



# MOVING THE CAPITAL OF INDONESIA IN A DECENTRALIZATION PERSPECTIVE

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## ABSTRACT

The disparity in economic growth between the island of Java and the islands outside Java is a factor for the government to issue Law Number 3 of 2022 concerning the State Capital (IKN). However, this law contradicts the Indonesian government system, which adheres to the principle of decentralization. This contradictory condition becomes critical to discuss further how to move the capital city of Indonesia from a decentralized perspective. This study analyzes Indonesian capital's relocation from a decentralized perspective. The method used is a literature study that discusses the relocation of the capital city. The results of the research from the political dimension there are two strong currents in responding to the movement of the national capital, the first against the movement and the second supporting the movement of the national capital. In the administrative dimension involving redistribution of authority and responsibility, the specificity of the capital city of Jakarta is lost, and its position has changed. From a fiscal perspective, the relocation of the capital changed the President's power as the manager of state finances to the Indonesian Capital Authority. This article concludes that the relocation of Indonesia's capital city should be revisited.

**Keywords:** *Relocation, Capital, Decentralization.*

## 1. INTRODUCTION

The nation's capital is a reflection of one country. A country can be known through its capital city, this is because the capital city has an essential role in all aspects of government. According to the Big Indonesian Dictionary, the capital city is the city where the center of government of a country or where the executive, legislative and judicial administration elements are gathered. The identity of a country is firmly attached to a region called the capital of the country. The same opinion was expressed by Bartolini [1]. Namely, the country's capital city is a significant component describing national identity. It is also a location of a country's power or represents the magnitude of a country's power. It is also a focal point of the existence of support groups, conflicts, and cohesion between groups that make up a country/nation. The term capital city can also be interpreted as a building where the main center of government is carried out.

The long history of the founding of the Indonesian state has experienced several changes in the state capital. After independence in 1945, Jakarta was chosen as the capital city of Indonesia, but Indonesia could not immediately run the wheels of government. It was because the Dutch colonials still wanted to occupy Indonesia, forcing the Indonesian government to move

the center of government to Yogyakarta. The transfer was due to the uncertain security conditions in Jakarta. The transfer from Jakarta to Yogyakarta was at the suggestion of Sultan Hamengku Buwono IX. On January 4, 1946, the capital of Indonesia secretly moved to Yogyakarta. The existence of a state capital in Yogyakarta is the decision to form a unitary state of the Republic of Indonesia in 1950 was issued. The relocation of the Indonesian capital from Jakarta to Yogyakarta occurred five months after the proclamation of independence, this was due to the Dutch who came back to Indonesia with allies to re-occupy Jakarta, and the Dutch successfully occupied the Dutch capital on September 29, 1945. Independence was not as smooth as imagined; in January 1946, Sultan Hamengku Buwono IX sent an envoy to Jakarta and suggested that the capital city be moved to Yogyakarta.

The excellent offer was well received by Soekarno, who prepared to accept independence. However, the move to the capital city in Yogyakarta was only temporary because the city of Yogyakarta was too small for the size of the capital city, so from Yogyakarta, the center of government was shifted to Bukit Tinggi, West Sumatra. This transfer event occurred in 1949. This movement was caused by Soekarno and Hatta being arrested by the Dutch government and exiled outside Java. This incident made Soekarno and Hatta give a mandate to Sjafruddin Prawiranegara, who was in Bukit Tinggi, to form an

emergency government in Sumatra. De jure in 1961, Jakarta was inaugurated as the capital city of Indonesia through Presidential Regulation No. 2 of 1961 and strengthened through Law No. 10 of 1964. Through the inauguration of these regulations, Jakarta was legalized as the State Capital of Indonesia [2].

At the time of President Soeharto, the reason for moving the capital was more for internal reasons. Jakarta was no longer considered representative as the capital, thus requiring a new city that was able to accommodate government activities without eliminating Jakarta as the center of the national economy. Then-President Suharto at that time issued Presidential Decree No. 1 of 1997 regarding the development of the Jonggol area of West Java as an independent city oriented to become the new capital [3, 11, 2]. The thought of moving to the capital city also occurred in the era of President Susilo Bambang Yudhoyono. The discourse on relocating to Jakarta started in February 2007.

