

# PERSPECTIVE

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## **Shifting the Capital from Jakarta: Reasons and Challenges**

*Wilmar Salim and Siwage Dharma Negara\**

### **EXECUTIVE SUMMARY**

- Jokowi's recent announcement of the location for Indonesia's future capital has drawn serious attention to an idea that had not been taken seriously before.
- The proposed move is driven by the compelling need to ease overpopulation, strained infrastructure, water scarcity and other ecological pressures in Jakarta. It is also in line with national strategy to promote regional development in the outer islands.
- Jokowi's currently strong political standing is likely to secure parliament's support and may even override concerns about the project's feasibility.
- This mega-project will take decades to complete, and faces huge challenges. Most significant is the fierce resistance from civil servants who do not relish moving to Kalimantan. Ensuring liveability standards in the new capital will be a high priority.

*\* Guest writer, Wilmar Salim, is Associate Professor at Bandung Institute of Technology (ITB) and Siwage Dharma Negara is Senior Fellow at ISEAS – Yusof Ishak Institute. The authors would like to thank Benjamin Hu for providing the map.*

## **INTRODUCTION**

During his state of the nation address given on 16 August, President Joko “Jokowi” Widodo publicly asked permission from Parliament to move the capital from Jakarta to Kalimantan. He, however, did not mention the precise location for this project. The general public remained sceptical about the plan until ten days later when the President surprised further by stating that the location had been decided.

Much public debate and mixed reactions have been triggered by this turn of events, as one would expect. Jokowi had visited one candidate location in East Kalimantan province in early May this year<sup>1</sup> and within three months of that visit, he sprung his surprise announcement on the country. This brief looks at the factors behind Jokowi’s plan, and examines the challenges facing its implementation.

## **OLD PLAN IN A NEW PACKAGE**

The plan of moving the capital from Jakarta to a new place is in fact not new. It had been proposed even by Soekarno, Indonesia’s first president. Jokowi’s predecessors, Soeharto and Susilo Bambang Yudhoyono, at different points in time had also thrown out a similar idea. Since none of them had gone beyond mere wishes, Indonesians had not taken the idea seriously.

Jokowi’s recent speech before Parliament asking it to support the move for the sake of promoting regional development and ensuring equality indicated a conviction to move ahead during his second term in office (2019-24) which has to be taken seriously.

For a start, the President will need Parliament’s approval to change Law No 10/1964 naming Jakarta as the capital of the archipelago. Such an amendment will also help ensure that successive administrations will not abandon the project.

## **REASONS FOR THE MOVE**

According to the Ministry of National Development Planning, Bappenas, there are two main reasons why the move is urgent.<sup>2</sup>

First, it will promote development in outer islands, thus reducing persistent regional imbalance between Java and these places. Java is home to almost 150 million people, or 56% of the total population of Indonesia.<sup>3</sup> Java also contributes the largest economic share, i.e. 58.5% of total GDP. The contribution of the Jakarta Metropolitan Area alone to the national GDP is 20.8%.<sup>4</sup> Despite past policies to redistribute population and economic activities to other islands, such as transmigration, decentralization, and special economic zones, Java remains very dominant in terms of population and economic resources.

In the meantime, many areas in Java are facing water scarcity. In Jakarta, especially, the high population density puts great pressure on its limited water resources. The city is in fact already classed as having an absolute water scarcity status.<sup>5</sup> The situation will not be getting any better either. The recent Strategic Environmental Assessment for the National Medium-

