



## The state capital relocation policy and pandemic covid-19: a literature review

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### ABSTRACT

The National Planning and Development Agency (Bappenas) submitted the findings of a study conducted on the relocation of the Indonesian capital city Jakarta to Kalimantan, a proposal that was made during the era of the first president of the country. The relocation is proposed because of the environmental problems and overcrowding in Jakarta. The inequality in both economic opportunities and development in the satellite communities compared to the city has resulted to urbanization posing pressure on the carrying capacity of the city resulting issues like water scarcity. The capital city relocation is intended to solve these problems, provide more economic growth and also enhance a more efficient governance but it is not priority due the pandemic covid-19.

**Keywords:** Capital city relocation, pandemic covid-19, asset management

## 1. INTRODUCTION

According to history, in Indonesia flooding is such a well-known event and it happens often on the island of Java. In 1621, 1654, 1918, 1976, 1996, 2002 and 2007, Jakarta had major floods. When it was built by Jan Pieter Z. Coen, Jakarta was also designed with the concept of water front city. When it was founded in 1619, Batavia (Jakarta's original name at that time) at the site of the Sunda Kelapa harbor, there were canals like Amsterdam and other Dutch cities. On the other hand, the Jakarta peninsula and bay are prone to flooding, mainly due to heavy rainfall that increases the flow of the Cisadane, Angke, Ciliwung, Bekasi and Citarum rivers. Coupled with the development of settlements and urban areas in the catchment areas, the malfunctioning of canals and drainage systems makes Jakarta and its surroundings prone to flooding (Bappenas, 2007).

The name of Jakarta has changed several times in accordance with the occupation of the city of Jakarta, historically recorded as Sunda Kelapa (397-1527), Jayakarta (1527-1619), Batavia (1619-1942), Djakarta (1942-1945), Jakarta (1945-present).

During the Dutch colonization, Batavia developed into a large and important city, the influence of Dutch commercial interests made Batavia a center of Dutch trade. The development of Jakarta by the Dutch towards trade in its time made Jakarta the center of labor, consumption, and settlement flows. This is what makes Jakarta a city that has the power to become the center of the economy (Nugraha, 2019).

Between 1967 and 1998, economic development was more inclined towards centralization and concentrated on the island of Java. The difference in development and growth between Java and outside Java is very significant. This overly concentrated development on Java Island and it has been happening since the Dutch colonial era. Economic development by Asset Management in Java more advance than outside Java. The example for this statement is local government of DKI Jakarta. They developed local economics by allowing the utilization of its assets by third parties. The Provincial Government of DKI Jakarta has strived to optimize the utilization of idle land assets in cooperation with the private sectors, by building modern shopping centers, traditional markets, or providing business

locations for Micro, Small, and Medium Enterprises (UMKM). New economic centers are expected to drive the economy in DKI Jakarta, provide employment opportunities, and potentially improve the well-being of the local community (Fadilah & Lutfi, 2017). The population disparity in Java Island and outside Java is due to the Dutch government's policy that was centered on Java, so that the development of education, trade and government centers as well as transportation, communication and irrigation were more concentrated on Java Island (Setiawan, 2006).

The disparity in development between the regions of Indonesia is becoming increasingly evident. The high disparity in growth between regions is the reason why there is always unbalance. Economic inequality tends to be the cause of the high public interest to focus more on creating equitable economy (Taufiq, 2018). The comparative experience of various countries also shows that all countries will be developed and strong if their regions are developed. On the other hand, no matter how strong the central government of a country is, if the regions do not develop optimally, the country will eventually fail and dissolve (F Basri, 2009). The economic inequality and development between these regions reached its peak during the reform era. In order to reduce the gap between Java and outside Java and to equalize development.

After more than 15 years, regional autonomy has failed to close the growth gap between Java and outside Java. Although implementation of Law Number 22 of 1999 concerning Regional Autonomy has driven big impact to organizing urban management (Wardhana, 2004). Fortunately, in 2014 presidential election saw Joko Widodo who is elected for the seventh president of the Republic of Indonesia, he is attentive to development from the periphery or the village. In his second term, on 26 August 2019, he announced that the state capital (Ibukota Negara, IKN) has to move to East Kalimantan. This relocation needs to be carefully planned as there are positive impacts and risks that come with it (Fandhitya Aditua Silalahi Sahat, 2019).

