

IKN Relocation and National Development Redistribution

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Abstract

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This study analyzes the implementation of Law No. 3 of 2022 on the Nusantara Capital City and its implications for national development redistribution. Using a normative juridical approach, the research examines the alignment between the legal framework for the Nusantara Capital City relocation, the equity-oriented goals outlined in the National Long-Term Development Plan, and decentralization principles within Indonesia's regional governance system. The findings indicate that the relocation has begun shifting development orientation from Java toward East Kalimantan through increased infrastructure investment, strengthened multi-level governance, and the emergence of new growth centers. However, these redistributive effects remain in the early stages and require consistent policy execution to generate a substantial national impact. The study also identifies two key challenges: limited readiness of basic infrastructure and the risk of social inequality affecting local communities. These challenges are urgent due to their direct influence on project sustainability and national equity objectives. Thus, the success of the Nusantara Capital City relocation ultimately depends on accelerated infrastructure development and strengthened inclusive social protection mechanisms.

1. Introduction

The relocation of the Nusantara Capital City (*Ibu Kota Nusantara/IKN*) from Jakarta to the archipelago is one of the large-scale public policies that is projected to bring structural changes in the national development pattern. The government presents this relocation not only as a transfer of administrative functions but as a strategic tool to encourage equitable development, reduce pressure on the old center, and open up growth opportunities in the eastern region of Indonesia.¹ The idea offers the promise of redistributing public and private investment, the creation of new growth centers, and the establishment of a more sustainable model of urban planning. However, the realization of these promises is highly dependent on policy design, implementation capacity, and coordination capabilities between the central government, local governments, and other local actors.²

In this context, Law Number 3 of 2022 concerning the Nusantara Capital City is the main legal instrument that formulates the institutional framework and mechanism for the implementation of relocation. This law establishes the objectives, development zones, and roles of implementing institutions that are expected to be able to direct investment and governance of the IKN area. However, how effectively these normative provisions are implemented in practice and the extent to which they are in line with the vision of equity mandated in the National Long-Term Development Plan (Law 17/2007) and the principles of decentralization regulated

¹ Bappenas. *Kementerian PPN/ Bappenas Gelar Dialog Nasional Pemindahan Ibu Kota Negara*. Kementerian Perencanaan Pembangunan Nasional/Bappenas. 16 May 16, 2019. Retrieved in October 25, 2022 From <https://share.google/CgxhT5xRnhgGy1Gg5>

² Hoong Chen Teo, Alex Mark Lechner, Saut Sagala, and Ahimsa Campos-Arceiz. "Environmental impacts of planned capitals and lessons for Indonesia's new capital." *Land* 9, no. 11 (2020): 438.

in Law 23/2014 is still an important issue to be examined.³ The literature shows that new capital projects have the potential to trigger development redistribution, but tangible results in welfare levels and the reduction of disparities between regions do not automatically emerge without systematic complementary policy efforts.⁴

In addition to the macro-planning aspects, operational challenges in the early stages of development including the readiness of basic infrastructure and its impact on local communities are the main highlights. The Ministry of Public Works and Public Housing reports that the initial phase of IKN infrastructure development requires accelerating access to transportation, energy supply, and other basic facilities so that the area can receive the flow of materials, labor, and investment effectively.⁵ Delays or unevenness in the provision of this infrastructure risk creating bottlenecks that hinder the expected economic multiplier from relocation. In addition, large-scale projects in the Kalimantan region tend to give rise to social dynamics including local economic changes, pressures on land rights, and the potential marginalization of indigenous communities that require social mitigation mechanisms and citizen participation in planning.⁶

³ Ricky Martin Sihombing and Florentina Simanungkalit. "The impact of Indonesia capital relocation to Kalimantan peatland restoration." *Sociae Polites* 21, no. 2 (2020): 234-244.

⁴ Matondang Elsa Siburian. "Fiscal decentralization and regional income inequality: evidence from Indonesia." *Applied Economics Letters* 27, no. 17 (2020): 1383-1386.

⁵ Kharisma Idola Arga, Muhammad Safe'i, Mullatifah Yossi, Mutia Amalia, Rafli Saputra, dan Refi Gustiawan. "Pengaruh Pembangunan Infrastruktur terhadap Pertumbuhan Ekonomi di Indonesia." *Salam (Islamic Economics Journal)* 3, no. 1 (2022): 20-37.