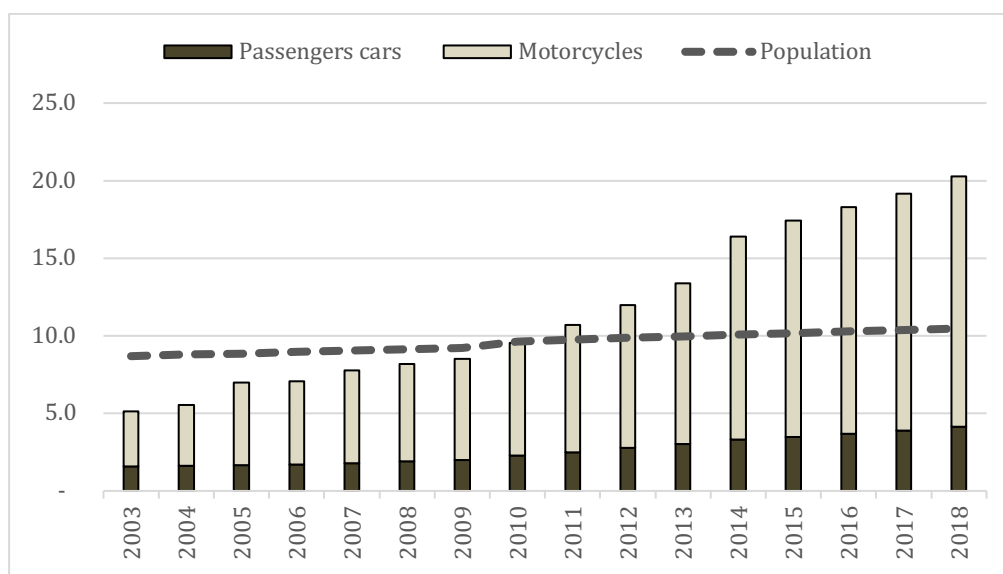
term Development Plan (RPJMN) 2019-2024 predicted that the whole island of Java will have the same status of absolute water scarcity by 2040.<sup>6</sup> The government is therefore counting on the relocation of the capital to attract investments into new region, boost economic growth there and thus promoting regional equality.

Second, the move is expected to ease pressure on Jakarta, which has limited environmental capacity to support further population growth. According to Statistics Indonesia, the population of Jakarta will peak in 2040 at 11.3 million people, up from 10.5 million in 2018.<sup>7</sup> And that is by far not the whole story. Rapid population growth will also be taking place in adjacent areas such as Bogor, Depok, Tangerang and Bekasi. Based on Statistic Indonesia’s estimate, the greater Jakarta area already has a population around 33 million.

A large proportion of people working in Jakarta now live within the urban periphery, resulting in huge volumes of daily commuter traffic. This is seen in the rapid increase in the number of motor vehicles in Jakarta (see Figure 1). Yet, the infrastructure has failed to keep pace. In 2016, a joint study by Bappenas and JICA found that Jakarta had the world’s worst traffic congestion. This costs the city \$4.5 billion per year,<sup>8</sup> in loss of productive time for individuals; inefficient use of resources in the form of motor vehicles; excessive use of fuel; ill-health due to air pollution; and so on. Over time, the problem adversely affects the quality of life and governance, as well as business efficiency. Traffic congestion also contributes to Jakarta’s worsening air pollution. In 2016, it was estimated that city dwellers had to spend \$3.7 billion for the treatment of diseases related to air pollution.<sup>9</sup>

Some critics argue that the proposed relocation of the capital shows the government’s inability to solve the complex problems of Jakarta.<sup>10</sup> In response to this, the government has said that the move does not mean that they will ignore the problems facing Jakarta. In fact, it plans to modernize the megacity by investing IDR 571 trillion (\$40 billion) over the next ten years.<sup>11</sup> Jakarta’s core functions as finance, businesses, and trades centre will not be disrupted, while the new capital will become the centre of administration.