According to Olivia et al., (2020), many economies have been impacted by covid-19 pandemic globally. She stated that some restrictions are made at the borders of many countries whereas others under goes a total border closure to mitigate the spread of the virus. This restriction on population movement has further affected the movement of goods and services making economies experience decline in terms of growth which also affected price of commodities as more tighter measure are put in place to control the virus. Production is negatively affected because the regulations put in place to prevent the spread of the virus enforces social distancing left the work force with no choice but to work less hours. All these will have an impact if the capital is relocated at this time.

This proposal to move the state capital from Jakarta to another location has been considered since the era of President Soekarno to Susilo Bambang Yudhoyono (SBY). President SBY supports the idea of creating a new Indonesian political and administrative center because of the environmental problems and overcrowding in Jakarta. Indonesia had already moved its capital to Yogyakarta from January 1946 to December 1949 due to the war of independence. Bukittinggi in West Sumatra was also temporary capital when President Sukarno established an emergency government before being captured by the Dutch

between December 1948 and June 1949. Bireuen in province of Aceh had also been the state capital for only a week, after that the capital returned to Jakarta pending independence through the proclamation of the Unitary State of the Republic of Indonesia (Hutasoit, 2018).

In June 2019, the National Planning and Development Agency (Bappenas, 2007) submitted its study on the relocation of the state capital with the six points of the study presented as follows: (1) About 57% of the Indonesian population lives on the island of Java. (2) The economic contribution of Java Island to the national GDP is 58.49%. The GDP of Jabodetabek alone accounts for 20.85% of the national GDP. (3) The water availability crisis in Java, especially DKI Jakarta and East Java. (4) The largest land conversion in Java. (5) Urbanization growth is very high, especially in Jabodetabekpunjur. And (6) The increased burden of Jakarta has led to a decrease in the carrying capacity of the environment and the extent of economic losses.

The relocation of the state capital is in fact not a novelty. The world records that thirteen countries have moved their state capitals to other cities for various reasons, including strategic locations, political agreements, natural disasters, the formation of economic centers, to avoid concentration of resources.

**Table 1. List of Countries That Have the Capital Relocation in the 20th Century.**

Country	Years	New Capital City	Old Capital City
Brazil	1956	Brasilia Rio de Janeiro	Rio de Janeiro
Mauritania	1957	Nouakchott	Saint Louis (Senegal)
Pakistan	1959	Islamabad	Karachi
Botswana	1961	Gaborone	Mafeking
Libya	1963	Tripoli	Benghazi
Malawi	1965	Lilongwe	Zomba
Belize	1970	Belmopan	Belize City
Tanzania	1973	Dodoma	Dar es Salaam
Nigeria	1975	Abuja	Lagos
Pantai Gading	1983	Yamoussoukro	Abidjan
German	1990	Berlin	Bonn
Kazakhstan	1997	Astana	Almaty
Malaysia	2000	Putrajaya	Kuala Lumpur

Source: (Mubaroq & Solikin, 2019)

The trend of moving the state capital of the country that has been carried out by several countries above, the dominant factors that are the reason are as follows (Mubaroq & Solikin, 2019): (1) Logical reasons and rationalization. The main motivation behind relocating the capital city is to enhance economic growth and to facilitate efficient governance (2) Infrastructure financing through Government-Business Cooperation (KPBU). The primary function of government is to provide required resources and development of the lives and livelihood of the citizens. This will require the government to provide facilities, infrastructure and services. Notwithstanding limited funding could allow the government to inter into partnership with other development partners to be able to prove such facilities and services for the citizens (3) Preference from country leaders. The interest of the head of state/president is mostly the motive behind the capital relocation in countries under authoritarian governments. This personal interest is put first before any other national interest (4) Establishing "state building" and "nation building". Winning the support of opponents in politics is considered to state development while approach gain trust and confidence from supporters in a newly

relocated location of the capital is considered national development.

Seeing the current condition of Jakarta with many challenges in solving a number of existing problems from water management, community settlements, integration of public transportation, provides a condition that is almost the same as the examples of the countries mentioned above. That population density with its domino effects such as congestion, limited availability of water, difficulty in settlements, land subsidence which can be interpreted as one of the components causing disasters, has a significant impact on the effectiveness of government administration functions.

On the other hand, like all new changes of things, moving the state capital also has its impact on the state-owned asset (BMN). Problems related to state-owned asset/property that appear in the plan to move the capital city are: How is the treatment of state-owned property abandoned by the central government?

