



# IKN: Economic Opportunity or Threat? A Comprehensive Public Policy Analysis on the Economic and Social Impacts of Indonesia's Capital City Relocation

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<p>Received: January 11, 2024            Revised: March 14, 2024            Available online: April 28, 2024</p>	<p>Indonesia's plan to relocate its capital city from Jakarta to Kalimantan Island, initially proposed by President Joko Widodo in 2019, was formalized in the 2020-2024 National Medium-Term Development Plan (RPJMN). This project, often described as the largest of its kind globally, aims to boost national economic growth and promote economic equity, addressing issues that Jakarta can no longer accommodate. Various economic theories suggest that such relocations have substantial economic impacts, with public policy playing a critical role in determining success. This article analyzes the public policy narrative surrounding the capital city's relocation, particularly from an economic perspective, focusing on its potential opportunities and threats. Using a narrative analysis approach combined with a cross-sectional case study, this research examines the experience of other countries, such as Brazil, as well as statements from Indonesia's Ministry of National Development Planning (Bappenas), which positions Brazil as a reference model. The findings indicate that Indonesia's financial preparedness and the robustness of its public policy framework are pivotal to the success of this relocation. The study explores whether relocating the capital will represent an economic opportunity or a potential threat to Indonesia's future.</p>
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## INTRODUCTION

The capital city is the center of the country that has a primary position in the country's government system as determined by statutory regulations. As the center of government, the capital city generally functions as the center of the country's economy and political power, so it has an important role in running the lives of the community and the country (Ishenda & Guoqing, 2019). As a center of significant social, economic, and political activities, mistakes in managing the capital city can cause many problems for the country, so managing the capital city is not an easy job. These difficulties are still inseparable from the fact that the capital city still has economic and political opportunities that exceed other cities. In most cases, when a city has changed its status to become a capital city, the city will experience significant growth in its economic and demographic aspects (Dascher, 2000). So, in certain cases, some countries may decide to move their capital cities to strengthen their countries in various ways. Capital relocation, or the geographical relocation of the central state apparatus from one city to another, is an unusual tool in state and nation building, but in reality, it is used more often than we think (Schatz, 2003). The biggest challenge in capital relocation is always the cost issue, where moving existing capital to a new location will cost a lot of money, followed by the risks behind it. However, we can see many countries that moved their capitals throughout the late twentieth century, such as Malaysia, Mauritania, Brazil, Pakistan, Libya, Botswana, Malawi, Belize, Nigeria, Ivory Coast, Tanzania, Germany, Kazakhstan (Doxiadis, 1965; Schatz, 2003). Most of the countries that moved their capitals can be classified as developing countries (Ishenda & Guoqing, 2019).

Countries decide to move their capital cities based on a variety of variables. These variables can be political geography, building a country through patronage, symbolic state-building,

controlling cultural diversity, and so on (Ma et al., 2016; Schatz, 2003). In terms of economic interests, scholars such as Ishenda & Guoqing (2019), have stated that the driving factors for moving the capital city can be based on the number and density of population, area, gross domestic product (GDP) per capita, economic growth, and the type of capital city whether as an administrative centre or an economic wheel. In line with that, Indonesia has been trying to move its capital city from Jakarta to the Indonesian Capital City (IKN) for the past few years. The government is trying to encourage inclusive economic growth through the development of the IKN, which is expected to spread new economic magnets so that the economy is not centred only on the island of Java. The IKN is also intended as a symbol of national identity, green economy, green energy, smart transportation, and efficient and effective governance. In short, the IKN is considered an important milestone in the major transformation of the Indonesian nation (Sugiarto, 2024).

Data published by the Central Statistics Agency (BPS) (2020) provide an overview of the driving factors for moving the capital city in Indonesia, namely related to the dominance and contribution of the economy and the burden of population on the island of Java. Based on the modelling of the results of the Strategic Environmental Assessment (KLHS) by Bappenas, it was found that the island of Java has experienced many changes or conversions of land functions. These reasons are similar to what Nigeria, Brazil and Pakistan did to relocate the capital cities in their countries (Doxiadis, 1965).