⁶ Mohammed Alamgir, Mason J. Campbell, Sean Sloan, Ali Suhardiman, Jatna Supriatna, and William F. Laurance. "High-risk infrastructure projects pose imminent threats to forests in Indonesian Borneo." *Scientific reports* 9, no. 1 (2019): 140.

Empirical studies and existing policy studies emphasize the importance of harmonization between national policies and local capacities and the need for evaluation indicators that are able to capture changes in the distribution of development and social impacts measurably.⁷ Without such synchronization, relocation risks reinforcing new inequalities such as the concentration of economic benefits in elite or corporate areas while local communities receive only a small portion of the economic benefits and have to bear the environmental and social burden.⁸ Therefore, this study focuses on two critical dimensions: the effectiveness of the implementation of legal and policy frameworks (including Law No. 3/2022) in encouraging development redistribution, and specific obstacles at the implementation stage that have high urgency to overcome to ensure the goal of equity and inclusivity.

Based on the above background description, this research is directed to answer two main questions: first, how does the implementation of Law Number 3 of 2022 concerning the State Capital, in harmony with Law 17/2007 and Law 23/2014, affect the redistribution of development between regions in Indonesia? Second, what are the main challenges that arise in the implementation of the relocation of the National Capital based on Law 3/2022, especially related to infrastructure readiness, regional capacity, and potential social gaps and why are these challenges urgent to be overcome to ensure equitable distribution of national

⁷ Tessa Talitha, Tommy Firman, and Delik Hudalah. "Welcoming two decades of decentralization in Indonesia: a regional development perspective." *Territory, Politics, Governance* 8, no. 5 (2020): 690-708.

⁸ Matondang Elsa Siburian. "Fiscal decentralization and regional income inequality: evidence from Indonesia." *Applied Economics Letters* 27, no. 17 (2020): 1383-1386.

development? This study aims to fill the evidence gap about the correlation between legal frameworks, implementation practices, and development redistribution results in the context of capital relocation.

2. Methods

The research method used in this study is normative juridic, which is a legal research approach that relies on the analysis of legal norms, principles, and provisions contained in laws and regulations. This approach was chosen because the research focuses on how the legal framework, especially Law Number 3 of 2022 concerning the National Capital, Law Number 17 of 2007 concerning National Long-Term Development Plan (Rencana Pembangunan Jangka Panjang Nasional/RPJPN), and Law Number 23 of 2014 concerning Regional Government, is formed, implemented, and associated with the goal of equitable development and handling social gaps. In the context of the relocation of the State Capital, normative analysis allows researchers to systematically assess the relationship between the legal norms formulated by the state and the logic and direction of development policies that are expected to emerge from the implementation of the law. Thus, this study not only assesses the legal text, but also assesses the coherence and rationality of its regulation in relation to the public objectives to be achieved.

Normative juridical research in this study is carried out through three main stages. First, inventory and identification of legal materials, both primary and secondary legal materials. Primary legal materials include laws, government regulations, presidential regulations, and official state documents related to the

relocation of the IKN and national development. Secondary legal materials include scientific literature, indexed journals, policy reports, and academic studies that discuss issues of equitable development, decentralization, local government governance, and social dynamics around the IKN development area. This stage of inventory is important to ensure that the entire analysis rests on a normative basis that is valid and relevant to the scope of the research.

Second, this research takes an analytical and conceptual approach. An analytical approach is used to compare provisions between regulations, see consistency or potential disharmony, and relate them to the theory of equitable development and decentralization principles. A conceptual approach is carried out to understand core concepts such as development redistribution, social inequality, multilevel governance, and inclusive development, and place these concepts in the legal framework that governs the relocation of IKN. The use of these two approaches helps to produce a structured and in-depth analysis of how regulations are designed and how they should ideally be implemented.

