

IKN (Indonesia's New Capital) and Its Controversies

by: Dinna Prapto Raharja, Ph.D. and Joan Anindya Wardhani



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Indonesia embarks on an ambitious journey to relocate the nation's capital from the bustling metropolis of Jakarta to a newly planned city in East Kalimantan province.

Announced by President Joko Widodo (Jokowi) in the plenary meeting of the parliament on August 16, 2019, this monumental shift was later formalized through law. The Law No. 3 of 2022 on “Ibu Kota Negara” (state’s capital) was adopted on February 15, 2022. Based on the Law, an authority equal to a ministry

level was formed: “Otorita IKN” whose mandate includes providing permit and special facility for investment, initiating the ease of doing business, and establishing norms, standards, procedures, criterias for the preparation, the development, the moving in, and the governing of the new capital city.

The implementation to build IKN, however, remains controversial. While proponents argue that the relocation is a necessary step towards a more balanced economic development between Java and

the outer islands, also to solve problems of overpopulation, traffic congestion and environmental degradation in Jakarta, critics raise concerns about the financial, environmental, and social implications of such a massive project. Such polarizing support for IKN continues despite the victory of Prabowo Subianto, whose campaign platform was to support IKN, in the February 2024 presidential election.

Some factors below trigger speculation about the possible stopping of IKN development under Prabowo's administration:

1. The lack of foreign investment commitment to IKN. The then Minister of Investment Bahlil Lahadalia spoke before the parliament on June 11, 2024 that foreign investments are waiting for the first stage completion of infrastructure development, which is in contrary to his own statement back on December 23, 2023 saying that the value of confirmed incoming foreign investment to IKN has reached 50 trillion rupiah.¹
2. The lack of state budget allocation to build IKN. IKN receives an allocation of 143.1 billion rupiah in

¹ CNN Indonesia , June 12, 2024. "Beda Bahlil soal Investasi Asing IKN, dulu sebut Rp. 50T sekarang belum", see: <https://www.cnnindonesia.com/ekonomi/20240612185755-532-1109153/beda-bahlil-soal-investasi-asing-ikn-dulu-sebut-rp50-t-sekarang-belum>

the 2025 draft state budget, which is relatively insignificant compared to the 87 billion rupiah price tag of organizing the first independence day celebration at IKN on August 17, 2024.

3. The uncertainty over how the Indonesian conglomerates would fill the investment gap and negotiate getting deals with the government. Jokowi acknowledges that these conglomerates look for profits. This brings up questions of what kinds of profit are acceptable to these conglomerates especially when the population size in IKN is predicted to be 2 million by 2045,² which is very small compared to investing in, for instance, Jakarta, Surabaya, or other big cities.
4. The lack of adequate planning for IKN. PDI-P as the opposition party to Jokowi and Prabowo pointed out the resignation of Bambang Susantono from Chairing Otorita IKN and the conflicts with indigenous communities as two of the pieces of evidence.³

² Antara News.com. February 19, 2024. "OIKN: Populasi IKN diproyeksikan mencapai dua juta jiwa pada 2045", see <https://www.antaranews.com/berita/3972129/oikn-populasi-ikndiproyeksikan-mencapai-dua-juta-jiwa-pada-2045>

³ Nasional Tempo. June 3, 2024. "Hasto PDIP Sebut Kepala Otorita IKN Mundur karena Perencanaan Pembangunan Tidak Matang", see <https://nasional.tempo.co/read/1875549/hasto>

5. The political disputes stirred by Jokowi's ambition to continue being a kingmaker in Indonesian politics, messing up the mandates of state agencies to push for his second son's nomination in the November local government elections. On August 22, 2024 a series of demonstrations emerged in Jakarta, Bandung, Yogyakarta, Lampung, Semarang, Malang, Medan, Makassar, and Surabaya to flag "political emergency" against Jokowi and his political dynasty. Consequently, IKN is perceived as another personal ambition that may corrupt the state's resources.

As Indonesia approaches a political transition from Jokowi to Prabowo, the future of IKN remains a subject of intense debate. Will IKN continue? Will IKN bring solutions to its problems or instead new problems? The path forward for IKN is fraught with uncertainties, and its success is far from guaranteed.

Highlights

- Eko Listianto and Faisal Basri, economists, predict that the future of IKN under the leadership of Prabowo and Gibran will continue, albeit with limited funding.⁴ The

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⁴ Ekonomi Bisnis. August 21, 2024. "Faisal Basri: Prabowo Andalkan Aguan Cs untuk

reality is that Indonesia lacks sufficient funds to fully develop IKN. This approach is particularly necessary given that Indonesia faces debt maturities amounting to 800 trillion Rupiah in 2025.⁵

- Prabowo said that he, as a businessman, is one of the investors for IKN.⁶ He mentioned how hard it can be to build IKN but within 3,4,5 years it may develop as expected.
- Prabowo outlined five key points from the inaugural Cabinet Meeting at IKN, which emphasize his commitment to continuing and even accelerating the development of the new capital. He expressed a desire to move his office to IKN as soon as possible, plans to establish a forest city, prioritize the construction of government buildings in IKN, and extended his gratitude to Coordinating Minister for Economic Affairs Airlangga

Bangun IKN, Bukan Investor Asing" see <https://ekonomi.bisnis.com/read/20240821/9/1793004/faisal-basri-prabowo-andalkanaguan-cs-untuk-bangun-ikn-bukan-investor-asing>

⁵ CNN Indonesia. June 7,2024. "Utang Jatuh Tempo RI Tembus Rp800 T di 2025". see <https://www.cnnindonesia.com/ekonomi/20240607070559-532-1106939/utang-jatuhtempo-ri-tembus-rp800-t-di-2025>.

⁶ CNBC Indonesia. August 12,2024. "Prabowo Ngaku Salah Satu Investor IKN di Depan Jokowi." see

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Hartarto and Finance Minister Sri Mulyani for their support.⁷

- Finance Minister Sri Mulyani emphasized that the existing draft budget for IKN in 2025 serves as a baseline, and Prabowo can adjust the budget according to (his administration's) priorities.⁸

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⁷ Detik News. August 13, 2024. "5 Poin Pernyataan Prabowo di Sidang Kabinet Perdana di IKN." see <https://news.detik.com/berita/d-7486869/5-poin-pernyataan-prabowo-di-sidang-kabinet-perdana-di-ikn>.

⁸ CNN Indonesia. August 16, 2024. "RAPBN 2025 Cuma Alokasikan Rp143 M Buat Prabowo Bangun IKN." see <https://www.cnnindonesia.com/ekonomi/20240816184323-532-1134028/rapbn-2025-cuma-alokasikan-rp143-m-buat-prabowo-bangun-ikn>.

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Courtesy of Dinna Prapto Raharja taking the photos on July 18, 2024