## II. METHODS

On this research, the literature review is applied. This means that the research is carried out through studies derived from various types of basic literature that comes from various sources as secondary data. The data collection is done by eBook research. Researchers search and gather information from various reference materials such as books, articles and websites related to relocation of the state capital properties. Related topics include analysis of pandemic covid-19 impacted to state asset management, particularly related to the relocating state capital. The method of data analysis is content analysis. The researchers analyze data from the literature. The data is analyzed to find the gap between them. As a result, it can produce conclusions that address the problem formulation.

## III. RESULT AND DISCUSSION

Relocation of the state capital is important but not a priority due to the covid-19 pandemic. Its because restriction on population movement has affected the movement of goods and services. It will make economies experience decline instead of growth which also affected price of commodities as tighter. Corona virus that is present in beginning of 2020 is harmful to every aspects. The visible affects not only public health, but also affects in country's economy. Even today world economy still fragile caused by the viruses(Burhanuddin et al., 2020). Production is negatively affected because the regulations put in place to prevent the spread of the virus. Spreading virus enforces social distancing left the work force with no choice but to work less hours. All these will have an impact if the state capital is relocated at this time.

As the center of government, business, politics, and culture, Jakarta is currently the place where head offices of State-Owned Enterprises (BUMN) are established, private companies, and foreign companies, and become the residents of government institutions and secretariat offices of ASEAN. Jakarta is served by two airports, namely Soekarno Hatta Airport and Halim Perdanakusuma Airport, as well as three harbor in Tanjung Priok, Sunda Kelapa, and Ancol.

What will be the concern of Directorate of State Asset Management (DJKN) on the effect of moving the capital city is central government-owned buildings that will not be used. This history has carried over to the present day, bringing business activities closer to government. The facilities built to support the government make it easier for business people to carry out their business activities.

Taking into account the statement of the Governor of DKI Jakarta, Anies Baswedan, who believes that whatever the status of Jakarta after the relocation of the state capital, it will not affect the privilege of Jakarta as an economic center. According to Law Number 22 of 1999 concerning Regional Autonomy, local governments are required to organized potential of their regions to serving the community. One of the potential regional revenue are driven by the existence of their assets (Wardhana, 2004). The center of the economy grows due to the market mechanism automatically, and Jakarta has gone through this naturally. Jakarta's contribution to gross domestic product (GDP) is 17-18 percent of national GDP. This means that this role will still exist, and economic activities that arise due to land clearing.

This optimism must be maintained, with regulations that can provide certainty for investors, as business people, that all the facilities provided by Jakarta at this time can be maintained, so that economic movement will remain vibrant in Jakarta. In other words, a legal umbrella is needed for the relocation of the state capital. A very clear example is how the licensing bureaucracy can be given optimally while still prioritizing the welfare of all Indonesian people.

In addition to the use of state owned assets that can be used as a source of financing for the establishment of a new state capital, it can also some of the abandoned state- owned asset buildings can become city parks or green open spaces. The hope is to be able to improve the quality of the environment and support the lives of Jakarta residents. One of Anies' hopes is that there will be an increase in the number of parks in Jakarta after the state capital is moved.

Countries that have moved their capital cities should be used as benchmarks for Indonesia. Planning a new capital city requires a mixed combination of the country's urban design techniques and political, economic, and academic knowledge. Furthermore, the physical planning of a new capital involves not only solution for country's spatial needs but also its national philosophy and vision (Kwon, 2015). Consider the failures experienced, for example in Putrajaya Malaysia, Malaysia's de facto center of government and economy is still in Kuala Lumpur. In the end, there will be dualism in the treatment of Jakarta and legal uncertainty for the public, the main investors, in carrying out economic activities. As a result, there will be ambiguity in the calculation of asset value. The domino impact on this will raise doubts for the community to make use of the abandoned state-owned assets in Jakarta.

## IV. CONCLUSIONS

In conclusion, moving the state capital has positive economic, social, and environmental points, but it is also important to be aware that Jakarta's function as an economic center needs to be sustained to maintain the asset management in Jakarta. Due to making high priority, state government need to to refocusing

budget to recover impact of pandemic covid-19 better than to relocating capital city to outside from Jakarta. Finally, the discussion of budget to relocated state capital will be better to temporarily stopped because the issue is no longer national priority anymore.

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