Third, this study applies legal interpretation to relevant provisions, including systematic, historical, and teleological interpretations. Systematic interpretation is used to see the relationship between the IKN Law and other national development regulations so that the normative function of each regulation can be understood in its entirety. Historical interpretation is used to look at the background and reasons for the formation of rules related to the relocation of the capital. Meanwhile, a teleological interpretation is used to assess the extent to which the rule of law is consistent with the goals of sustainable development, equity, and the reduction of

inequality that are the main context of relocation policies. This overall normative juridical approach provides a strong foundation to answer two research focuses, namely how the implementation of related laws affects development redistribution, as well as what are the normative and practical challenges that are urgent to be resolved to ensure the achievement of the goal of equitable development in the relocation of the National Capital.

3. Results and Discussion

3.1. Implementation of the Legal Framework for Capital Relocation and Its Impact on Development Redistribution

The implementation of Law Number 3 of 2022 concerning the Nusantara Capital City shows that the relocation of the capital has become the starting point for changes in national development patterns that are consistently directed to reduce spatial inequality between Java and outside Java. Normatively, this law is designed as an instrument to accelerate the development of the eastern region of Indonesia through the relocation of the center of government, as projected in the initial study of IKN planning by the Ministry of National Development Planning/Bappenas.⁹ Through regulations regarding institutional, financing, and zoning of development, the IKN Law seeks to create a new growth center that is able to encourage the transfer of economic, administrative, and investment activities to East Kalimantan. The findings of this study confirm that the legal framework is beginning to direct

⁹ Bappenas. *Kementerian PPN/ Bappenas Gelar Dialog Nasional Pemindahan Ibu Kota Negara*. Kementerian Perencanaan Pembangunan Nasional/Bappenas. 16 May 16, 2019. Retrieved in October 25, 2022 From <https://share.google/CgxhT5xRnhgGy1Gg5>

the redistribution of development, although its effects are still in the early stages of formation.

Empirically, the results of the study show that there is a positive tendency towards equitable development in line with the policy direction of the RPJPN 2005-2025 as regulated in Law Number 17 of 2007. The RPJPN explicitly emphasizes the need to reduce inequality between regions through the creation of new growth centers outside Java. The presence of the IKN is a direct representation of the implementation of the strategy. A number of studies have stated that the construction of new government centers can encourage investment redistribution and shift the orientation of national development.¹⁰ The findings of this study strengthen this view by identifying an increase in government spending allocation for basic infrastructure in the IKN area, especially access roads, energy, and clean water networks which are the main foundations of early stage development.

The development of strategic infrastructure is an important factor because infrastructure is the main driver of the mobility of production factors and the equitable distribution of economic activities between regions.¹¹ The increase in infrastructure investment in East Kalimantan, as reported by the Ministry of Public Works and Housing, shows the acceleration of physical development aimed at supporting the readiness of the IKN core area.¹² The findings of this study indicate

¹⁰ Hoong Chen Teo, Alex Mark Lechner, Saut Sagala, and Ahimsa Campos-Arceiz. "Environmental impacts of planned capitals and lessons for Indonesia's new capital." *Land* 9, no. 11 (2020): 438.

¹¹ Piotr Rosik and Julia Wójcik. "Transport infrastructure and regional development: A survey of literature on wider economic and spatial impacts." *Sustainability* 15, no. 1 (2022): 548.

¹² Kharisma Idola Arga, Muhammad Safe'i, Mullatifah Yossi, Mutia Amalia, Rafli Saputra, dan Refi Gustiawan "Pengaruh Pembangunan Infrastruktur terhadap Pertumbuhan Ekonomi di Indonesia." *Salam (Islamic Economics Journal)* 3, no. 1 (2022): 20-37.

that initial development activities have encouraged an increase in the flow of goods, labor, and capital to the Kalimantan region, which in the long term has the potential to strengthen the spatial transformation of national development.

In addition, the consolidation of central government and local government governance that is part of the implementation of the IKN Law shows positive dynamics in the context of decentralization. This is related to the principles in Law 23 of 2014 which strengthens the role of the regions in carrying out government functions and local development. A number of literature confirms that the success of region-based development is highly dependent on the quality of coordination and capacity of local governments.¹³ The results of this study show that the collaboration between the central government, the East Kalimantan Provincial Government, and the IKN Authority has resulted in a new governance pattern that is more integrative than the overly Jakarta-centric development approach in the past.