The relocation of the capital city is a very serious agenda with various risks, so in this case, public policy is the right and best step for the government to take as a form of decision on this matter (Hoyong, 2019). Socio-economic considerations are important considerations when relocating to the capital city, especially to reduce regional disparities in these countries. The

development of a new capital city is expected to open new areas so that it can reduce the concentration of activities in the old capital city location. This is in line with cases that have occurred, such as in Rio de Janeiro, Zomba, Dar es Salaam, Belize City, and Lagos, which are economic centres and old capitals that have developed much faster than other cities in their countries (Nwafor, 1980; Potts, 2006; Stephenson, 2009). Although it is not easy to relocate economic activities, it is not impossible to move the function of the capital city to another city to increase the carrying capacity of the old city and provide the comfort of life as well as opportunities for new cities and more opportunities for their regions to develop (Ofori, 2021). A study conducted by the World Bank (2004) provided an overview that in the period 1965-1999, developing countries experienced higher average economic growth than most developed countries. In line with that, the economic development of countries that moved their capital cities looked better than countries that did not move their capital cities throughout 2000-2010. There is an interesting correlation where countries that have high economic growth will tend to move their capital cities, and countries that move their capital cities will have economic growth (Ishenda & Guoqing, 2019).

In the context of Indonesia, the planning for the relocation of the capital city through various studies conducted by Bappenas states that the plan for the development and relocation of the capital city is an effort by the government to accelerate economic transformation. The determination of the development and relocation of the capital city as a core program is in line with the development of the capital city as an economic superbase for the development of new economic centres, which are estimated to be able to drive the national economic growth rate by 0.1-0.2%.

Based on the growth centre theory, considering the capital city as a form of equitable development, the presence of a new capital city will possibly drive regional economic growth. Therefore, the relocation of the capital city is believed to offset the backwardness/lag of development in the region. Modelling like this has basically been carried out by several countries such as Malawi, Tanzania, Belize, Brazil, and South Korea (Ofori, 2021). Mid-range theory, as proposed by (Schatz, 2003), argues that, in theory, a well-designed and executed capital city relocation can provide economic opportunities and help solve government problems as a solution to inequality in other regions. However, there have been various criticisms raised to reject the development of the IKN in Indonesia. The government's plan is considered immature because of two reasons for moving the capital city outside Jakarta, namely equity and Jakarta's weak carrying capacity. Moving the nation's capital outside Java is considered insufficient; the government needs to allocate more new growth centres and economic opportunities outside Java, especially in eastern Indonesia (Kameswara & Suryani, 2021). At the DPR plenary meeting on January 18, 2022, similar criticism was also expressed by the Prosperous Justice Party (PKS) faction, which considered that moving the IKN would only burden the state budget in the national economic recovery situation after the Covid-19 pandemic. David Henley, an academic from Leiden University and senior economists Didik J. Rachbini and Fadil Hasan from the Institute for Development Economics and Finance (INDEF), questioned the government's urgency regarding COVID-19, which resulted in an economic downturn, stating that it was not yet time to carry out the capital city relocation and the capital city relocation funds that should have been channelled first to various sectors to stimulate the

Indonesian economy. Referring to the theory stated by Schatz (2003), that the relocation of the capital city through good planning and execution will be able to provide and increase the country's economic opportunities, which states that the best execution of the capital city relocation is through a public policy scheme. This article attempts to provide an overview of whether the IKN, as the new capital city of Indonesia, can provide good economic opportunities compared to Jakarta and attempts to see the public policies that have been implemented during the IKN planning that have an impact on economic opportunities through narrative analysis.

## METHOD

This study uses a literature analysis method and a cross-sectional case study with a qualitative approach. This analysis is used to conduct a critical analysis and evaluation of existing literature on various appropriate research themes (Paré & Kitsiou, 2017). After identifying various existing literature, the study focused on synthesizing the findings to then be able to provide a picture of the selected case (Randolph, 2009). This study also uses a narrative analysis method to see the impact of public policy, especially on the economic aspects of the relocation of the nation's capital. The techniques used in narrative analysis that refer to public policy refer to narrative analysis techniques popularized (Jones et al., 2014). This technique considers the character, plot, solution, and causal mechanism of public policy. The use of a case study method is added to be able to see the causal mechanism in this study. The type of case study used is a cross-unit study, which allows researchers to see the proportion of causal views of existing cases that can then be implemented in the main case of the study (Gerring, 2005). The data in this study are secondary data obtained through various literature studies such as journals, books, news, and other media related to the relocation of the National Capital. The information and data taken depend on the focus of the research, information, and data used to fill the information and data gaps, and then followed up using a descriptive analysis approach.

