Goverment Control vs Market Mechanism in the Land Use Market in Human Settlement Development


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Structure plans have been used in Indonesia since the 1960s and applied throughout the regency or municipality and the province as one form of landuse control, particularly for private land development, to sustain water conservation. Sleman Regency issued Regulation No. 23 of 1994, an instrument designed to control massive private land development for housing projects. Furthermore, to control land development because of the expansion of the city, the local government established the Office of Land Control Areas (DPPD). This study aims to investigate the state’s capacity to control land conversion for development through licensing mechanisms, particularly land conversion from wetland/paddy fields to non-paddy fields. Trend analysis and gap analysis using geographic information system (GIS) data are used to evaluate differences between developmental plans and actual land conversion. The results of this study on the conversion of village land for private housing projects from years 2006-2008 found that 550.05 ha of land has been converted, but only 236 ha of land was converted through the permit process.

Keywords: spatial plan, land control, effectiveness, land use, land market.

1. Introduction

Studies on the urban land market have become classical studies not only in economics but also in urban planning and management. Dowall (1993) characterised the land market as performing four important functions: (1) it brings buyers and sellers together to facilitate transactions; (2) it sets land prices; (3) it allocates land by setting prices so that the land market “clears”, that is, the quantity of land offered for sale equals the quantity of land demanded; and (4) plays an important role in ensuring that land is
used efficiently through the setting of land prices. However, market mechanisms do not produce efficient transaction processes because of market barriers and externalities. Each party attempts to find a strategic location in which to invest without considering externalities such as traffic jams, air pollution and agricultural land conversion.

This research focuses on the trend in the land market of Sleman Regency, a suburban area that continues to grow significantly each year. As an area, Sleman Regency is undergoing rapid changes to its land use. This regency is a strategic regency in Yogyakarta because it has several advantages. The high population growth of Yogyakarta and the resulting increase in political, economic, social, cultural, and technological needs has led to an increase in the activities of the city’s residents. This increase in living requirements has contributed to an increasing need for available space in the city. However, this need is inversely proportional to the actual amount of existing space, resulting in the tendency of the government to take what exists along the edges of the roads. Sleman Regency is located in the northern part of Yogyakarta, an area that is quite fresh and comfortable for both family housing and business. The presence of some colleges in this regency also provides advantages. A large number of individuals and entities from inside and outside the regency have bought and built houses for both individuals and the public, both for the short term, while studying or working, and for long-term investment.

The building of public housing, hotels, factories, and many other types of companies by individual or corporate property development directly causes a significant functional change in the land that exists in the regency. Land use following poor guidelines has had definite effects on the previous spatial concept that has existed in this regency. However, since 2005 the regency has made no new spatial plan guidelines. As a consequence of having no new spatial concept guidelines, the Sleman Regency government has been forced to continue using the old guidelines that rely on the Local Law No. 23 of 1994 for