The relocation of the IKN has also begun to emerge new growth centers characterized by increased economic activity, private investment, and labor flows, as noted by recent studies on East Kalimantan's transformation expectations.¹⁴ The findings of this study show that these dynamics indirectly contribute to the reduction of regional inequality, at least at the provincial and regional scales. However, the impact at the national level still needs time to be seen significantly considering that the IKN project is still in its early phases.

¹³ Tessa Talitha, Tommy Firman, and Delik Hudalah. "Welcoming two decades of decentralization in Indonesia: a regional development perspective." *Territory, Politics, Governance* 8, no. 5 (2020): 690-708.

¹⁴ Nur Farida, Agus Suman, and Rachmad Kresna Sakti. "Fiscal decentralization, economic growth and regional development inequality in eastern Indonesia." *Journal of Indonesian Applied Economics* 9, no. 2 (2021): 1-9.

However, it should be noted that the implementation of the IKN Law has not been completely free of challenges. Several studies show that large-scale development projects often create new gaps if they are not accompanied by policies of equity and empowerment of local communities (Rini & Kasmad, 2019). The results of this study confirm that changes in local economic structures can give rise to potential social exclusion and inequality of access to new economic opportunities, especially for indigenous peoples and vulnerable groups. Although this social aspect is not included in the main focus of RQ1, these findings are still important because they affect the success of redistribution of development which is the main goal of relocation.

The results of the study show that the implementation of the IKN Law has started the process of redistributing development from Java to outside Java in accordance with the mandate of the RPJPN and the spirit of decentralization. With increased infrastructure investment, strengthening cross-level governance, and the emergence of new growth centers in East Kalimantan, the relocation of the IKN has the potential to accelerate the equitable distribution of national development. However, since most of the impacts are still embryonic, the effectiveness of these policies needs to be continuously monitored to ensure that the goals of development redistribution are not only achieved at the geographical level, but also able to create more equitable welfare for all social groups in the relevant regions.

3.2. Main Challenges in the Implementation of IKN Relocation and Its Urgency

The analysis of the results shows two main challenges that have been dominant in the implementation of the relocation of the National Capital in recent years, namely: first, the inadequate readiness of basic infrastructure, and second, the risk of social inequality and marginalization of local communities. Infrastructure readiness has emerged as the most obvious obstacle because national-scale relocation requires the availability of transportation networks, energy supply, clean water and sanitation systems, as well as residential support facilities and public services that can directly support government functions and economic activities. Reports of the initial stages of development by technical agencies indicate that many infrastructure segments in the IKN area are still in the planning or initial construction stages, so logistics capacity to supply materials and labor is limited and risks delaying project schedules.¹⁵ The direct impact of these infrastructure delays is identified in the form of economic bottlenecks: private investment awaits certainty of access, construction costs increase due to distribution constraints, and multiplier effects development expected to spread to buffer areas are hampered.¹⁶ This condition also shows a discrepancy between the normative ambition of Law No. 3/2022 and the implementability in the field, so that without the acceleration of basic

¹⁵ Kharisma Idola Arga, Muhammad Safe'i, Mullatifah Yossi, Mutia Amalia, Rafli Saputra, dan Refi Gustiawan "Pengaruh Pembangunan Infrastruktur terhadap Pertumbuhan Ekonomi di Indonesia." *Salam (Islamic Economics Journal)* 3, no. 1 (2022): 20-37.

¹⁶ Piotr Rosik and Julia Wójcik. "Transport infrastructure and regional development: A survey of literature on wider economic and spatial impacts." *Sustainability* 15, no. 1 (2022): 548.

infrastructure, the goal of redistributing development risks becoming mere policy rhetoric.¹⁷

The second challenge relates to social aspects: large-scale relocation and development tend to alter the economic and socio-economic conditions of local communities, opening up opportunities for external capital accumulation while triggering land access pressures and changing the livelihoods of indigenous peoples and local peoples. Case studies and field studies that observed large infrastructure projects in Kalimantan show diverse patterns of adaptation. Some communities have successfully taken advantage of economic opportunities, but not a few have been marginalized due to weak compensation mechanisms, unclear land ownership, and limited access to investment benefits.¹⁸ In recent years, complaints about the public consultation process and the protection of local rights have become a signal that the social instruments in the relocation process are not fully adequate. These social consequences are not only local, if left unaddressed, local inequality can prolong regional disparities, where economic benefits are concentrated in large actors while vulnerable groups are left behind, weakening the equity goals stated in the RPJPN.¹⁹

In addition, studies show that the two challenges reinforce each other: slow-provisioning infrastructure triggers uncontrolled mobility of the population and economic actors, while weak participation and social protection mechanisms open

¹⁷ Ricky Martin Sihombing and Florentina Simanungkalit. "The impact of Indonesia capital relocation to Kalimantan peatland restoration." *Sociae Politae* 21, no. 2 (2020): 234-244.