## RESULTS AND DISCUSSION

### Indonesia's Decision to Relocate Capital City

In the Indonesian context, the discourse on moving the capital city has a long history. The design is based on various complex problems in Jakarta. These problems are caused by the complex imbalance between Jakarta's development and good city management, so the DKI Jakarta Provincial Government continues to be overwhelmed in dealing with these problems. The development of Jakarta as the capital city has an impact on economic development that is too centralized, resulting in the centralization of the national economy. This makes Jakarta increasingly crowded with immigrants who hope to improve their economic lives, resulting in high urbanization. The large population plus the high flow of urbanization causes various problems in Jakarta (Ishenda & Guoqing, 2019; Reni & Asia, 2020). One of the main factors in moving the capital city from Jakarta to the IKN needs to be underlined, one of which is the economic factor (Nugraha, 2024). The relocation of the IKN began with the fact that Jakarta currently bears the burden of functioning as the centre of the economy as well as the centre of government. The relocation of the IKN has the potential to increase national economic growth while keeping inflation low (Reni & Asia, 2020). Several countries other than Indonesia also

have similar reasons for moving their capital cities. Several other countries have separated their government centres, both executive, legislative, and judicial, into different cities (separate capital cities), as happened in the Kingdom of Eswatini (Lobamba and Mbabane), South Africa (Pretoria et al.), Sri Lanka (Colombo and Sri Jayawardenapura Kotte), the Netherlands (Amsterdam and The Hague), Bolivia (La Paz and Sucre), and Malaysia (Kuala et al.) (Campbell, 2004). In line with what Scathz (2003) stated, moving the capital city is a case that occurs more often than we think. So Indonesia's decision to move the capital city has previously been made by many countries. After the Second World War, it was recorded that 16 countries moved their capital cities (Mubarog & Solikin, 2019). Throughout the 20th century, Montenegro was the first country to move its capital from Cetinja to Podgorica in 1946, and Malaysia was the last when it moved Kuala Lumpur to Putrajaya in 2000 (Rachmawati et al., 2021). In the 21st century, Tanzania and Myanmar became countries that moved their capital cities to Indonesia. Tanzania was even recorded as having moved its capital city twice from Dar es Salaam to Dodoma in 1973 and back to Dar es Salaam in 2016 (Rachmawati et al., 2021). The data on the relocation of the country's capital city can be seen in the following table:

Year	Country	Previous Capital	New Capital
1946	Montenegro	Cetinja	Podgorica
1956	Brazil	Rio de Janiero	Brasil/Brasilia
1957	Mauritania	Saint Louis	Nouakchott
1959	Pakistan	Karachi	Islamabad
1961	Bostwana	Mafeking	Gaberone
1963	Libya	Benghazi	Tripoli
1965	Malawi	Zomba	Liliongwe
1970	Belize	Belize City	Belmopan
1973	Tanzania	Dar es Salaam	Dodoma
1974	Guinea Bissau	Boe	Bissau
1982	Nigeria	Lagos	Abuja
1983	Srilanka	Colomba	Sri Jayawardenapura Kotte
1990	Cote d'Ivoire	Abidjan	Yamoussoukro
1997	Kazakhstan	Almaty	Astana
2000	Malaysia	Kuala Lumpur	Putrajaya
2005	Myanmar	Rangoon	Naypyidaw
2006	Tanzania	Dodoma	Dar Es Salaam

Source: Rachmawati, et al (2021)

Thus, transferring the capital city from Jakarta to the IKN in Kalimantan is a common phenomenon around the world. However, it is different from the case of most countries that only move their capital cities to existing cities, whereas Indonesia is a country that builds its cities. Brazil is recorded as having previously done something similar to what Indonesia is planning today (Kalla, 2024). From a historical perspective, Indonesia has also experienced moving its capital city several times. In 1945, Indonesia experienced the transfer of its capital city from Jakarta to Yogyakarta, although it experienced a transfer back to Jakarta after the dissolution of the Emergency Government of the Republic of Indonesia (PDRI) or the Republic of the United States of Indonesia (RIS) system was no longer used in 1950 (Damayanti, 2023). After 58 years of Jakarta being recognized as the capital city de jure, President Joko Widodo decided to plan to move the capital city from Jakarta to the island of Kalimantan in 2019 (Labolo & Toana, 2022; Damayanti, 2023). The official decision to move the IKN from Java to areas outside Java was then regulated in the 2020-2024 National Medium-Term Development Plan (RPJMN) (Bappenas, 2019). Although the public policy of relocating the national capital (IKN) is a complicated project, the discussion of the IKN Law was carried out at lightning speed, precisely less than two months. The development of the national capital (IKN) was also discussed in a less transparent scope, so that it was far from accountability to the public and resulted in inequality in understanding and views. This situation will certainly create various different opinions among the public (Musu et al., 2022). In fact, the House of Representatives (DPR), together with the government, have agreed and ratified Law Number 3 of 2022 concerning the national capital, and it came into effect on February 15, 2022 (Aditama, 2022). In a press conference held by the Ministry of National Development Planning and Bappenas, Minister of National Development Planning Bambang Brodjonegoro expressed his desire for Indonesia to have a new capital city that is Indonesia-centric so that it can trigger growth and encourage equitable economic development.

