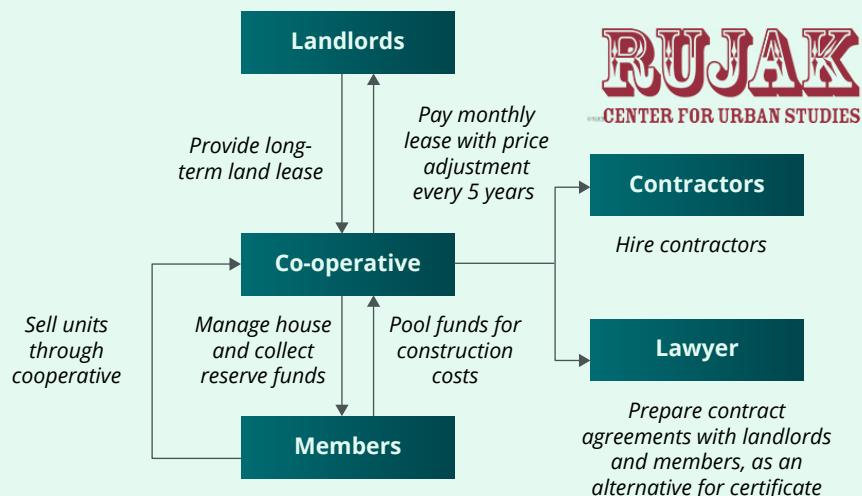
The current model relies on a contract between cooperative, members, and landlords, as an alternative for the certificate. The government could expedite the process and reduce the administrative cost of separating the land use rights within a single building. Meanwhile, this model has been acknowledged by the Ministry of Cooperatives, where they have taken some measures including reviewing the regulation base.<sup>129</sup> The government could regulate several aspects in the cooperative establishment to minimize frauds during the implementations, including the types of cooperative, whether it is community-based or user-based, and the capability or qualifications of the cooperative in managing housing.

**CASE STUDY 16****Lesson Learned from Flat House in Jakarta**

One of the problems in Jakarta is urban sprawl, where uncontrolled urban expansion leads to dense urban spaces, posing a significant challenge to housing provision. In response, the Jakarta Provincial Government issued Governor Regulation No. 31/2022 concerning Detailed Spatial Planning, which now recognizes multifamily housing through new zoning for flats. This momentum was utilized by RUJAK, a Jakarta-based, non-governmental organization that focuses on urban and sustainable city issues, that introduced a multi-family housing concept allowing people from various economic classes to live together and integrate with urban infrastructure, such as TOD areas and clean water. Rujak introduced four-story buildings, considering the predominance of buildings in Jakarta, which typically have fewer than three stories. This concept allows for vertical expansion and increasing the housing stock. Unlike most buildings, these flats allow for multiple ownership within a single building.

In the scheme, landlords provide long-term land leases to the cooperative. Furthermore, the cooperative plays the main role by pooling funds for construction costs and also paying monthly rent to the landowner. Cooperative members contribute funds upfront to the cooperative to cover construction costs to ensure that the capital is available to finance the housing development. This cooperative also hires contractors to carry out the construction with lawyers to prepare contracts with landlords that can later be used as collateral for the HGB. Based on this contract, since the purpose of this model is to provide decent housing, not as investment, and to maintain the stability of housing resale price, the residents need to return their units to the cooperative for resale.<sup>130</sup>

**Figure 18: Current flat house business model by Rujak in Indonesia**



Source: Deloitte analysis.

The existence of this housing concept is inseparable from key success factors such as long-term lease agreement (2x30 years) with monthly payments to landowners, which depend on negotiation and social engagement. Moreover, this concept provides an opportunity for landowners to reactivate their unused land. In the construction of this typical flat house, low construction costs can be achieved through non-profit cooperatives, which operate without the profit margins typically added by private developers.

## Public Private Partnerships (PPPs)

Private sector participation is vital to reducing the government’s fiscal burden. Most countries, except Singapore, use various PPP models for affordable housing provision. The mechanisms and incentives for PPPs are explained in Pillar 4. **To ensure the effective implementation of PPP for housing, the Indonesian government could potentially establish a dedicated PPP unit under a dedicated Project Management Office or leverage the existing PPP unit that is currently responsible for coordinating and assisting of PPP and provide government facilities.**

## Summary of recommended affordable housing financing

### Indonesia’s affordable housing financing currently relies heavily on the state budget (APBN) and employee savings.

BP Tapera manages the employee savings programme and functions to deliver APBN allocations for FLPP programme. PT Sarana Multigriya Finansial (SMF) also receives APBN allocation as capital (PMN) to provide low-interest loans to banks for FLPP. While PT SMF’s issuance of mortgage-backed securities (MBS) has improved bank liquidity, its impact remains limited. To scale housing supply and reduce reliance on the APBN, a more diversified funding base and financing mechanisms are essential.