**Figure 1: Number of motor vehicles and population in Jakarta (million)**



*Source: Statistics Indonesia via CEIC*

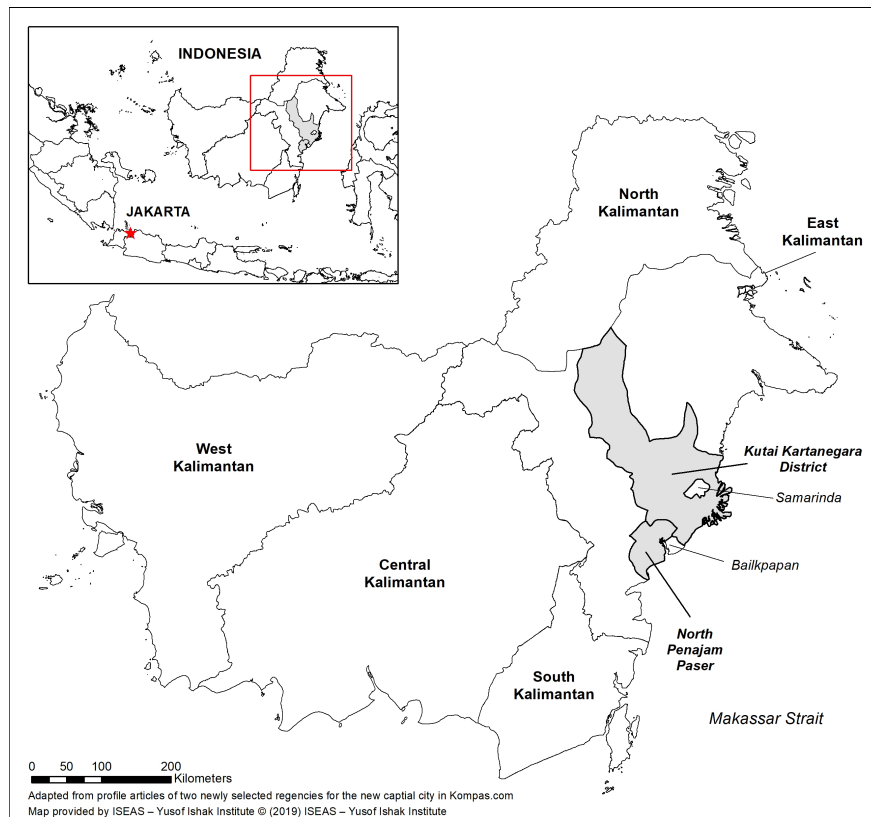
## LOCATION CRITERIA AND DECISION

When the government unveiled the plan to shift the capital, a number of criteria were mentioned:<sup>12</sup> (1) Geographically the new capital has to be at the centre of the archipelagic country, to represent spatial justice and to promote the acceleration of regional development; (2) it must be placed where there is availability of land owned by government or state-own enterprise, to reduce investment costs; (3) the area must be far from natural disasters zone; (4). there must be abundant and unpolluted water supply; (5) it should be close to an existing city; (6) there must be low risk for social conflict and the new capital should be a culturally open society that embraces migrants; and (7) security and defence perimeter is a priority.

Several locations in Kalimantan, including Palangkaraya and Gunung Mas (Central Kalimantan province); Banjarmasin, Tanah Bumbu and Kotabaru, (South Kalimantan); Balikpapan, Samarinda, and Bukit Soeharto (East Kalimantan), were proposed by the central and local governments and a number of experts, as the prospective new capital. Those cities in Kalimantan have been perceived (though not proven) to be geographically safe from natural disasters, such as land-sinking, earthquake, flood, or tsunami. Jokowi himself visited two of the proposed locations in Central Kalimantan and East Kalimantan.

After addressing the nation and asking permission from Parliament to move the capital on 16 August, and after Bappenas had studied the soil structure and economic impact, Jokowi decided on 26 August to choose a location between Penajam Paser Utara and Kutai Kartanegara districts in East Kalimantan Province (Figure 2).<sup>13</sup> It is close to Balikpapan and the provincial capital, Samarinda, which enables it to make use of existing infrastructure serving the two established cities. The government expects that the preparation and the legalities for the move will be completed by 2020. In 2021, construction will start, and by 2024 (the end of Jokowi's presidency), the first stage of the move will begin. Overall, it is expected that a complete relocation of the capital and its functions will take a longer time, possibly more than 20 years.<sup>14</sup>

**Figure 2. New capital location**



## CHALLENGES

To move the national capital, Jokowi needs both parliamentary and public support. His administration will need to go through the heavy work of preparing the legal basis for the plan and to formulate subsequent regulations that will be required. At the same time, socialization the plan so the public can better understand the rationale and give their support is a critical and necessary measure to undertake for the government.

The support of the newly elected members of parliament may be relatively easy, especially after Prabowo Subianto, the political opponent of Jokowi agreed to the relocation on some conditions, i.e. it must be based on sound and accountable study; reasonable opportunity cost; the country's structural problems such as poverty, unemployment, and economic sovereignty must remain prioritised; and non-economic aspects, such as social and culture matters, must be considered.<sup>15</sup>

Nonetheless, several members of parliament have voiced negative opinions about the relocation.