Various problems that have befallen Jakarta have caused Jakarta to no longer be considered the capital city; Thus, it is unable to carry out its duties as the capital city as mandated by Law Number 29 of 2007 concerning the Capital City. Jakarta is considered to have failed to carry out its responsibilities in its fields and functions to manage spatial planning, the environment and natural resources, population, control of population density, and transportation problems such as congestion. Academics and the government, in this case, have discussed the idea of moving the capital city to the IKN as one solution to overcome Jakarta's problems.

The relocation of the nation's capital city was discussed by President Susilo Bambang Yudhoyono in early December 2009 at the national working meeting of the Association of Indonesian Provincial Governments (APPSI) in Palangkaraya. The President also formed a small team to study the possibility. Through the release of the Indonesian Cabinet Secretariat in 2013, the President formed an informal team tasked with researching and considering the plan to relocate the capital city to another city. Furthermore, the President, through a press release at the Grand Emerald Hotel, St. Petersburg, Russia, stated that although the Indonesian economy is quite strong through economic growth, GDP, and per capita income, on the other hand, a better solution has not been found to overcome Jakarta's problems. In addition, it was concluded that if there is no right solution to overcome

Jakarta's problems involving urgent interests, then it is not wrong for the government to consider building a new centre of government (Ishenda & Guoqing, 2019).

### Narrative of IKN Public Policy in Economic Aspects

Policy narrative analysis consists of three levels, namely macro, meso, and micro (Islamy, 2014). Macro, this IKN policy is formed from the involvement of the community and government leaders who influence the entire national life. Meso, this policy is formed from the results of changes or additions to macro policies. Meso or intermediate policies can be called implementation explanations (Karmalita, 2017). Finally, this policy is a policy that functions to regulate the implementation of larger policies. In this case, IKN policies can be analyzed using the meso level because IKN policies affect other policy subsystems related to political, social, and economic aspects. Referring to what Peters and Fontaine (2020) put forward, policy narrative analysis at least covers several aspects, including characters, plots, solutions, and causal mechanisms.

IKN development is a large-scale project that requires large funds, especially through the APBN. There have been various criticisms conveyed by various parties regarding the development of the IKN, which is considered immature and will be a heavy burden on state finances because it requires great effort to be able to restore the national economy after the Covid-19 pandemic (Djayanti et al., 2022). Basically, the development of the nation's capital city should be financed by the government of the country itself and not involve other countries or foreign investors. Therefore, funding for the IKN project should come from the State Revenue and Expenditure Budget (APBN). So in this case, in accordance with Law No. 28 of 2022, which was ratified on October 27, 2023, the APBN has allocated funds in detail for the IKN project, even emphasizing that the development of the IKN is a priority of the APBN (Djailani, 2023). However, even though the IKN is considered a priority, the budget in the APBN is apparently not enough to carry out the development of the IKN infrastructure because this project is being carried out in a situation where the state's finances are declining (Purwantono, 2023). To overcome this, the government decided to develop innovative funding through efforts to strengthen the role of BUMN, Sovereign Wealth Fund (SWF), Special Mission Vehicle (SMV), and BLU as efficient alternatives to support the funding budget. The aim is to accelerate infrastructure development, provide housing/housing financing for low-income communities, and facilitate the release of areas or land in priority projects. However, the implementation of this policy was unsuccessful because there was no source of funding from SoftBank or SWF (Nordiansyah, 2021).