Jakarta is considered unable to overcome the problems of flooding and traffic congestion which will interfere with Jakarta's role as the nation's capital. In early September 2010, a small team was formed to be assigned to review the idea of moving the nation's capital. The results of the small team produced three ideas, namely: (1). Continue to maintain Jakarta as the nation's capital and make corrections to all problems that arise in Jakarta; (2) The center of government was moved from Jakarta to another city on the island of Java, but the national capital remained in Jakarta; (3) The center of government and the nation's capital will be moved to another city outside Java, while Jakarta will only be used as a business center [4]. President Joko Widodo expressed a similar idea. According to him, there was a need for a new government center outside Java, which was separate from the national business center, so the idea emerged to move the nation's capital.

## 2. LITERATURE REVIEW

The background of the plan to move the capital has a risk that must be borne. Otherwise, it will create new problems. According to the Big Indonesian Dictionary, relocation is the relocation of industrial plans in an area for immediate realization [5]. According to Mustafa [6], relocation is a policy that limits government activities or business activities with accompanying costs and administrative requirements. Based on this understanding, relocating the national capital is one form of government policy to change the status of the position of the capital of a country. The relocation of the national capital is a systematic and contextual process. The process of moving the state capital begins with the declaration of the state leader, which is then outlined in the state constitution in the form of regulations. The government should also establish an

extraordinary autonomous institution as the party responsible for developing the project's urban planning. Special autonomy is a special authority given to "certain" regions to regulate and manage the interests of the local community, according to their initiative but following the rights and aspirations of the people in the area. This authority is given so that 'certain' regions can organize regions and parts of those regions to be even better in specific fields following regional aspirations.

Special autonomy is offered beyond ordinary regional autonomy because it is granted to 'certain' regions, which means that the region has an independence movement group that wants to separate itself (the area) from the territory of the Republic of Indonesia. So indirectly, the government grants this special autonomy as a form of peaceful approach so that these movement groups do not continue to be turbulent. The regions that have special status under the law are given special autonomy, namely:

1. The DKI Jakarta Province was enacted by Law No. 29 of 2007 concerning the administration of the Special Capital Region of Jakarta as the capital of the Unitary State of the Republic of Indonesia.
2. For Province NAD, Law Number 44 1999 on the Implementation of the Privileges of the Province of the Special Region of Aceh was enacted, and Law Number 11 of 2006 concerning the Government of Aceh
3. For the Provinces of Papua and West Papua, Law Number 21 of 2001 concerning Special Autonomy for the Province of Papua is enacted.

Basically, in the administration of regional government in Indonesia, each region has the potential to develop a leading sector following the distinctive characteristics and superior potential of the region. Developing an area requires a government system that can manage the area efficiently and effectively. Based on the literature, special autonomy is a solution for a country with many regions and a large territory.

Overall, Indonesia managed the government using decentralization. In the 1990s, there was a shift in the system of government in Indonesia from a centralized system to a decentralized one. The decentralization policy has triggered demands for forming several new autonomous regions by dividing several provinces, districts, and cities. The implementation of decentralization can spur development and improve public services. This policy only divides provinces, districts, and cities but does not divide an area from a city into a capital city. It is because the capital's character is a multifunctional city with diplomatic missions, government institutions, and an economic center that is so developed that it will usually become a destination for urbanites to try their luck in the capital. The complexity posed by the immigrants made it difficult for the government to manage the capital regarding social, economic, and political activities. To

overcome various problems of the capital, one of the things offered by the state is to move the capital. According to Schatz [7], in theory, a well-designed and executed capital relocation can provide economic opportunities and government services as a solution to inequality problems in other regions. Based on this description, the government is planning to move the capital city of Jakarta outside the island of Java, namely East Kalimantan. The discussion of relocating the capital outside Java requires a lengthy study, not an instant and fast process in short-term thinking; many preparations must be made, including selecting regions to replace the old capital. Therefore this article will discuss how Moving capital in a decentralized perspective.