**BP Tapera should broaden its funding sources beyond the APBN and employee-employer contributions, and potentially rebrand as “the housing fund”.** Options such as housing bonds should be explored to expand the capital pool. While conversion funds—sourced from developer contributions for non-compliance with balanced housing requirements—offer additional support, over-reliance should be avoided. Instead, the government must reinforce compliance with balanced housing regulations. The housing fund can be deployed through partnerships with FLPP banks for mortgage lending and to provide long-term, low-interest loans to affordable housing developers, encouraging greater private sector involvement.

### PT SMF’s MBS framework remains viable but requires wider promotion to attract investors, government guarantees for MBS issued by PT SMF, and more supply

**through issuance by SPVs.** The growing number of younger retail investors can be a target market, and this means that leveraging digital financial platforms to sell MBS can be impactful. Government guarantees would make MBS more attractive for risk-averse state-owned funds. SPVs are needed to increase supply and issue higher-yield, albeit riskier, products that appeal to investors with greater risk appetite.

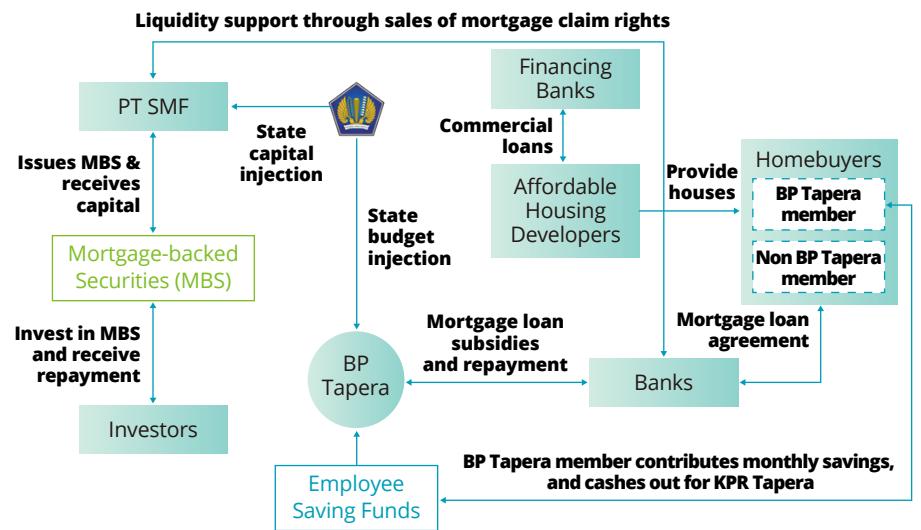
### Additional financing tools should be explored to strengthen housing affordability and infrastructure delivery.

These include land value capture mechanisms, development facilities, and blended finance models promoted by Bappenas, which combine international development loans with domestic funding sources.

**To support affordable rental housing, Indonesia's Real Estate Investment Trusts (REITs) ecosystem must be strengthened and adapted for affordable rental models.**