From the beginning, there have been various responses regarding the financing of the IKN relocation. One of the senior economists who most strongly criticized was Faisal Basri, and several other names mentioned earlier stated that forcing the relocation of the IKN using state money was a fatal mistake. Because the state budget should have been used for the post-covid crisis that hit. The crisis conditions to restore the post-COVID economy are more important than building ambitious projects related to the IKN (Sembiring, 2022). As an alternative effort, President Jokowi once negotiated with the Chinese government to seek funding to continue the development of the IKN. However, China could not fulfil Indonesia's request because there was no guarantee of funding from the Indonesian State

Budget (Daeng, 2023). In a press conference on August 16, 2023, Sri Mulyani as the Indonesian Minister of Finance, explained that in the 2024 State Budget Draft (RAPBN), the budget for National Critical Infrastructure would reach 40.6 trillion, as reported by (Irawati, 2023). In addition, the Minister of Finance also stated that the government would continue to strive to control the deficit in the 2024 State Budget as a step to maintain the health of the country's finances and anticipate the impact of high interest rates and global inflation (Rahmah Ramadhani, 2023). The public policy of relocating the IKN is a policy that has a broad impact on social, economic, and political aspects (Hairunnisa & Syaka, 2022). One of the changes in regulations related to the IKN government system is the creation of an Authority Body, as explained in Presidential Regulation Number 62 of 2022 (BPK, 2022). However, some parties consider the step to form the Authority Body premature and hasty. The DPR has criticized the president's plan to immediately appoint the Head of the Authority Body. The DPR recommends that the government first improve the IKN Bill before focusing on the formation of the Authority Body (Yusuf, 2021).

The Authority Body system is a significant change in Indonesian governance that is different from the current system. In the administrative structure of the IKN Nusantara region, the Authority Body will replace the role of the Governor and DPRD as the parties that oversee regional autonomy. Based on the provisions contained in Presidential Regulation (Perpres) Number 62 of 2022, the IKN Authority Body will have the same status as a ministry or Non-Ministerial Government Institution (LPNK). The Head of the IKN Authority Body will be appointed and dismissed by the President. Thus, there is potential for overlapping authority between the IKN Authority Body and other ministerial institutions (Onelim, 2022).

Although considered the largest project in the world, the construction of the IKN has not attracted many investors. This project is estimated to cost around 35 billion USD, or equivalent to 500 trillion in rupiah (Asmara, 2022). The government plans to only contribute around 20% of the total funds required, while 80% of the funding is expected to come from foreign investors. However, getting 80% foreign investment is not easy, especially if the Indonesian government is unable or fails to provide guarantees of continuity and proof of the feasibility of the project. Since 2017, the budget for infrastructure in Indonesia has decreased by 2.8% of Gross Domestic Product (GDP). Therefore, funding for the IKN project requires efforts and initiatives from investors in the Asia Pacific region to influence investors from other regions to also be interested in investing (Sorongan, 2023). To date, the IKN project has attracted the interest of 256 potential investors from various countries through Letters of Intent (LOI). The majority of these investors come from countries such as Singapore, South Korea, the United States, China, Japan, and European Union countries. However, it is important to remember that LOI does not guarantee concrete business cooperation between investors and the government. The alleged lack of investor interest in the development of the IKN may be caused by their concerns about several problems that often arise in Indonesia, such as corruption, complicated bureaucracy, nepotism practices, and low economic growth (Djailani, 2023). The meso-level analysis of the economic aspect related to the IKN is the government's role as a policymaker. More complete information can be seen in the following table (while the causal mechanism can be seen in the next section):

Table 2. Narrative Analysis of Public Policy on the Economic Aspects of the IKN

Variables	Explanation	
Characters	Protagonist	Economist and expert in economics; Faisal Basri
	Antagonist	Government, Ministry of Finance, Authority Agency
	Victim	APBN swelling and lack of investment
Plot	Failed to attract foreign investors.	
	The people's economy must be prioritized over the development of the IKN.	
Solution	The development of the Indonesian IKN must pay attention to aspects of transparency, participation, and accountability.	
	Attracting investors for the development of the IKN.	
	Not using the APBN excessively.	

**IKN: Economic Opportunity or Threat**

Government Regulations and their derivative regulations stipulate that IKN KPBU is given priority in financing infrastructure projects initiated by the Minister, Head of Institution, Directors of BUMN, and/or Head of Authority (Regarding PP on IKN Financing, 2022). Experts emphasize the importance of detailed and in-depth research in the governance process of developing a new IKN, which is in line with urban observers who also argue that expanding infrastructure without considering economic aspects is very detrimental. So, it is necessary for IKN to consider the surrounding cities when planning a new IKN district, which will be counterproductive to the development of the capital city in the long term. Limitations in the development of IKN may lie in the limitations of facilities and utilities. Therefore, the lack of easy and fast accessibility between major regional cities will make IKN possibly develop slowly (Fernando, 2023).