The greatest challenge to the plan probably comes from civil servants in central government institutions. A survey conducted by Indonesia Development Monitoring on 7-20 August revealed that 94.7% of 1,225 respondents who are central government staffs rejected the plan to shift the capital to Kalimantan.<sup>16</sup> The reasons mentioned were the fear of low quality of health and education facilities, and that their salaries would not be sufficient to sustain

living in the new capital. Thus, most of them consider early retirement from office as a personal option. This is possible for those who are 45 years old or older and have served for more than 20 years.<sup>17</sup>

Another concern comes from some experts who question the motivation for relocation. Former Minister of the Environment, Professor Emil Salim of University of Indonesia, asserts the government is being irresponsible in leaving Jakarta with its problems and moving the capital somewhere else.<sup>18</sup> Conservationists and international media are concerned for the environmental costs to the biodiversity in Kalimantan.<sup>19</sup> Moreover, the chosen area is mostly swamp or peatland. As such, building the new capital there is risky and would require draining the swamp, and incurring untenable costs.<sup>20</sup>

Moreover, financing constraints may delay the implementation of the plan. Bappenas has estimated the total cost to reach IDR 485.2 trillion (US\$34 billion), assuming the state has to procure 40,000 hectare of land and move 1.5 million people, including the state apparatus, civil servants, the police and military personnel.<sup>21</sup>

The government's budget is estimated to cover around 19% of the total financing needed. To fill the gap, the government will invite state-owned enterprises (SOEs) and private sector players to participate in the financing. This will be done through various channels, including the exchange or rental of state assets in Jakarta for private use. The government will also provide fiscal incentives for SOEs and private sector players to move to the new areas. On paper, all these financing options look viable.

## **LESSONS LEARNED FROM OTHER CAPITAL RELOCATIONS**

Shifting a capital is not a simple task and may take decades to complete. Brazil decided to shift its capital from Rio de Janeiro decades before the actual construction began in the late 1950s. Although the new capital, Brasilia, was opened in 1960, several buildings construction were completed only years after. Designed as a modern city by Lucio Costa and Oscar Niemeyer with a size of 5,800 km<sup>2</sup>, Brasilia was put on the UNESCO World Heritage list in 1987. Although it was designed to house half a million people, the current population is over 2.5 million. Brasilia has been criticized for sterility in its modernist design, i.e. for not having the feel of a normal city with cluttered streets, untidiness, etc.<sup>22</sup> Brasilia is also dubbed "an illustration of utopian over-planning" despite having many aesthetic assets, as few wish to walk on its streets, and its inhabitants prefer to vacate to other cities on weekends.<sup>23</sup>

Canberra in Australia was established in 1913 but Parliament House was opened only in 1927. Then, due to the Great Depression and World War II, construction stopped. The Australian federal government finally managed to move all offices and departments to Canberra in the late 1950s. The city was designed as a garden city to house 50,000 to 85,000 people. The current population there is more than 400 thousand. With an urban area of 814 km<sup>2</sup> the city has low population density and sprawling nature, which makes it an expensive city to maintain and operate.<sup>24</sup> Roberts (2014) offered some important lessons to be learned from Canberra about the factors needed for capital relocation (p.164), such as a well-run development authority; higher population density to lower costs; economic diversity,

beyond mere reliance on the government sector; and good transportation connections with other cities.

Islamabad in Pakistan was designed and built as a new capital in the 1960s. However, the construction of buildings was still taking place decades later. In fact, some residential sectors are still being developed today.<sup>25</sup> The city was designed by Greek architect, Doxiadis, with a size of 906 km<sup>2</sup>. The current population is little over 1 million. The main issue the city has is the lack of housing,<sup>26</sup> especially for low-income groups. Consequently, slum areas are growing inside the city.

