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GOVERNMENT POLICY ON HOUSING BACKLOG FOR LOW-INCOME COMMUNITIES

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Abstract

Housing is one of the strategic issues highlighted by President Prabowo in his poverty alleviation agenda, with a target to provide access to three million subsidized housing units for low-income communities (MBR) as the main solution. Housing is a basic need that continues to increase along with population growth. In Indonesia, housing demand is often viewed through the lens of affordability, with home prices becoming increasingly inaccessible over time. Providing housing for MBR is closely tied to government intervention and policies aimed at reducing the housing backlog. This article discusses the policies implemented by the government to reduce the housing backlog for MBR. In practice, there is a mismatch between the affordability of MBR households and the prices and availability of subsidized housing. Given this challenge, Commission V of the DPR RI must exercise its oversight function over the implementation of various housing policies and evaluate alternative financing plans to ensure that government programs are well-targeted. These policies must also be adapted to the specific conditions and characteristics of each region, which faces unique challenges and issues.

Introduction

During a meeting between President Prabowo Subianto and the leadership of Commission V of the DPR RI at the Merdeka Palace on April 17, 2024, several strategic infrastructure issues were discussed, one of which was housing. The three million subsidized housing program, initiated by the Ministry of Housing and Settlement Areas (PKP), is an effort to provide access to balanced housing for low-income communities (MBR), as mandated by Law No. 1 of 2011 on Housing and Settlement Areas. The development of three million subsidized houses cannot be separated from the role of developers.

Stuart Lowe (2004) explains that housing need refers to efforts to meet the basic need for shelter, particularly housing that matches the number of households and takes into account future economic conditions and household capacity. However, meeting housing needs—especially for MBR—relies heavily on the ability of governmental systems or regulations to intervene and influence the housing market to prevent a backlog. Von Einsiedel (1997) emphasizes that al-

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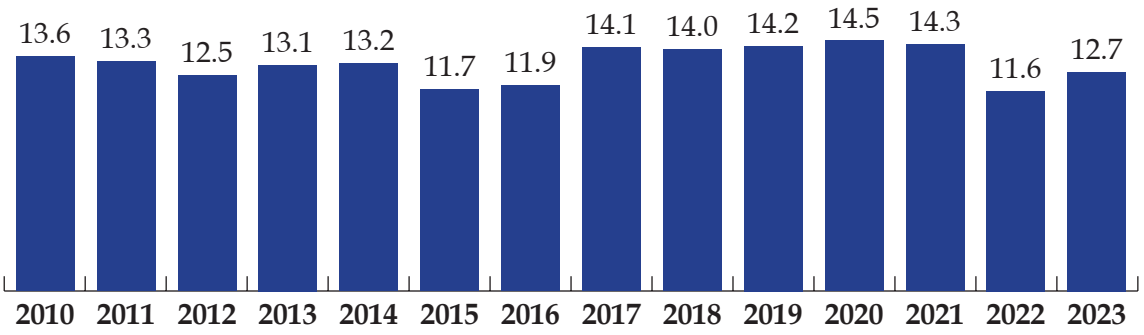
though much of housing demand is market-driven, planning systems also play a critical role in directing the construction process to ensure access across all segments of society. Based on this context, this article aims to review government policies in addressing the housing backlog for MBR.

Housing Demand and Backlog Trends in Indonesia

Planning policies for affordable housing provision can restrict market forces, as housing development is bound by government rules and regulations (Short et al., 1986). From another perspective, Rydin (1993) explains that regulations not only serve to improve housing market efficiency but also address market failures in efforts to reduce the housing backlog that affects MBR.



Source: Simbolon et al., 2024.

Figure 1. *Homeownership Backlog in Indonesia (Million Units), 2010–2023*

Indonesia's housing market continues to grow, driven by population growth and urbanization (Simbolon et al., 2024). According to the National Socio-Economic Survey (Susenas) by the Central Statistics Agency (BPS), the housing backlog in 2023 reached 12.7 million units (Baihaqi, 2025). However, according to Deputy Minister of PKP Fahri Hamzah, more recent BPS data shows the backlog has increased to 15 million units. This rise corresponds with Indonesia's most recent demographic trends. The country's population now stands at 289.5 million, with 91.3 million households—up significantly from the previous year's figure of around 74 to 78 million. This increase reflects the growth in new households, directly affecting housing demand (Rahayu & Saragih, 2025). This marks a 51.5 percent increase from the 9.9 million units recorded in the 2023 Susenas. New Susenas data for 2025 will be published in June 2025 (Rahayu, 2025) (Figure 1).