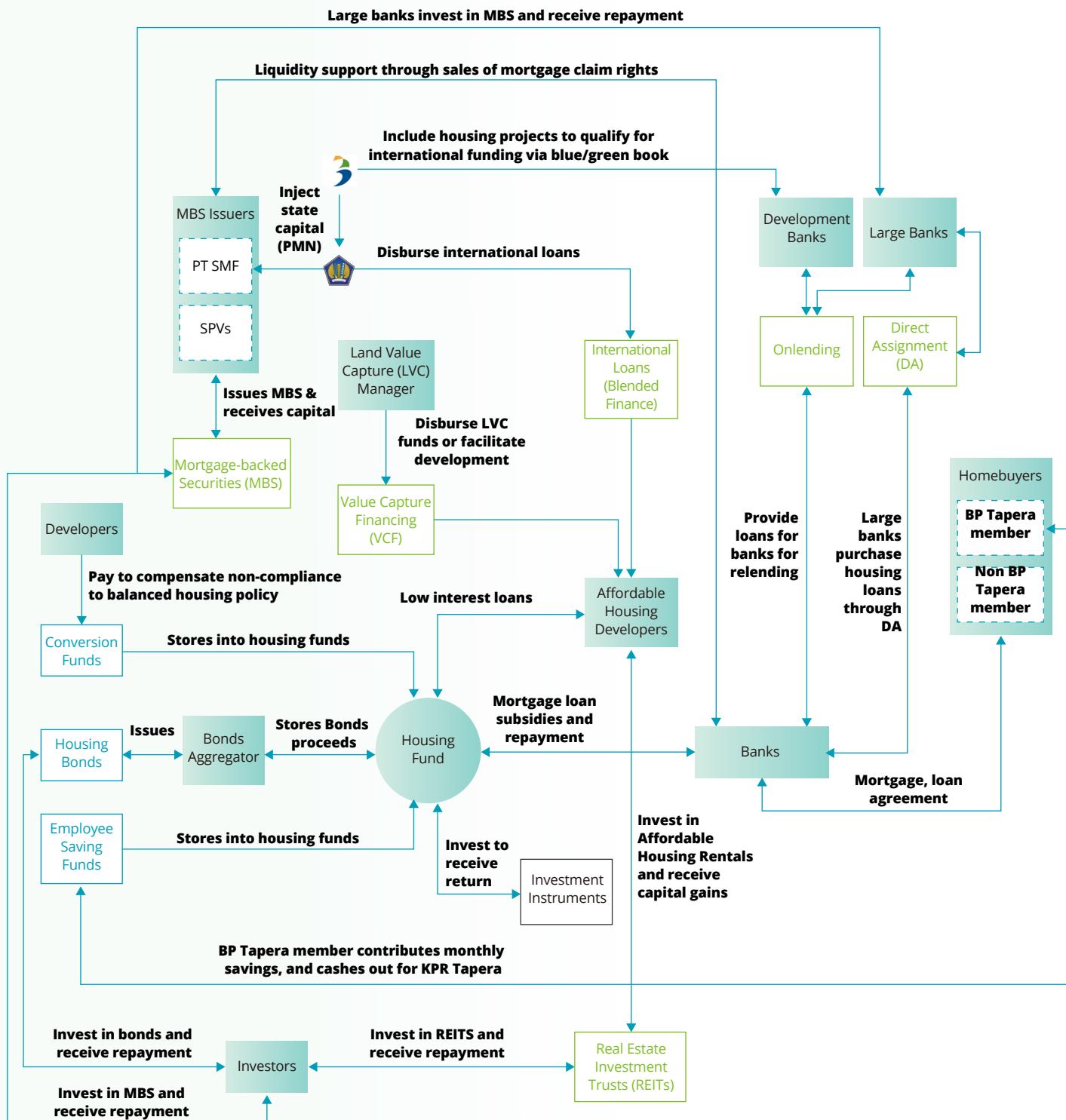
Capital raised through REITs can fund rental housing, with rental income securitised to repay investors, offering a sustainable, market-driven approach to expand housing supply.

**Figure 19: Existing affordable housing financing schemes in Indonesia**



Source: Deloitte analysis.

**Figure 20: Recommended affordable housing financing**



Source: Deloitte analysis.



## Pillar 4: Private sector incentives

How can we incentivise the private sector to be involved in affordable housing programmes?

Private sector participation is crucial to expanding Indonesia's affordable housing supply amid fiscal constraints. **Competitive financial returns**,<sup>m</sup> as typically expected under PPP availability schemes, are essential for attracting investment. Incentives and partnership models must align with benchmarks to sustain engagement.

### Public-Private Partnerships (PPP)

**Public-Private Partnership (PPP) models can be categorised in Availability Payment model, User Charge model, and Hybrid Annuity Model (HAM).** In the **Availability Payment** model, the government assumes demand risk, while private developers manage construction and maintenance, receiving payments only when standards are met, as seen in India's annuity- and capital grant-based models. In the **User Charge** model, developers bear demand risk, recovering costs through beneficiary payments, with the government covering shortfalls. This model may include repurposing vacant buildings, as in China and India, or the Build-Own-Operate-Transfer (BOOT) approach from Australia. The **Hybrid Annuity Model (HAM)**, though not yet regulated in Indonesia, would allow alternative investment returns under Presidential Regulation No. 38 of 2015, combining Availability Payments and user charges, with milestone-based payments during construction and performance-linked payments during operation. Under this scheme, developers can also be granted performance-based bonuses for each housing unit purchased by eligible beneficiaries. Construction costs under HAM could be shared by the Ministry of Housing and Settlement (MHS) and private developers.

**To minimize demand risk borne by government and private developers, in both Availability Payment and User Charge models respectively, the affordable housing projects should be located in strategic areas with high housing demand.** This would also prevent low realization of the demand forecasted by the government in the feasibility study and by the developers as bidders in the PPP scheme.