### 3. METHODS

The research method used in this manuscript is a literature review. This method is used to collect relevant information regarding the relocation of the capital city from the perspective of decentralization through books, offline and online news, previous studies, and legal texts regarding the relocation of the capital city. According to Rowley and Slack [8], a literature review is a review that identifies and organizes concepts in the relevant literature. In general, this research is categorized as a literature review. According to Hart [9], a literature review is an objective, comprehensive and critical analysis of the relevant research and non-research literature on the topic being studied. A good layout is essential to improve the flow and readability of the review. Proper terminology is essential, and jargon should be kept to a minimum. All references must be accurate [10]. Based on this understanding, in this article, the author will present data and arguments regarding the relocation of the capital city from a decentralized perspective.

### 4. RESULTS AND DISCUSSIONS

Indonesia is a unitary state, otherwise known as the Unitary State of the Republic of Indonesia (NKRI) which is affirmed in the 1945 Constitution Article 1 paragraph (1). Indonesia adheres to the principle of decentralization with a regional autonomy system. The granting of regional autonomy in Indonesia itself is based on the principle of a unitary state. The choice of the form of the unitary state follows the characteristics possessed by the Indonesian people themselves because Indonesia has a variety of wealth that can be seen from its ethnicity, religion, and culture. Each region certainly has different and different problems. Therefore, a system is needed according to their respective problems in government administration and regional development implementation. These differences have an impact on the development of a region. The crowds of people in the areas trying their luck in Jakarta have resulted in the capital city of Jakarta being the most

chaotic city. It starts from the increasing number of residents and the increasingly narrow urban area due to the establishment of houses that are used as dwellings without paying attention to governance so that the face of the city becomes a slum. Air pollution and noise emitted by citizens' vehicles add to the capital's noise.

These problems led the government to express a discourse to move the capital outside the island of Java. The plan to relocate the capital city has been contained in the 2020-2024 National Medium-Term Development Plan (RPJM 2020-2024). It stipulates that the development will be in North Penajam Paser Regency's administrative areas, Kutai Kartanegara Regency, North Penajam Paser Regency, and Kutai Kartanegara Regency on the island of Kalimantan. These two districts were chosen because of their proximity to Balikpapan and the developed cities of Samarinda. President Joko Widodo (Jokowi) emphasized that the transfer of the State Capital to the island of Kalimantan should no longer be a polemic because the decision was taken at a plenary meeting of the House of Representatives. However, it is undeniable that the plan to move the country's capital from Jakarta to Kalimantan has its pros and cons. This phenomenon usually occurs when there are ideas that make significant changes or transformations that will cause pros and cons. Based on this description, the plan must be reviewed by examining the relocation of the capital from a decentralization perspective.

Decentralization was etymologically derived from Latin, which consists of the words "de" meaning loose, and centrum, meaning center. So, decentralization means breaking away from the center. This understanding does not mean that the regions can stand-alone free from state ties. However, from a constitutional point of view, decentralization means delegating government power from the central government to the regions to take care of their households. The concept of decentralization fits perfectly with the Unitary State of the Republic of Indonesia because the Indonesian state is divided into provinces, districts, and cities. A large number of regions causes the government's workload to be heavier. Therefore the workload must be divided among the regions to ease the burden on the central government. Regional governments are assigned and given the authority to regulate and manage their regions based on the aspirations and interests of the people. Following Law no. 23 of 2014, the implementation of regional autonomy must be based on accountability, efficiency, externalities, and national strategic interests. The objectives of decentralization:

1. Regional governments have the authority to build and develop their regions according to the potential of their respective regions.
2. Regions can compete to prove each region's ability to be independent to become a better region

without losing the privileges and specificities as well as the potential and diversity of the region.

3. Regions must also ensure harmonious relations between regions and the government. This means maintaining the territorial integrity of the Republic of Indonesia in order to achieve state goals.

