

On 15 December 2022, the Italian Business Association in Indonesia (IBAI) were supporting the Embassy of Italy in Jakarta's hybrid seminar with the topic “Indonesia’s New Capital “Nusantara”: Potential Opportunities for Italian Business Actors in the Implementation of a Green, Innovative, Sustainable Smart City”. We would like to share the short summary of the seminar for your reference.

Indonesia has planned to move the Capital City (Ibu Kota Negara/IKN) from the capital city Jakarta to the administrative area of North Penajam Paser Regency and Kutai Kartanegara Regency in East Kalimantan Province. The city is constructed on encompasses an area of 2,560 km2 (990 sq mi) featuring a hilly landscape, forest, and bay. The construction of Nusantara started in July 2022, clearing land and laying down access roads, with the construction of the first phase Government Central Area zone, comprising government offices, schools, hospitals, and shopping malls beginning the following month. This project is written and regulated in Law No.3 Year 2022 concerning the State Capital (UU-IKN).

The relocation of the country's capital city is based on the strategy for equitable development in Indonesia, which has been concentrated on Java Island. In addition, Nusantara will also help the condition of the current capital city Jakarta which has experienced enormous pressure on the carrying capacity of the environment which must be maintained for its sustainability. Nusantara will be the catalyst for national economic transformation through many plans for Nusantara which are called the "Master plan". The master plan is made for the long term and of course, there is a lot of preparation so that all the planning in it can be realized. The government makes milestones that are divided into several stages, namely:

1. Phase 1 (2022-2024) Pioneer move to Nusantara
2. Phase 2 & 3 (2025-2034) Build out Nusantara as a resilient core
3. Phase 4 & 5 (2035 – 2044) Fully establish the Tri-Cities ecosystem as an economic trigger for East Indonesia
4. 2045 onwards Enhance a global reputation as a “World-Class City for All”

Currently, the progress of ongoing development in IKN (Nusantara) is going well, but finally, the government decides to extend the construction period to improve several facilities. There are a few developments progress at Nusantara, namely:

1. Infrastructure

- Access road and land preparation at the core area
- Sepaku Ring Road
- Housing compounds for construction workers
- Dam to supply raw water to Nusantara
- Water intake and pipeline system
- Plant nurseries
- Water reservoir

2. Community Empowerment

- Re-skilling and up-skilling local communities as an integral part of the development of Nusantara
- Providing digital skills to local communities to allow seamless integration

To build Nusantara, Indonesia needs 80% investment (non-national budget) and 20% national budget with a total amount of USD 32+ billion of investment. Therefore, Indonesia opens up investment opportunities in several areas, namely;

Government Core Area	Regional Infrastructure	Industries and the Economic Cluster
Basic Infrastructure <ul style="list-style-type: none">- Drinking Water Supply- Wastewater Management- Solid Waste- Raw Water Supply- Housing- Energy Development- Solar Power Development- Development on Sepaku Semoi Dam- Transportation- BRT System- Intelligent Transport System & Transit System- Urban Freight Transport	Transportation <ul style="list-style-type: none">- New Capital City Toll Road Access- Airport Line (Express Line) from Airport to KIPP- Development of Kariangau and Semayang Port- Expansion of Sepinggan Airport	<ul style="list-style-type: none">- Industry 4.0 for each sector- Smart city technology- Vocation Institutions- Tertiary STEM Institution- K-12 School- Plant Based Protein- Plant Extract- Herbal and Nutritional Products- Generic API- Biosimilars- Eco-tourism & wellness- Wildless Experience- Urban Tourism- Medical Toursim- Petrochemicals- Oleochemicals- Solar PV assembly- Electric 2-wheelers assembly- Bio fuels- Electrification in Mining

There are several provisions accompanying these investment opportunities that are currently still in drafting progress. These provisions include tax holidays for investment and office relocation, super tax deduction, special treatment on customs and excise, special tax treatment for the financial center, and special treatment for value-added tax.

If you are interested to invest in IKN (Nusantara) projects, please do not hesitate to share your interest by sending an email to info@ibai.or.id

References:

- Presentation of IKN by Dr. Achmad Jaka Santos Adiwijaya S.H., LLM Secretary of the Transition Team for the Ibu Kota Negara (IKN) Authority Ibu Kota Negara “Nusantara”
- Presentation of BKPM by Ms. Sri Endang Novitasari Director of Investment Promotion for America & Europe Region Ministry of Investment of the Republic of Indonesia/Indonesia Investment Coordinating Board (BKPM)