The variation in backlog figures is due to different indicators used by BPS and the Ministry of Public Works and Housing. BPS defines backlog from a homeownership perspective, counting renters as part of the backlog. Meanwhile, PUPR bases its calculation on housing adequacy, where homes meeting livability criteria—though not owner-occupied—are excluded from the backlog. PUPR's approach emphasizes housing quality over ownership. Therefore, a unified definition is needed to produce consistent backlog data.

Government Policies to Address the Backlog

In the World Bank's Indonesia public expenditure review report on housing (World Bank, 2020), the effectiveness of various government housing assistance programs was evaluated. These initiatives aim to address housing deficiencies for households living in substandard housing. The core focus of these policies and programs is to reduce the cost of purchasing, building, or improving homes to make them habitable.

So far, various programs have been implemented by the Ministry of PUPR—currently under the Ministry of Housing and Settlement Areas (PKP)—to reduce the housing backlog, including:

(1) The self-help housing stimulant assistance, a government subsidy for MBR to encourage self-reliance in improving housing quality and constructing vertical housing and special housing units.
(2) The housing financing liquidity facility, which provides liquidity for mortgages with a fixed interest rate of five percent.
(3) The interest rate subsidy for homeownership credit, offering fixed interest rate subsidies at five percent.
(4) The savings-based housing finance assistance, a down payment subsidy for MBR.
(5) The secondary mortgage facility, which involves the securitization of mortgage portfolios.
(6) Tapera (public housing savings), a sustainable long-term fund for housing finance (Pusat Pengelolaan Dana Pembiayaan Perumahan, 2023).

A recent policy update from the Ministry of PKP officially expands the MBR eligibility criteria for subsidized housing. This is regulated under PKP Ministerial Regulation No. 5 of 2025 on MBR Income Thresholds and Criteria and Requirements for Facilitated Housing Access. A key change is for married residents of the Greater Jakarta area (Jabodetabek), whose income ceiling has been raised from IDR 7 million to IDR 14 million to qualify for subsidized housing. The new regulation divides MBR criteria into four zoning regions, taking into account the construction cost index, average monthly housing expenses, and geographic location (Pusparisa, 2025).

According to property advisor Anton Sitorus, this policy may create confusion in the market, as lower-income MBR groups earning below IDR 7 million may find it increasingly difficult to secure mortgage approvals. Ultimately, unless the government can provide sufficient subsidized housing for MBR, the backlog will continue to grow (Asmaaysi, 2025). While expanding MBR coverage aims to widen access to subsidized housing, it should not dilute the entitlement of lower-income MBR to housing subsidies.

These policies reflect government efforts to address the root causes of Indonesia's persistently high housing backlog. On one hand, there is a surplus in housing supply (oversupply housing), but on the other, there is a shortage of affordable housing supply (undersupply housing). To reduce the backlog, the government, banks, and developers must collaborate to double the current

supply capacity of 500,000 units per year to meet the 12.7 million unit backlog. Without bold action, the backlog will continue to rise. This is because the current annual construction capacity is only 220,000 to 240,000 units—just one-third of the annual demand of 700,000 to 800,000 units.

One breakthrough to achieve zero backlog by 2045 is to construct at least 1.3 to 1.5 million public housing units per year (Simanungkalit, 2023). A housing finance system tailored to MBR needs is required. Both central and local governments must plan based on the actual housing needs of MBR, aligned with clear indicators. Thus, reducing the MBR housing backlog involves phased planning at the regional level. Each area faces different challenges in terms of budget capacity, financing, land availability, population density, purchasing power, geography, and fiscal limitations. Therefore, housing needs for MBR must be synchronized with financing and subsidy schemes in the Regional Medium-Term Development Plan (RPJMD), so that the quantity of housing needs is accurately projected.

Conclusion

The housing backlog problem will continue to grow in line with population growth. Therefore, integrated backlog data across institutions is essential. In measuring backlog, the affordability variable for low-income communities (MBR) is key to determining housing demand. Backlog reduction policies are critical because housing is a basic human need. To ensure policy effectiveness, a comprehensive evaluation of budget allocation, regulations, and data-driven planning is necessary.

Commission V of the DPR RI plays a vital role in evaluating policy implementation and encouraging incentives to increase housing affordability for MBR. Commission V can also request government clarification on the urgency and primary goals of backlog reduction programs, both in the medium and long term. Such clarification is important to assess how far current policies have succeeded in reducing the backlog while balancing housing supply and demand for MBR.

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