The possibility of national improvement in the economic dimension in the development and relocation of IKN through Indonesia-centric efforts and economic transformation that gives birth to certification and multiplier effects must be supported by all stakeholders in order to run effectively. In line with the optimism and vigilance that represent the vision of the Ministry of Finance in carrying out the function of managing state finances in 2023, the IKN fund/loan allocation strategy estimated at IDR 466 trillion must be based on considerations of state financial vulnerability and resilience, given the limited fiscal space (Mauleny et al., 2022). Research conducted by the Japan International Corporation Agency in 2004 in Nakamura et al., (2011), stated that if improvements were not made to the transportation system in Jakarta, it is estimated that Jakarta traffic will be congested in 2020 with an estimated economic loss

of IDR 28.1 trillion and lost travel time equivalent to IDR 36.9 trillion. The components of the loss costs as above include vehicle fuel costs, vehicle operating costs, lost time costs, costs of lost economic potential, delayed transactions, air pollution costs/pollution that cause various respiratory diseases, psychological stress/severe stress and others.

In the context of developing the country's economy, before the existence of the IKN, the government had planned the development of cities that would become new economic development areas in Indonesia. One of them is the Special Economic Zone (KEK), which includes twelve cities. According to estimates and observations of the Coordinating Ministry for Economic Affairs, it will require funds of 46 trillion rupiah or 10% of the development of the IKN (Purnama & Chotib, 2023). Economic growth in the twelve cities is expected to become new points that are spread out to advance the economy both in regional and national contexts. Before the existence of the KEK, there were other programs such as in the 1970s, there was a Free Trade and Free Port Area (KPBBP); in 1996, there was an Integrated Economic Zone (KAPET), then KEK in 2009, and in the 2014-2019 RPJMN there was the development of ten new cities which until now are still running in place. However, these programs have not been fully said to have a significant impact, so building the IKN can certainly be a risk in itself if we look at how the previous program schemes worked.

The main lesson that can be taken from various ideas for developing economic zones in Indonesia is that the role of the government in developing strategic areas seems so dominant that aspects of local wisdom and community participation have been indirectly forgotten (Purnama & Chotib, 2023). So, minimize the impact of risk and see the potential causal effects of the IKN, it is necessary to at least see the impact of moving the capital city, both in terms of opportunities and threats to the country's economy. At least we can see a picture of the economic development of other countries in Brazil. The choice of Brazil as a comparison cannot be separated from several reasons. The Ministry of PPN and Bappenas firmly stated in their press release that Indonesia learned from Brazil's experience in moving the capital city (Ministry of PPN/Bappenas, 2019). In line with that, Brazil is a country that moved its capital city not to an existing city but made the capital city of Brazil, similar to what Indonesia did. The similarity of reasons for moving the capital cities of Indonesia and Brazil are relatively the same, namely territorial centrality to a centralized government system in the capital city; this makes the burden on the city heavier so that environmental conditions continue to decline (Adinugroho et al., 2022).

The Minister of Finance, in the press release, said that Jakarta was built by the Dutch colonial government and continues to function as the capital city to this day. Indonesia needs a capital city that is specifically built by itself so that it can learn from countries that have succeeded in moving their capital cities, one of which is Brazil (Ministry of PPN/Bappenas, 2019). The reasons for following Brazil's example include its success in moving its capital city or making Brazil the capital city, replacing Rio de Janeiro in an effort to revive its satellite cities. So, a similar situation also occurs in Indonesia. A comparison of the economic growth of Java and Kalimantan can be seen as follows:

Table 3. Economic Growth of Java-Kalimantan Island

Year	Economic Growth	
	Java	Kalimantan

2011	0.288	0.167
2012	0.290	0.152
2013	0.278	0.202
2014	0.252	0.137
2015	0.248	0.062
2016	0.255	0.076
2017	0.263	0.157
2018	0.277	0.128
2019	0.047	0.031
2020	-0.034	-0.042

Source: Muliati et al (2011)