### CASE STUDY 17

### Lesson learned from Housing PPP Implementation in Nusantara Capital City (IKN)

The Nusantara Capital City (IKN) aims to be a world-class, smart, and sustainable city, with 80% of its development funding expected from private sources. Developers were given two years (2022–2024) to complete the core government zone.

To incentivize housing investment, the government introduced a PPP Availability Payment (AP) scheme, governed by the Head of IKN Authority Circular Letter 4/2024. It sets a 90:10 payment split, where 90% is guaranteed upon meeting land, building, and green certification requirements (SLA for Availability), and the remaining 10% is linked to operations and maintenance SLAs, with a 5% maximum penalty—ensuring developers receive at least 95% of the AP value.

Despite these terms, investors remain dissatisfied, citing disproportionate risk exposure relative to large capital outlays, strict SLA compliance (especially for green/smart infrastructure), and inadequate equity protection. The Indonesia Infrastructure Guarantee Fund (IIGF/PT PII) covers lender repayment but excludes equity safeguards in case of termination—despite assets being non-transferable. These unresolved concerns have prevented any AP PPP housing project in IKN from reaching financial close.

#### Lessons learned and considerations for structuring AP in Affordable Housing

Consider restructuring AP payments by separating capital (capex) and operational (opex) components, rather than maintaining the fixed 90:10 ratio used in IKN. While investors would still undertake both capex and opex responsibilities under a single investment package, decoupling payments would secure capex returns independently of total AP value. This approach lowers termination risks tied to SLA non-compliance and reduces reliance on IIGF intervention. Investors would remain accountable for O&M delivery as per the agreement.

<sup>m</sup> "The IRRs that have accepted by the market in Housing PPP Availability Payments projects in Indonesia are between 12-14%."

Unlike IKN, the 3 Million Houses programme does not impose smart or green building standards, making O&M SLA compliance more achievable. In cases of non-compliance, the O&M portion could be reassigned to local maintenance firms. Additionally, O&M AP values for low-income housing may warrant modest increases due to higher wear-and-tear risks compared to middle-income developments.<sup>131</sup>

**Government support for PPP projects includes Viability Gap Funding (VGF), low-interest financing, and government guarantees.** VGF partially finances construction costs for economically viable but financially infeasible projects, with funding levels adjusted to the project's financial gap. In India, VGF supports up to 60% of project costs in social sectors like water and health. Low-interest financing, inspired by the UK's Affordable Homes Program, could secure long-term subsidies and aggregated bonds. Government guarantees through the Indonesian Infrastructure Guarantee Fund (IIGF) protect infrastructure projects by covering the financial obligations of the Government Contracting Agency (GCA) upon agreement. The infrastructure guarantee is carried out on PPP Projects that have met the feasibility of technical and financial aspects through Government Guarantee from IIGF. In PPP projects in Indonesia in general, IIGF can provide guarantees in connection with possible failures to fulfill GCA's financial obligations to IBE stipulated in the cooperation agreement. These financial obligations include GCA's failure to provide financial compensation that is entitled to be received by the private party in the cooperation agreement resulting from the occurrence of political events in the form of discriminatory legal changes or the occurrence of actions or failures of the government as well as GCA's failure to provide financial compensation that is entitled to be received by the private party in the cooperation agreement caused by the termination of the agreement caused by political events, unilateral termination by GCA (termination by convenience), the occurrence of default by GCA, and due to the occurrence of prolonged force majeure.

### Trade-off benefits

**Developers are able to build affordable housing on government land at lower cost by constructing high-end housing in exchange for benefits such as increased Floor Space Ratio, expedited approvals, or preferred partner status, as seen in India and China.** Developers could gain higher Floor Space Ratio (FSR) incentives for allocating affordable housing units, as in Australia, where a 15% allocation qualifies for a 30% FSR increase. Mixed-use developments, reduced land acquisition rates, and state-owned land allocations, as practiced in India, China, and South Korea, could further offset costs. India's MDCH programme allows high-end housing development in exchange for free affordable units for the government.<sup>n</sup>

### Tax incentives

**Indonesia should include affordable housing in the list of prioritised business categories to be eligible for tax allowances and holidays for investors in affordable housing projects.**<sup>132</sup> Indonesia's current housing tax incentives primarily target homebuyers, offering 100% VAT relief for homes priced up to IDR2 billion (USD118,818) and 50% relief for homes up to IDR5 billion (USD297,046). Tax incentives for investors could be in the form of tax deductions on capital works—similar to Australia—and VAT exemptions on construction materials—like in Vietnam. These incentives can reduce development costs for affordable housing. Additionally, lowering the withholding tax (WHT) on fund payments linked to affordable housing investments, as practiced in Australia, could attract more fund managers and investors, thereby increasing housing supply. Other incentives such as capital gains tax deferrals and reduced property taxes for suppliers of affordable housing in rentals and for homeownership, as seen in South Korea, can further stimulate private sector participation.