Based on the objectives, decentralization is a government tool to carry out development evenly throughout the country. However, in reality, there are differences between one area and another. The socio-economic and population gap is one of the driving factors for the plan to relocate the national capital. Based on available data, it is estimated that around 57.4% of Indonesia's population is concentrated on the island of Java. Meanwhile, the population distribution in Sumatra is 17.9%, Bali and Nusa Tenggara 5.5%, Kalimantan 5.81%, Sulawesi 7.31%, Maluku and Papua 2.61%. The dense population on the Java island shows an agglomeration of development and high progress in Java and vice versa; it is lagging in other areas [12]. This data is used as one of the reasons for choosing the eastern region of Indonesia as the location for moving the country's capital. In addition to population distribution data, the relocation of the capital must be studied from various aspects. The essential aspects of the decentralization perspective are:

#### **4.1 Political Decentralization**

The discourse of moving the country's capital to the Kalimantan region in 2024 raises various views. Some are positive, and some are negative. According to a Kompas Litbang poll, 50 percent of respondents believe that the IKN project will be successfully implemented in 2024. At the same time, 45.5 percent of respondents say they are not. Nevertheless, almost 60 percent of respondents admitted that they did not know that the DPR had passed the IKN Bill. The discussion on this bill was short, less than two months. Law No. 3 of 2022 concerning the National Capital has complexities and differences in decentralization and contradicts Law No. 23 of 2014 concerning regional government. The difference lies in the position of Head of the Archipelago Capital Authority, which is the Head of the Special Capital Region of the Archipelago, with the Regional Head, who is often called the Governor. These two public officials have very different positions.

The head of the Archipelago Capital Authority is at the ministry level, while the regional head is under the ministry of home affairs. This will complicate the exercise of its powers. The transfer of the position of officials is also different; the Head of the Archipelago Capital Authority is determined by a presidential decree, while other Regional Heads contest through general elections, namely elected by the people. Based on this description, the Head of the Archipelago Capital Authority carries out centralization while the regional head carries out decentralization. The political impact

on the national power configuration and the results of the 2024 General Election has the potential to change. In the 2019 Legislative Election, the PDI-P, Golkar Party, and Gerindra Party received the most votes. The movement of the national capital from Jakarta to East Kalimantan is also expected to impact the configuration and results of the General Election. So the situation in the future politically will be more unpredictable than if the capital remained in DKI Jakarta Province.

#### **4.2 Administrative Decentralization**

Administrative decentralization involves the redistribution of authority, responsibility, and financial resources. It provides public services from the central government to local units of government agencies, local governments, public authorities, or semi-autonomous companies. The implication of moving the country's capital is that there are changes to policies that the government has issued. Moving to the country's capital means moving along with other state institutions. The law regarding the specificity of Jakarta due to its status as the nation's capital will also change. Based on Law No. 3 of 2022, other state institutions must also move to follow the state capital. This relocation was carried out in stages. The central government must determine non-ministerial government institutions that are not transferred to the archipelago's capital. Representatives of foreign countries will be domiciled in the Capital of the Archipelago following their abilities. It needs to be done and determined because the administrative process of an institution cannot be carried out remotely. Indeed, even though there is no long distance in the era of digitalization, the government must be run at a distance not too far from the center of government.

#### **4.3 Fiscal Decentralization**

The purpose of fiscal decentralization is to create self-reliance in the regions. Consequently, the regions then receive the delegation of authority in all fields, except for the authority in foreign policy, defense, security, judicial, monetary and fiscal, and religious matters. The delegation of authority was also followed by the submission of funding sources in the form of tax bases and funding assistance through the Transfer to Regions mechanism, following the money follows function principle. A Transfer to Regions mechanism is based on considerations of reducing inequality that may occur between regions (horizontal imbalances) and between the central and regional governments (vertical imbalances). Based on Law No. 3 of 2022, the President's power as the manager of state finances is delegated to the Head of the Archipelago Capital Authority, both in the context of preparation, development, and relocation of the National Capital, as well as administering regional government specifically for the Nusantara Capital. The Head of the Archipelago Capital Authority is a budget user/user of goods for the

Indonesian Capital City. The Archipelago Capital Authority may collect special taxes and levies in the Indonesian Capital City.

## 5. CONCLUSION

The government and the DPR have ratified Law No. 3 of 2022 concerning the State Capital. The relocation of the capital is only a matter of time. However, this plan will change the position of the Regional Head or Governor to the Head of the Archipelago Capital Authority, whose position is at the level of the Minister. Meanwhile, in the fiscal aspect, the President's power as the manager of state finances is delegated to the Head of the Archipelago Capital Authority. These things need to be reviewed so that the relocation of the capital does not cause new problems.

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