Through data based on the RDRB of each district/city, the income of Java Island, on average, has a constant increase and is inversely proportional to Kalimantan. This difference occurs in different economic activities where the determining factors include infrastructure support, facilities and industry, and other supporting infrastructure. So, the reason for moving the capital city from Jakarta to IKN will be reasonable and right on target if IKN can become a new Jakarta that meets various needs to boost the economy of the surrounding areas. However, whether Brazil has succeeded in realizing it, as an example from Indonesia, it is necessary to at least know the impact of moving the capital city that has been carried out by Brazil. The results of research conducted by Mochizuki & Bryan (2015), showed that there was no significant impact on Rio de Janeiro's economic growth after losing its status as the capital city. In this case, Rio de Janeiro was able to maintain its economic growth capacity stably in the sense that there was no significant decline. In Brazil, large and significant results were obtained, such as Brazil's economic growth in 1970 doubled fiscally by 2.93%. The negative impact of the capital city relocation occurred in the private sector of the community experiencing sectoral shocks. However, Brazil, which replaced Rio de Janeiro's function as the capital city, cannot be said to be entirely successful. Instead, it created new and increasingly complex problems. The relocation of the capital city of Brazil was carried out with the ambition of creating a modernization of the country that characterized political stability and high economic growth with the motto "Fifty Years in Five". Through this ambition, industrialization and massive infrastructure development occurred until the discourse of building a new capital city to replace Rio de Janeiro. The reasons for moving to the capital city of Brazil tend to be similar to Jakarta, where the problems of congestion, population density, physical development that can no longer be carried out, and the economic conditions of Rio de Janeiro are unequal to other cities, economic growth, and Brazil's desire to have a capital city in the middle of the country. Brazil is projected as a modern dream capital (Limoeiro, 2020).

In the development of the new capital city, Brazil uses the same scheme as Indonesia, namely through foreign funds, although there are differences between Brazil's use of loans and Indonesia's use of investors. The negative impact of the development of this new capital city is inflation and economic crisis due to reduced government funding in most cities in Brazil,

where the flow of funds is focused only on the development of the new capital city (Melo, 1995).

The results of Melo (1995), describe the impact of Brazil's development after 62 years, which has not changed the situation in Brazil significantly. The situation experienced by Brazil is far from what it aspired to; in other words, it only created a new Rio de Janeiro. The population in Brazil is only the upper middle class, who can afford to buy housing, while the lower class can only afford to buy housing around Brazil or build slums on the outskirts of Brazil. The Brazil's economic growth is still dominated by the southeastern coastal states such as Rio de Janeiro, Amazonas, and San Paulo, while in other regions the majority of economic conditions are marginalized. Even though the capital city has been moved, daily needs in Brazil continued to increase at least from 1975 to ten years later due to the economic deficit caused by Brazil's development financing.

However, whether large funding is the main factor in the failure of a capital city development still needs to be studied further. In this case, Indonesia's ability to bear the budget burden needs to be considered. Reflecting on Brazil, which experienced a massive deficit, Malaysia actually succeeded in moving its capital city even though it cost a lot. Putra Jaya, the new administrative capital of Malaysia, was built with the hope of attracting a lot of foreign investment and boosting the economy. In general, the scheme used by Malaysia in the development of the New Capital City was built through a Public Private Partnership in collaboration with the private sector bridged by Putrajaya Holdings Sdn Bhd as the developer and Kuala Lumpur City Centre Bhd as the project manager. This development cost a lot of money but did not burden the Malaysian budget due to the high reserves of oil production, even though it was in the Asian crisis at that time. Other conditions that allow the success of Putrajaya's relocation to replace Kuala Lumpur as the administrative capital of Malaysia are the absence of debt and the stable Malaysian economy. In the case of Myanmar, the capital was moved from Yangon to Naypyidaw, which was built in 2005 and is geographically located in the centre of the country, similar to what Brazil and Indonesia did. Naypyidaw is inhabited by government employees in a situation like an empty city with no crowds and almost no cars on the streets. The only sign of life is a street sweeper wearing a straw hat. Naypyidaw could become an alternative economic centre besides Yangon. This is based on its location, which connects Yangon and Mandalay in an industrial area that can provide economic efficiency by providing an alternative location for rural-to-urban migration. However, Naypyidaw has not been stated to have a significant economic impact on Myanmar, apart from the military stability it provides.. Another case that was stated to have failed in moving its capital city to Tanzania. In 1974, Dodoma was officially designated as the new capital city of Tanzania, replacing Dar es Salaam. The Tanzanian government allocated the development of Dodoma for 10 years since 1976 with a total budget of 53 million USD from foreign loans and the government budget. In fact, the relocation of the capital city was stated to have failed to improve the economy in Tanzania due to the absence of a large and functioning government or economic activities in Dodoma. At least until 2016, or 40 years after the relocation of the capital city, only the parliament building and the presidential office were located in Dodoma, while other government offices were still operating in the old capital city. There are at least three main factors in the failure of Dodoma: lack of budget, lack of political

will from the Tanzanian government, and poor infrastructure conditions at the new capital city site. To make Dodoma an active and economically functional capital city, it is estimated that the Tanzanian government must prepare a budget of 582.9 million USD or approximately ten times the planning funds for moving the capital city.