<sup>n</sup> The mixed-development cross-subsidised housing is part of a PPP model in India.

# Foundation:

## Strong Government commitment and clear governance

How can we enhance government coordination across institutions to deliver successful programmes that are efficiently managed and ensure genuine eligibility beneficiaries?

**Strong governance, financial capacity, and data-driven oversight will be critical to the success of the Three Million Houses program** and as lessons from other countries have shown, it requires coordination among multiple ministries. In Indonesia's context, the Ministry of Housing and Settlement should coordinate closely with Bappenas for planning, the Ministry of Public Works for infrastructure, the Ministry of Agrarian Affairs and Spatial Planning for land management, the Ministry of Social Affairs to align the database on social welfare, the Ministry of Finance for funding and PPP implementation.

3. Strengthen its mandate through a dedicated special law, establishing a robust legal foundation to support multi-sectoral and multi-level coordination. The law should be enacted to accelerate execution and address bureaucratic complexities and be supported by alignment with a high-level coordinating ministry or direct presidential endorsement.
4. Ensure the unit is professionally led, with leadership independent of political appointments, to safeguard operational autonomy and uphold strong governance standards.

**As a delivery unit, the government should strengthen the body by clearly defining its functions, responsibilities, and authority through detailed regulations and technical guidelines.** Additionally, a dedicated operational budget should be allocated for the body mobilisation, separate from the Conversion Fund, to ensure effective implementation and institutional sustainability. This body can draw from models like PR1MA in Malaysia, HUDCO in India, and Housing Australia, which successfully integrated planning, financing, and delivery through dedicated housing institutions. Key features should include:

- **Institutional structure:** A semi-autonomous body under the Coordinating Ministry of Infrastructure, as seen in HUDCO in India.
- **Sustainable funding:** Financing via a National Housing Sovereign Wealth Fund, blended financing (APBN, grants, private investment, bonds), and low-interest mortgage schemes.
- **Land and infrastructure access:** Strategic land designation, streamlined zoning, and partnerships with local governments.
- **Private sector and community engagement:** Coordinated development of the housing ecosystem, focusing on private sector collaboration.

### Institutional framework and expansion of housing delivery unit

To overcome coordination challenges, a dedicated body similar to the Committee for Acceleration of Priority Infrastructure Delivery (KPPIP) could streamline execution. An effective mechanism is essential for housing, given the programme's complexity and the urgency to overcome fiscal constraints, low private sector participation, and challenges in subsidy sustainability.

**Indonesia could establish a dedicated body for affordable housing implementation with a strategic and operational role at both regional and national level.** This delivery unit could refer to the BP3 roles, a housing body established under Presidential Regulation 9/2021, which include strengthening coordination and execution across the housing development process by expediting construction, managing the Conversion Fund, ensuring land provision, streamlining licensing and livability compliance, and integrating cross-sector support for infrastructure, facilities, and public utilities. In addition to the roles mentioned in Article 5 of PR 9/2021, the dedicated body must:

1. Build PPP and other capabilities to involve private sector funding, critical given Indonesia's limited budget.
2. Provide strategic and regulatory input to the Ministry of Housing and Settlement, ensuring policies reflect on-ground realities.



## Strong regulatory framework

**Remapping the regulatory ecosystem for affordable housing is essential to address persistent gaps and implementation challenges.** Some examples of key issues include the SKBG certificate, gaps in beneficiaries' verification for cash purchases of subsidized housing, unclear roles between central and regional governments, and the reuse of idle government assets. SKBG, the certificate for vertical housing unit ownerships without rights on land, faces uncertainty in long-lease extension due to potential overlaps with other land titles such as HGB and HPL, and its issuance by regional governments has been potentially stalled by a lack of technical guidelines. For cash purchases of subsidized housing, the responsibility for beneficiary verification should have shifted from banks to developers. However, in the absence of specific regulations, this has led to misuse in the distribution of subsidized housing to ineligible recipients. Additionally, there is regulatory inconsistency between Law No. 1/2011, which mandates regional governments to develop housing strategies for low-income households (MBR), and Law No. 23/2014, which keeps authority over MBR housing under the central government. Moreover, despite the potential to reuse or monetize underutilized government land and assets, no clear regulation governs cross-agency asset management. To overcome these barriers, the government must establish a coherent and well-defined regulatory framework that facilitates effective coordination among stakeholders and supports efficient, scalable affordable housing delivery.

