

# ***Capital on the Move: Policy of Relocating the Indonesian Capital City (IKN) and Its Transfer Consequences***

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## **Introduction: The Tale of a Hundred-years old Capital**

Hundreds of years ago, the Dutch East Indies colonial administration was centered on the island of Java, which is today known as Jakarta. After serving as the capital city for so long, there have been various studies and a desire to relocate the seat of government. Indonesia's incumbent President, Joko Widodo, has decided to relocate the National Capital (IKN) to East Kalimantan, as he announced at a news conference at the State Palace on August 26, 2019.

By approving Law Number 3/2022 respecting the National Capital (UU IKN), the parliament agreed to strengthen the plan. The name of the IKN, "Nusantara" (Indonesian for the archipelago or the territory influenced by the vast Majapahit and Sriwijaya Kingdom before the Dutch colonial era), has also been formally chosen as the new capital's name, with the branding as the "Capital City of the Archipelago." As a result, the official relocation of the capital city begins in stages until 2045.

The stages of development are divided into five categories. The first phase, which runs from 2022 to 2024, focuses on establishing basic infrastructure, which includes everything from drinking water and power to waste management. Phase II will take place between 2025 and 2029, focusing on the core area's development, such as primary and secondary public transit facilities. 2030-2034, Phase III development will encompass industrial sites and other sectors. Phases IV and V will take place in 2035-2039 and 2040-2045, respectively [1].

East Kalimantan, the new capital (IKN) zone, is also getting ready. The overall IKN area is expected to be more than 250 thousand hectares or around 256,142.72 hectares, according to the National Planning & Development Agency (BAPPENAS). It includes 5,664 hectares for the Government's Central Core region, 56,180.87 hectares for the National Capital area, and the remainder for the National Capital's expansion area [2].

Yet, various factors are considered for the need to move the IKN. Social, economic, political, cultural, defense, and security factors, even to the potential for natural disasters, are considerations for moving the IKN from Jakarta's Special Capital Region (DKI). This article covers the prospects for the new national capital, why and what can hinder the process, and what potential can be unlocked from the new capital city are the matters that will be discussed. This paper provides insight into the development taking place. It

becomes an introductory forum for debate and discussion about the concept of a new capital city offered and the challenges currently and will be faced.

### **Moving the Capital Out of Java?**

The relocation process is currently undergoing with the establishment of IKN government authority. There are several reasons why the Government moved the IKN outside Java Island. First of all, population density and distribution of the economy. Around 57 percent of Indonesia's population is concentrated on the island of Java compared to other regions of Indonesia –which constitute the most significant part outside Java. The growth of urbanization is very high, with the largest population concentration in Jabodetabek (Jakarta and surrounding satellite cities).

In comparison, Sumatra has a population distribution of 17.9%, Bali and Nusa Tenggara 5.5%, Kalimantan 5.81%, Sulawesi 7.31%, and Maluku and Papua 2.61%. The population density on Java Island reflects an agglomeration of development and rapid progress in Java and vice versa in other locations. This circumstance contributes to unequal economic progress. The uneven distribution of population density, which tends to be concentrated on Java Island, has resulted in inequality in different dimensions and economic stagnation that cannot be resolved. Socioeconomic and population differences motivate the intention to transfer the Republic of Indonesia's IKN.

Second, regarding the environment, the water availability crisis in Java, particularly in Jakarta and East Java, acts as the most extensive land conversion in Indonesia. Furthermore, the increased pressure on Jakarta reduced the environment's carrying capacity and resulted in significant economic losses. The relocation of IKN outside Java aims to reduce Jakarta's already cumbersome ecological burden. Jakarta is already experiencing severe traffic jams and worsening pollution and water. It is hoped that the decision to relocate the capital to Eastern Indonesia can reduce disparities, achieve sustainable development in Indonesia, and create new capital following national identity.

The relocation plan finds justification by reducing the pressure on Jakarta and its satellite cities (Jabotabek), encouraging equitable development distribution to the eastern portion of Indonesia, and changing the development attitude from Java-centric to Indonesia-centric. The relocation also provides the opportunity to develop a more well-planned capital city that employs the notion of an innovative, green, and beautiful metropolis to boost regional and international competitiveness.

Borneo, also known as Kalimantan, is a vast island in Southeast Asia and the world's third most extensive, 748,168 km<sup>2</sup>, only behind Greenland (2,16 million km<sup>2</sup>) and Nugini (821,400 km<sup>2</sup>) [3]. Three countries own this island: Indonesia, Malaysia, and Brunei. Indonesia holds 73 percent of Kalimantan, Malaysia controls 24 percent, and the minor sultanate of Brunei controls the remaining one percent. Later, IKN is expected to become the world's most sustainable capital city with the "Forest City" idea. This is based on the IKN regional layout plan, which claims that forest covers approximately 75% of the overall area of the IKN [4]. Furthermore, IKN will be planned to be a safe and inexpensive city

that is linked, active and easily accessible, circular and resilient, and has minimal carbon emissions.

