

THE PULSE



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The Pulse is a biweekly update on current issues, which also include how Indonesia sees the phenomenon. The Pulse, produced by Synergy Policies, wishes to engage the public, particularly policymakers, advisors, lecturers and students. As of now we have three themes: foreign affairs, social protection, and democracy.

DEMOCRACY

IKN (INDONESIA'S NEW CAPITAL) & ITS CONTROVERSIES

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Source: Antara News

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 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[3] as two of the pieces of evidence.
- 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 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 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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Courtesy of Dinna Prpto Raharja taking the photos on July 18, 2024