## Housing data system

**To enable a more accurate and needs-based approach to housing provision, the Ministry of Housing and Settlements can lead a national transformation toward a by-name, by-address housing database.** While the central government oversees the digital system, local governments—from province to RT/RW—could be involved in data collection, verification, and approvals to ensure fairness, as practiced in India. Leveraging national datasets like Susenas by BPS Indonesia and DTKS by Ministry of Social Affairs, the government can enrich records with housing conditions and ownership details. This database could integrate with affordable housing project matching, use geotagged photos for documentation, especially for inhabitable houses renovation program, and connect with Dukcapil's digital ID to prevent duplication. Integration with ATR/BPN and Bank Tanah data will verify land status, while linking to BPJS employment and income records will strengthen subsidy targeting and housing allocation.

**To enhance fairness in the allocation of affordable housing, the government could introduce a computerised ballot system, integrated with the database.** By incorporating clear eligibility criteria and publishing the results transparently—similar to the approach used by Singapore's Housing and Development Board (HDB)—this system would help minimise public complaints, particularly in situations where demand significantly exceeds supply.

**To significantly enhance transparency while supporting more responsive, demand-driven planning, the database can be integrated into a dashboard for real-time updates on housing availability, application status, and scheme details.** Regularly publishing housing supply and demand data—similar to practices in Singapore—would help the government align housing provision with actual needs and build public trust. When paired with a centralised database, like India’s, integrating demographic, migration, and economic data, policymakers would be better equipped to anticipate demand, allocate resources efficiently, and prevent housing oversupply. Leveraging advanced analytics and machine learning tools, the system could enable predictive analytics to identify high-demand areas, aiding project prioritisation, and minimise leakage to ineligible recipients.

**The dashboard can incorporate geotagging to enable real-time documentation of housing and infrastructure and utilities (PSU) construction progress, improving oversight of timelines and quality, as practiced in India.** It can also track financial disbursements, with payments to contractors released in stages based on geo-verified milestones. Additionally, tools such as Building Information Modeling (BIM) and machine learning can support more efficient project delivery and help address housing backlogs.

**To prevent misuse in the distribution of subsidized housing, particularly in cash purchases, the beneficiary database could be made accessible to developers, enabling them to verify eligibility more accurately.** As an interim measure, while database access is being prepared, the government could implement periodic audits of both developers and beneficiaries.

## National housing blueprint

A standardised five-year national housing blueprint is essential to guide the implementation of Indonesia’s Three Million Houses Program, offering long-term visibility and policy certainty for all stakeholders. As of July 2025, no such blueprint or roadmap has been published—only a one-year housing plan has been developed, with broader planning still pending. The absence of a comprehensive blueprint undermines programmatic clarity, hampers coordination across ministries and levels of government, and discourages private sector participation. Given the significant role of private stakeholders in housing delivery, the blueprint must provide critical demand forecasts and serve as a reference for investment planning, financing, and execution.

**Figure 21: Recommended key elements of a housing blueprint**

<b>A blueprint</b> is a plan or design that shows how an objective can be accomplished. In the context of housing, it is the strategy how the 3 million houses per year program can be actualized.		
Key elements of a housing blueprint	Key questions to be addressed	Non exhaustive
 Objective and intended impact of 3 Million Housing Program	<ul style="list-style-type: none"> <li>• What does the 3 million houses program intend to achieve?</li> <li>• What are the targets of the program?</li> <li>• What does success look like?</li> </ul>	
 Scope & Coverage of Programs	<ul style="list-style-type: none"> <li>• What are the different initiatives and programs under the Program?</li> <li>• How do these programs work?</li> <li>• Who are the main beneficiaries and what are the eligibility criteria?</li> </ul>	
 Financing & Funding Schemes	<ul style="list-style-type: none"> <li>• Where do funding and financing of the programs come from?</li> <li>• If from non-government sources, what are the schemes?</li> </ul>	
 Implementation methodology and governance	<ul style="list-style-type: none"> <li>• What is the plan to roll out all the programs? Any phasing or piloting?</li> <li>• What are the business processes for implementation of all the different initiatives?</li> <li>• How can we ensure that programs are implemented effectively with sufficient oversight?</li> </ul>	
 Stakeholders’ roles and authorities	<ul style="list-style-type: none"> <li>• Who are the stakeholders involved and what are their roles and authorities?</li> <li>• How are each stakeholders related to each other?</li> </ul>	
 Monitoring and evaluation methodology	<ul style="list-style-type: none"> <li>• How can we monitor progress and evaluate to ensure that inefficient and ineffective processes are rectified?</li> </ul>	