¹⁸ Mohammed Alamgir, Mason J. Campbell, Sean Sloan, Ali Suhardiman, Jatna Supriatna, and William F. Laurance. "High-risk infrastructure projects pose imminent threats to forests in Indonesian Borneo." *Scientific reports* 9, no. 1 (2019): 140.

¹⁹ Matondang Elsa Siburian. "Fiscal decentralization and regional income inequality: evidence from Indonesia." *Applied Economics Letters* 27, no. 17 (2020): 1383-1386.

up loopholes for resource exploitation and displacement of local economies. Problems with local government capacity and coordination between levels of government also exacerbate the situation. The literature on decentralization emphasizes that the quality of development outcomes is highly dependent on the capacity of local governments to plan, manage, and mitigate socio-economic impacts, as well as on effective coordination mechanisms between the central and regional governments.²⁰ The findings of this study note the variation in capacity between agencies in the IKN buffer regions, so that some mitigation and social empowerment programs run more effectively than others.

As a specific illustration of the infrastructure challenges experienced in 2022, there are real cases of limited road access and logistics to the area planned as the core of the IKN, where some of the routes are still in the form of dirt roads and are not able to accommodate a large volume of construction materials. This condition causes delays in the delivery of materials, increased transportation costs, and restrictions on the mobility of skilled labor, so that some construction work packages have to be temporarily relocated or rescheduled.²¹ This case also emphasizes the urgency of handling initial infrastructure as a priority, not just a supporting phase, because failure to meet basic needs will hinder the entire series of implementation of relocation policies.

²⁰ Robi Kurniawan and Shunsuke Managi. "Economic growth and sustainable development in Indonesia: an assessment." *Bulletin of Indonesian Economic Studies* 54, no. 3 (2018): 339-361.

²¹ Ricky Martin Sihombing and Florentina Simanungkalit. "The impact of Indonesia capital relocation to Kalimantan peatland restoration." *Sociae Polites* 21, no. 2 (2020): 234-244.

The urgency of addressing these two challenges is multiple and has an impact on policy legitimacy: the lack of infrastructure will increase economic costs and reduce investor and public confidence. Meanwhile, failure to mitigate social impacts can trigger local conflicts, lead to lawsuits, and undermine the narrative of equity, which is one of the main justifications for relocation. In other words, the success of development redistribution depends on a rapid and coordinated response to close its infrastructure gaps and build inclusive mechanisms that protect and empower local communities so that development benefits are truly distributed equitably.

4. Conclusion

This research shows that the relocation of the Nusantara Capital City through the implementation of Law Number 3 of 2022 has great potential in encouraging the redistribution of development between regions, especially through efforts to create new growth centers in East Kalimantan. The implementation of a legal framework that is in line with the RPJPN and the principles of decentralization provides a strong foundation for the spatial transformation of national development. However, the results of the study also confirm that the impact of the redistribution is still in its early stages and has not shown significant changes on a national scale. Nevertheless, increased investment in basic infrastructure, strengthening cross-government governance, and the start of the growth of new economic activities in the IKN area are early indicators that the development orientation is slowly shifting from a Java-centric pattern to a more inclusive equity.

On the other hand, this study identifies two main challenges that are urgent to address, namely the limited readiness of basic infrastructure and the risk of social inequality for local communities. Both have direct implications for the sustainability of IKN projects, the effectiveness of equity policies, and social stability in the affected areas. Therefore, the success of the relocation of the IKN does not only depend on physical development, but also on the government's ability to provide social protection mechanisms, ensure community participation, and accelerate the provision of strategic infrastructure. Thus, the relocation of the IKN can be an effective instrument of equitable development if its implementation is carried out in a coordinated, adaptive manner, and prioritizes social inclusivity.

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