The choice of location for the new capital city (IKN) in Kalimantan, the Indonesian part of the island of Borneo, which borders Malaysia, was also due to several reasons—first, the minimal risk of natural disasters that will hit the new capital city. Second, the strategic location of East Kalimantan is in the middle of Indonesia. Third, the proximity of the new national capital to two existing and growing cities, namely Balikpapan and Samarinda. Fourth, East Kalimantan relatively has a developed infrastructure. Fifth, the government controls the availability of 180 thousand hectares of land, making planning and executing the IKN scenario easier. According to the Ministry of National Development Planning/Bappenas, East Kalimantan was also chosen based on environmental carrying capacity, defense and security perimeter, low potential for conflict and natural disasters, and ease of investment accessibility. Its strategic location is considered ideal as a center of government and a new economic center capable of resolving various existing inequalities [5]

The core location of the IKN is planned to occupy part of the PPU Regency and KuKar Regency areas. The population in PPU Regency is 160.9 thousand people, and in Kukar Regency, it is 786.1 thousand. Meanwhile, the total population of East Kalimantan is currently 4,448,763 people. Most of East Kalimantan's population is presently dominated by immigrants from Java, Bugis, and Banjar, as well as other ethnicities in relatively minor numbers.[6]

### **Impacts and Procons of Relocation**

It is anticipated that relocating Indonesia's national capital (IKN) from DKI Jakarta to North Penajam Paser, East Kalimantan, will have numerous beneficial effects on the country. Initially, the economy of Kalimantan will improve. Second, substantial investments will be made to enhance the quality of life in IKN and its environs. IKN is beneficial for both the government and the citizens. The government's relocation of the capital has an economic impact by utilizing potential resources that have yet to be used. According to the analysis, relocating the nation's capital will contribute 0.1% to the national economy [7].

Moving the capital city will also narrow the disparity between income groups and reduce the visibility of inequality. It will lead to greater economic diversification towards more dense sectors, thereby helping to narrow the gap between incomes at the regional and national levels. Thirdly, relocating the capital city will increase national inflation by at least 0.3% basis points, although relocating a new capital will induce demand-side pressure. If the province where the new capital city is located has top-of-the-line infrastructure readiness and a relatively diverse production sector, the impact of inflation will be minimal [8].

In addition, relocating the national capital outside of Java will promote trade between regions in Indonesia, including trade within the new capital city's provinces. If the National

Capital is relocated to an area with solid connectivity to other provinces, commerce flows will increase across more than fifty percent of Indonesia's territory. The relocation of the IKN will also spur investment in the new capital province and its environs. In addition, relocating the capital city will generate a more significant investment impetus in other regions and boost the output of several non-traditional sectors, particularly the services sector.

In terms of socio-cultural effects, it is estimated that there is an increase in cultural diversity, not only in terms of ethnicity but also in economic and educational levels, urbanization, the emergence of metropolitan cities, and the opening of business and employment opportunities, all of which can spark social conflicts among ethnic groups [9]. Nonetheless, social, economic, and political inequality is a pervasive issue. There is no precise formula for resolving inequality, taking into account all of its problems and consequences.

Various strategies have been tried by adopting the breadth and diversity of Indonesia's territories, including through the regional autonomy mechanism. This mechanism allows each region to organize the broadest possible governance based on its potential. The administration of the IKN government will be unique under the name of Nusantara Capital Special Regional Government. The position of the Head of the IKN Authority is at the ministerial level. This means that IKN will only hold general elections at the national level. The reason is that legislative bodies such as the Regional Parliament (DPRD) will also not exist [10].

Institute for Development and Economic Finance (INDEF) found that it is estimated that the transfer of IKN will worsen environmental damage. It is convinced that economic, social, and political arguments for transferring IKNs still need a strong justification. INDEF analysis shows that the economic and social impacts of displacement IKN are insignificant because adding 0.1 economic contributions only occurs in the short term. In contrast, in the long term, the contribution will be zero [12].

### **Figure 1. Short-Term and Long-Term Impacts of the IKN Relocation on National Macroeconomic Indicators**

In this transfer process, governance and organizational development specialists fear the dominance of centralization [13]. The Central Government determines the direction of development unilaterally, without explicit and quantifiable public consultations. Only the central government can determine the development direction. Because the region's interests are not being considered, it is anticipated that this will result in a recurrence of the same error and may cause regional friction. Moreover, some contend that relocating the capital to Kalimantan will not substantially reduce problems in Jakarta and will exacerbate environmental and social issues in the region surrounding the new capital city. Therefore, it is essential to identify these issues so that the optimal solution can be chosen to ensure that the relocation of the capital proceeds smoothly and satisfactorily.

In addition, WALHI (a national environmental NGO) reported that an in-depth analysis of the environmental influence of the IKN transfer had yet to be conducted—the ecological risk associated with new capital development. With the construction of the new capital, land use in Kalimantan will undergo significant changes. If not effectively managed, this can exacerbate the environmental damage in Kalimantan, including the loss of biodiversity [14]. Social issues such as population migration, which threatens the local populace, particularly the Dayak inland communities in Kalimantan, must also be taken into account.

## **New Capital with Careful Considerations**

Brasilia, the relocated capital city of Brazil, exemplifies several principles that can be learned from other nations. Numerous residential areas and slums currently surround it because the planning and implementation did not take into account the requirements of all groups of people who wish to live in the new capital. While Putrajaya, Malaysia is now only the center of government, the vast majority of the state's civil apparatus continues to reside in Kuala Lumpur. The South Korean government moved the capital city to Sejong in 2012, but the transfer process has yet to be concluded due to high costs and political dynamics within the country. Consequently, in regard to the administrative and governance process, the development of IKN should address challenges of local autonomy issues such as regional "rivalry," overlapping regionalism, and territorial disputes [11] and devise a multidisciplinary approach to resolve these problems.

Nevertheless, despite some objections, the new capital is "on the move" and cannot be halted. The plan's economic justifications have been authorized and should be examined. Therefore, it is essential to identify these issues and select the optimal solution to guarantee a successful capital relocation. Several options exist for addressing these issues and concerns, such as instituting an Environmental Impact Analysis, applying green design principles to the new capital city, and ensuring public participation. If these strategies are meticulously planned, the relocation of the capital city will be more feasible, successful, and acceptable and will avoid long-term adverse effects.

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