In Indonesia, the responsibility for developing the housing blueprint primarily rests with the Ministry of Housing and Settlement, with Bappenas ensuring its integration into national development priorities. However, effective coordination across related ministries is essential to ensure coherent planning and execution. The Coordinating Ministry of Infrastructure and Regional Development plays a crucial role in this regard, overseeing and aligning the efforts of key ministries particularly the Ministry of Agrarian Affairs and Spatial Planning/National Land Agency, the Ministry of Public Works, the Ministry of Housing and Settlement, and the Ministry of Transportation. The housing blueprint must be designed as a shared reference across these institutions to ensure synergy, avoid duplication, and enable integrated housing delivery across sectors and regions. A clear and coordinated blueprint will provide concrete guidance for implementation, enabling government institutions to monitor progress, assess impact, and refine interventions over time—transforming the Three Million Houses Program from a numeric target into a strategic, actionable, and inclusive agenda.

### **Key Issues to Be Addressed in the Housing Blueprint**

The housing blueprint must serve as a strategic foundation to resolve the systemic barriers that have long hindered the effective delivery of affordable housing in Indonesia. It should provide a unified direction to align policy, financing, implementation, and governance efforts across all stakeholders. To achieve this, the blueprint must address seven critical issues that currently impede progress—ranging from fragmented financing and regulatory gaps to misaligned incentives and lack of institutional capacity. Tackling these issues is essential not only to meet the Three Million Homes target but also to ensure that housing programs are inclusive, well-located, and sustainable in the long term.

### **1. Financing**

The government faces constrained fiscal space, yet it must scale up housing programs for low-income communities. Without a blueprint, financing strategies remain fragmented and over-reliant on state budgets. The blueprint should lay out sustainable financing mechanisms, including leveraging private capital, international support, and blended finance approaches, to ensure consistent program rollout without fiscal disruption.

### **2. Regulations**

Housing development is often hampered by the absence of enabling regulations or the presence of overlapping and conflicting policies. These regulatory gaps delay implementation and raise legal risks for developers. A housing blueprint should outline a clear regulatory roadmap, ensuring that all necessary legal instruments—across planning, land, construction, and subsidies—are aligned and coherent.

### **3. Taxation Incentives**

High housing costs are exacerbated by fragmented tax incentives and policy misalignment along the housing value chain. This reduces affordability and discourages supply-side participation. The blueprint should define a coherent taxation framework that streamlines incentives, supports the low-income housing supply chain, and attracts developers to participate at scale.

### **4. Livability**

There is currently no consistent standard of livability for affordable housing—resulting in units that may be technically compliant but socially or environmentally inadequate. The blueprint must incorporate livability guidelines tailored to Indonesia's diverse geographies (urban, rural, coastal), ensuring housing is not just affordable but also decent, safe, and well-connected to infrastructure and services.

### **5. Land Availability**

Suitable, affordable land in developed areas is increasingly scarce, while cheaper land is often located far from jobs and infrastructure. This mismatch makes affordable housing physically inaccessible. The blueprint must define a national land inventory and banking strategy to unlock well-located public and private land for housing purposes.

### **6. Market Distortion and Beneficiary Targeting**

Existing housing programs frequently exclude informal workers and vulnerable groups due to rigid eligibility criteria and unverified data. Institutional fragmentation further distorts market signals and priorities. The blueprint should propose a unified data and eligibility framework, inclusive financing models for informals, and area-based targeting aligned with real household needs.

### **7. Dedicated Housing Agency**

While the Ministry of Housing leads the program, effective execution demands cross-ministerial coordination. A blueprint must outline an institutional structure or dedicated delivery unit with operational authority, implementation budget, and debottlenecking capabilities—ensuring that the Three Million Homes Program is not only planned but delivered.

## Recommendations roadmap

Figure 22: Recommendations roadmap



Source: Deloitte analysis.

In Indonesia, the responsibility for developing the housing blueprint primarily rests with the Ministry of Housing and Settlement, with Bappenas ensuring its integration into national development priorities. However, effective coordination across related ministries is essential to ensure coherent planning and execution. The Coordinating Ministry of Infrastructure and Regional Development plays a crucial role in this regard, overseeing and aligning the efforts of key ministries particularly the Ministry of Agrarian Affairs and Spatial Planning/National Land Agency, the Ministry of Public Works, the Ministry of Housing and Settlement, and the Ministry of Transportation. The housing blueprint must be designed as a shared reference across these institutions to ensure synergy, avoid duplication, and enable integrated housing delivery across sectors and regions. A clear and coordinated blueprint will provide concrete guidance for implementation, enabling government institutions to monitor progress, assess impact, and refine interventions over time—transforming the Three Million Houses Program from a numeric target into a strategic, actionable, and inclusive agenda.