Malaysia decided to shift its administrative capital in the late 1980s. The construction of Putrajaya began in 1995, and some government offices gradually moved in between 1999 and 2005. Unlike other relocated capital cities whose existing population is more than planned, Putrajaya has only a population today of less than 100,000 living in a city designed for 330,000. The city that has been viewed as a success story by some is however often criticized for its monotonous housing and lack of diversity, emphasizing as it does a Muslim identity that leaves no room for non-Muslim cultures.<sup>27</sup>

Indonesia should also learn from its own capital city projects in the past. President Soekarno planned to move the national capital from Jakarta to Palangkaraya, but had to abort the plan because construction proved too slow as building materials were not available, and some foreign ambassadors were unwilling to relocate.<sup>28</sup>

More recent experiences include the establishment of capital cities of two new provinces, North Maluku and North Kalimantan. Sofifi was designated as capital city when North Maluku Province was created in 1999. The transition from the temporary capital in Ternate to Sofifi was started in 2010 during President Yudhoyono's term. The city today is only alive during the day when government offices are open, but barely anybody lives there at night. Almost all government staff members live in Ternate, an island away, and commute daily by boat to Sofifi, which is on Halmahera. Although the commuting time may take more than one hour each way, people still prefer to commute because there are no basic amenities in the new capital.<sup>29</sup>

Another example is Tanjung Selor in Bulungan District which was designated as the capital of the newly created North Kalimantan Province in 2015. The Jokowi administration then announced that the city was to be self-sustaining and a model for future town development in Indonesia.<sup>30</sup> However, Tanjung Selor has been hit by floods almost every year, caused by bad drainage and deforestation upstream.<sup>31</sup> Making Tanjung Selor as capital also triggered economic activities that have led to land use conversion, seriously disturbing the state of the environment in the area.

## **CONCLUSION**

If the capital relocation to Kalimantan materialises, it will certainly boost infrastructure development on the island. Land prices will increase sharply, and many construction and infrastructure companies will line up to develop the surroundings. Companies specializing in energy, electricity, water, roads, housing, retails, and ports will be in high demand, and there will be a significant increase in shipping and air traffic as people start traveling to Kalimantan to study business prospects.



The government will need to adjust the existing national and regional spatial plans to accommodate for this plan. It also needs to calculate the overall risks involved, including social and environmental impacts. As of now, the only feasibility study available was conducted by Bappenas. What was more a hidden study should be made available for public discussion, and needs to be complemented with second or third feasibility studies done independently.

Important lessons learned from other cases of capital relocation include considerations that the capital must be people-friendly: has a high standard basic amenities; be affordable, manageable, and walkable; be bio-socioeconomic diverse; and be resilient to shocks and stresses.

President Jokowi seems determined to make the capital shift his lasting legacy, and it is likely that will begin before he leaves office. As the government has decided on the site, Indonesians are now waiting for the new parliament's approval. This is likely to happen, given Jokowi's strong political base, even to the extent of concerns over its feasibility being ignored.

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<sup>1</sup> <https://bisnis.tempo.co/read/1203136/mencari-lokasi-pemindahan-ibu-kota-jokowi-tengok-bukit-soeharto>. Accessed 20 August 2019.

<sup>2</sup> Bappenas (2019) "Pemindahan Ibu Kota Negara", Dialog Nasional Pemindahan Ibukota Negara, Jakarta, 16 May 2019.

<sup>3</sup> Survei Penduduk Antar Sensus (SUPAS) 2015.

<sup>4</sup> Badan Pusat Statistik 2018.

<sup>5</sup> Kementerian Pekerjaan Umum dan Perumahan Rakyat 2016.

<sup>6</sup> Menteri Perencanaan Pembangunan Nasional/Kepala Bappenas 2019.

<sup>7</sup> Badan Pusat Statistik (2018). Statistik Indonesia.

<sup>8</sup> Bappenas-JICA. (2004) The Study on Integrated Transportation Master Plan for JABODETABEK (Phase II) Final Report Volume 2: Pre Feasibility Studies.

<sup>9</sup> <https://www.mongabay.co.id/2019/08/06/warga-gugat-pemerintah-soal-polusi-udara-jakarta-gubernur-keluarkan-instruksi/>. Accessed 21 August 2019.

<sup>10</sup> <https://bisnis.tempo.co/read/1239490/kritik-pemindahan-ibu-kota-emil-salim-tidak-bertanggung-jawab>. Accessed 21 September 2019.