Thus, moving the capital city to a new area, even though, according to the data presented by the World Bank (2004), almost all countries that moved their capital cities experienced economic growth, does not necessarily free this plan from risks. The case of Malaysia's success and the failure of Brazil and Tanzania need to be studied by Indonesia, especially since Indonesia uses Brazil as an example of moving the capital city, as reported by the Ministry of PPN/Bappenas (2019). From all the experiences of countries that moved their capital cities, they generally moved to existing cities or built new government centres near the old capital city. Brazil is the only federal country that has built a new capital city far from its old capital city, so the logic of Indonesia following Brazil's example can be seen here.

Table2. Possible Causal Mechanisms

Variables	Explanation	
Possible Causal Mechanisms	Opportunities	The relocation of the IKN outside Java can create domestic and international trade flows
		IKN can develop the economy on the island of Kalimantan to boost the national economy through the regional economy
	Threats	The lack of clarity regarding investors and state funding that some economists feel is not yet strong can make the IKN a city that does not function properly; take the case of Brazil and Dodoma
		Taking Brazil as an example, the IKN have the potential to only become a second Jakarta for Indonesia as Brazil is with Rio de Janeiro. Creating new slums and economic inequality in Kalimantan.

Source: Author's construct, 2023

The relocation of the capital city, as carried out by Brazil and other countries, certainly has a significant impact on the political, social, and economic landscape of the country. However, the relocation of the capital city can bring significant economic changes to most countries (Schatz, 2003). The relocation of the capital city can also have negative effects, especially on marginal communities, the destruction of cultural and historical sites and the lack of guarantee of significant economic growth from the contribution of income from the new capital city. Referring to the theory stated relocation of the capital city that is designed and

implemented or executed very well can increase the opportunities for economic growth in the country, which states that the best execution of the relocation of the capital city is through a public policy scheme. So, the execution of the IKN still needs to be studied further with a public policy scheme, considering that the government has made Brazil a role model for the relocation of the capital city, which, in fact, was not entirely successful. In addition, Jakarta is said to still be able to overcome the problems that have occurred so far, and it is feared that its condition could worsen. So, the idea of moving the capital city may still need to be considered by trying to shift several economic centres outside Jakarta.

### CONCLUSION

Based on the analysis of the narrative of the policy of moving the capital city, especially in the economic aspect, the meso analysis approach was used in the previous section. It can be seen that the relocation of the capital city still needs to be considered, considering the success and failure of other countries in moving their capital cities. Although world economic data published by various sources has stated that there is a significant impact of economic growth on countries that move their capital cities, the failure of several countries needs to be considered, such as what happened in Tanzania and Brazil as an example of Indonesia.

The relocation of the capital city basically requires a large cost or budget. The construction of the capital city will then be followed by the operational financing of the capital city to be able to carry out its function. Countries such as Malaysia succeeded in moving their capital city based on stable economic factors and the absence of debt at that time. In contrast to Brazil, Brazil experienced a massive deficit after the relocation of the capital city because Brazil's economic ability was not strong enough to be able to build its capital city. This resulted in an imbalance where the majority of the budget was given to the construction of the new capital city and a reduced budget for other cities, which ultimately resulted in an economic deficit. In this case, the uncertainty of the number of investors and Indonesia's less-than-optimal funding needs to be considered.

The many studies on the relocation of the capital city, both those that refer directly to the IKN and analyses of other countries that have been carried out previously, need to be considered by the government. Throughout the 20th century, 33 countries have moved their capital cities, so this can be a concrete example for Indonesia on how to manoeuvre rather than just looking at Brazil, which is not very successful. In line with that, referring to the two main theories used in this analysis, the relocation of the capital city can boost the national economy, and the government needs to at least increase its focus on public policy. Public policy is considered the main media in the relocation of the capital city, which, if successfully executed, will make the New Capital City a driver of the national economy.

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