**To implement the Three Million Houses systematically, we have put all the recommendations as described above into a high-level phased implementation roadmap.** Given the scale of the programme, we believe Indonesia should establish an enabling environment of strong governance, followed by execution of other initiatives and programmes, starting with those that enable Indonesia to tap into other sources of funds and financing for its programmes. Finally, Indonesia should enhance and scale its existing housing affordability programmes to maximise reach, impact, and long-term sustainability.

- **Set the foundation**

Begin by implementing recommendations from Foundation: Strong Governance. Develop a housing blueprint, establish, and solidify the institutional framework, and define clear roles and responsibilities for key stakeholders, including a dedicated housing body and the PPP Housing Unit. Enact regulations to underpin the housing blueprint and stakeholder roles.

- **Work around limited budget**

Given the limited state budget (APBN) for housing, focus on recommendations from Pillar 3 (Financing for Programmes) and Pillar 4 (Private Sector Incentives) to enable funding for programmes under Pillar 1 (Affordability and Accessibility) and Pillar 2 (Liveability).

- **Homebuyer-centred strategies**

Prioritise Pillar 1 to refine current programmes and expand their coverage. At the same time, implement Pillar 2 to create a holistic ecosystem as the foundational guideline for all housing developments. Use a prioritisation matrix (e.g., impact, effort, resources) to identify and sequence recommendations for implementation effectively.





# Conclusions

"If we want to make domestic economic growth sustainable, healthy and high enough, accompanied by purchasing power, then housing strategy becomes very important." <sup>133</sup>

**Sri Mulyani Indrawati**

Minister of Finance of The Republic of Indonesia (2016-2025)



**Affordable housing is integral to Indonesia's growth, driving social equity and economic stability.**

Access to affordable, secure housing empowers communities, alleviates poverty, improves health outcomes, and supports sustainable urban and rural development. It also enhances economic productivity by fostering healthier, more resilient societies.

**The government's goal to construct three million houses annually is ambitious and requires sustainable policies and adequate funding.** Active investment in subsidy programmes, infrastructure integration, and strategic land acquisition is crucial, as substantial government support is key to achieving these targets.

**Global best practices offer valuable insights for Indonesia's affordable housing programme.** Countries like Australia, China, India, Malaysia, Singapore, and South Korea have successfully implemented strategies involving PPPs, subsidies, structured incentives, streamlined regulations, and robust housing ecosystems.

**Tailored housing programmes should address diverse needs, accommodating various income levels and employment types.** Expanding rent-to-own schemes and rental subsidies can help bridge gaps for informal workers and low-income families, while strengthening housing initiatives like BSPS can tackle housing deficits in underserved areas. Current housing loans should go beyond home ownership and include home renovation and construction, which are key aspects to provision of adequate housing.

**Comprehensive government involvement in zoning, building standards, project verification, and maintenance is essential to ensure high-quality housing ecosystems.** The Land Bank should allocate well-located land connected to public facilities and transport networks for affordable housing. Enhanced coordination between national and local agencies in construction, infrastructure, transportation, and environmental planning can create integrated housing ecosystems, with public consultation addressing community needs and boosting satisfaction.

**Diversifying funding sources is critical to reduce reliance on government budgets.** Mechanisms such as housing bonds, Real Estate Investment Trusts (REITs), Mortgage-Backed Securities (MBS), blended finance, Land Value Capture (LVC), on-lending, and Direct Assignments (DA) can unlock investments while ensuring fiscal sustainability.

**Private sector participation is vital for meeting Indonesia's housing needs.** Competitive returns for developers can be secured through structured incentives, including tax benefits, PPP models, streamlined permitting processes, trade-off benefits, and transparent risk-sharing agreements. As seen in benchmark countries, public-private collaboration can drive large-scale affordable housing programmes.

**Diversifying funding sources is critical to reduce reliance on government budgets.** Mechanisms such as housing funds, housing bonds, Real Estate Investment Trusts (REITs), Mortgage-Backed Securities (MBS), blended finance, Land Value Capture (LVC), on-lending, and Direct Assignments (DA) can unlock investments while ensuring fiscal sustainability.

By combining government-led initiatives, private-sector collaboration, diverse funding mechanisms, and improved governance, Indonesia can build a sustainable and inclusive housing ecosystem, enabling the successful delivery of its Three Million Houses Program.

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