<sup>11</sup> The Indonesian capital will undergo urban regeneration costing 571 trillion rupiah (S\$55.5 billion) over the next 10 years, more than the US\$33 billion expected cost for the new capital. Accessed 21 September 2019.

<sup>12</sup> Menteri Perencanaan Pembangunan Nasional/Kepala Bappenas 2019.

<sup>13</sup> <https://en.tempo.co/read/1240352/jokowi-new-capital-city-will-be-in-penajam-kutai-kartananegara>. Accessed on 26 August 2019.

<sup>14</sup> <https://www.cnbcindonesia.com/news/20190801164133-4-89195/butuh-25-tahun-ini-tahapan-pemindahan-ibu-kota-ke-kalimantan>. Accessed 20 August 2019.

<sup>15</sup> <https://www.cnnindonesia.com/nasional/20190827064355-20-424871/4-catatan-dari-prabowo-untuk-jokowi-soal-pemindahan-ibu-kota>. Accessed on 27 August 2019.

<sup>16</sup> <https://www.jawapos.com/nasional/politik/25/08/2019/947-persen-pns-tolak-ibu-kota-pindah-ke-kalimantan/>. Accessed on 27 August 2019.

<sup>17</sup> Government Regulation No. 11 of 2017 on Civil Servants Management.



- <sup>18</sup> <https://www.cnbcindonesia.com/news/20190826085752-4-94513/jokowi-pindahkan-ibu-kota-4-ekonom-senior-ini-tak-setuju>. Accessed on 27 August 2019.
- <sup>19</sup> <https://internasional.kompas.com/read/2019/08/27/10540351/media-internasional-ulas-kekhawatiran-jika-ibu-kota-indonesia-pindah-ke?page=all>. Accessed on 27 August 2019.
- <sup>20</sup> [https://www.washingtonpost.com/world/asia\\_pacific/welcome-to-the-jungle-indonesia-picks-site-for-new-capital-city/2019/08/26/809cb0a2-c7b4-11e9-9615-8f1a32962e04\\_story.html](https://www.washingtonpost.com/world/asia_pacific/welcome-to-the-jungle-indonesia-picks-site-for-new-capital-city/2019/08/26/809cb0a2-c7b4-11e9-9615-8f1a32962e04_story.html). Accessed on 27 August 2019.
- <sup>21</sup> Bappenas (2019) Rencana Pemindahan Ibu Kota Negara, Minister's presentation material, Jakarta, 20 August 2019.
- <sup>22</sup> <https://www.bbc.com/news/magazine-20632277>. Accessed on 24 August 2019.
- <sup>23</sup> <https://www.ft.com/content/52a967d0-409d-11e2-8f90-00144feabdc0>. Accessed on 24 August 2019.
- <sup>24</sup> Roberts (2014), *Managing Systems of Secondary Cities*, Cities Alliance/UNOPS, Brussels.
- <sup>25</sup> <https://www.dawn.com/news/1494848>. Accessed on 28 August 2019.
- <sup>26</sup> Ahmed (n.d.), *Housing Demand in Islamabad Capital Territory*.
- <sup>27</sup> Moser, S. (2010). Putrajaya: Malaysia's new federal administrative capital, *Cities*, 27: 285-297.
- <sup>28</sup> Wijanarka (2006) *Soekarno dan Desain Rencana Ibukota di Palangkaraya* [Soekarno and Design of Capital City Plan in Palangkaraya]. Yogyakarta: Penerbit Ombak.
- <sup>29</sup> <https://travel.kompas.com/read/2014/06/30/0932005/Sofifi.Ibu.Kota.Nan.Sepi?page=all>. Access on 29 August 2019.
- <sup>30</sup> <https://properti.kompas.com/read/2019/03/31/160000521/tanjung-selor-model-pengembangan-ibu-kota-baru>. Accessed on 29 August 2019.
- <sup>31</sup> <https://www.korankaltim.com/kaltara/read/20874/hutan-semakin-gundul-volume-banjir-di-tanjung-selor-meningkat>. Accessed on 29 August 2019.

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