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Moving Forward with Nusantara: Indonesia's New Capital Amid Economic Constraints

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SYNOPSIS

The continuation of plans for the development of Indonesia's Nusantara Capital City (IKN) remains in the backdrop amidst economic constraints faced by the Prabowo administration. Indonesia's president Prabowo Subianto may have to reframe his electoral promise of "continuity" for his first term.

COMMENTARY

"*Hidup Jokowi!*" [Long Live Jokowi!], exclaimed Indonesia's president Prabowo Subianto, during the celebrations for the 17th [anniversary](#) of the Great Indonesia Movement (Gerindra) Party in February 2025. During his speech, Prabowo expressed gratitude towards his predecessor Joko "Jokowi" Widodo for his support during the presidential elections. At that time, Prabowo's campaign had emphasised continuity, suggesting that he was a successor to Jokowi's leadership and policies, and reassured voters that his administration would sustain and expand upon the progress made over the past decade.

A key feature of Jokowi's legacy was the development of Indonesia's new capital city, Nusantara, also known as IKN. Since his inauguration in October 2024, Prabowo has yet to visit IKN, sparking rumours about his commitment to relocate Indonesia's capital. In response to such rumours, in [January 2025](#), Dedek Prayudi, a spokesperson from the Presidential Communications Office, reiterated Prabowo's commitment to the mega project. Prayudi also [refuted](#) claims that national strategic projects (PSNs) launched during Jokowi's administration, including IKN, were discontinued under Prabowo's leadership.

Contrary to these reassurances, on 22 January 2025, the Prabowo administration [ordered](#) sweeping budget cuts across all ministries and agencies to accumulate an

estimated IDR 750 trillion (SGD 61.2 billion) in savings from three rounds of “efficiency” measures in government expenditure. Of the expected IDR 306.69 trillion (SGD 25 billion) saved from the first round of expenditure efficiency, IDR 24 trillion (SGD 1.96 billion) would be allocated for Prabowo’s flagship Free Nutritious Food programme; a clear priority of his administration. As a result of the budget cuts, the funds required to continue the construction of IKN — already reduced from IDR 75 trillion (SGD 6.1 billion) during Jokowi’s second term to IDR 48 trillion (SGD 3.9 billion) budgeted for Prabowo’s first term — were effectively [frozen](#).



Indonesia’s relocation of its capital to Nusantara faces significant economic constraints, arising from budget cuts and competing priorities. *Image source: [BPMI Setpres/Muchlis Jr.](#)*

Assessing IKN’s Development

The significant budget cuts and frozen funds appear at odds with Prabowo’s directive to [accelerate](#) IKN’s construction, raising questions about the project’s financial feasibility. This contradiction is further highlighted by Prabowo’s own [deadline](#) of August 2028 to begin working from the Presidential Palace in IKN. However, according to the Nusantara Smart City [Blueprint](#), planners originally envisioned a five-phase development timeline, spanning five presidential terms — beginning with Jokowi’s second term.

The first phase was intended to lay the groundwork for relocation, including setting the stage for the capital’s gradual transition. During this phase — estimated to take place from 2022 to 2024 — construction of core infrastructure and facilities was slated to be able to accommodate the relocation of civil servants from the Armed Forces (TNI), police, and intelligence by 2023. This was to be followed by the relocation of segments from the executive, legislative, and judiciary, as well as civil servants from other ministries by early 2024. However, [delays](#) in the completion of key infrastructures — including water and electricity supply — forced Jokowi’s hand and the visionary behind the IKN project had to settle for a respectable ceremony to commemorate Independence Day in [August 2024](#) before he handed the baton over to Prabowo.

The rush to complete IKN infrastructure in time for the 2024 Independence Day commemoration and for Jokowi to shift to the presidential palace before the end of his term did not go to waste. However, observers should differentiate between “functional” completion for the 2024 Independence Day celebrations, and “full completion” that would demonstrate readiness for official launch by President Prabowo. In the latter case, full completion seemed to mean up-to-specifications or daily real-life usability.

For instance, as of August 2024, several [toll roads](#) linking the Sultan Aji Muhammad Sulaiman Sepinggan International Airport at Balikpapan were reported to have reached “functional” levels of completion, including two bridges crossing Balang Island. This cut down the travel time from the Sepinggan Airport — a two-and-a-half-hour journey — by an hour. Not discounting this notable achievement, “full” completion of these toll roads — in the sense of multi-lane highways with smooth, tarred roads that are raised by concrete where needed — was at 74.6 per cent [completion](#) as of end-January 2025. At full completion, the journey from Sepinggan Airport to IKN is estimated to be reduced further to about 40 minutes.

In August 2024, public-facing buildings that formed the showcase-able facades of IKN that were completed included the presidential palace and the central Sumbu Kebangsaan (National Axis) multifunctional open-air grounds. In the rush for Jokowi’s planned end-of-term residency, by December 2024, 87 per cent of key infrastructure earmarked for Phase 1 was eventually [completed](#). This reportedly included public facilities and utilities, main and arterial roads, a logistics dockyard, water treatment systems, piping networks, wastewater management facilities, and an integrated landfill.

It is likely that these were “functionally” completed in anticipation of Jokowi’s planned residency, but not “fully” completed for full-scale operations. This is because, as of [end-January 2025](#), the IKN authority had to form a team to review previous designs for offices, facilities, and housing for the judiciary and legislative to meet Prabowo’s expectations. The estimated IDR 48 trillion (SGD 3.9 billion) budget that has been effectively frozen was meant for the completion of living and working ecosystems for the judiciary and legislative. Thirty-six houses for cabinet ministers and 27 of the 47 apartment buildings for civil servants from the TNI, police, and intelligence, were fully completed in January 2025. Based on pre-budget freeze estimates, the remaining 20 apartments meant for these civil servants were slated for completion in [end-2025](#), instead of [October 2024](#) as announced last year.

Given the pace of IKN development, the likelihood of relocating the capital city in the near term is highly unlikely. Nevertheless, the building blocks of IKN infrastructure — from roads to operational and housing facilities — are slowly taking shape. The main bulk of civil servants relocating to the new capital would still [require](#) facilities such as elementary, middle, and high schools, markets, and community centres such as mosques. As of end-January 2025, IKN already has a hotel and two hospitals from established operators — [Mayapada](#) and [Hermina](#) — which are able to scale as relocating residents stream in, as well as a 50-megawatt [solar power plant](#) built in collaboration with Singapore’s Sembcorp.

Conclusion

As a demonstration of confidence in the Prabowo administration as well as private sector investors from Indonesia and abroad, on 3 March 2025, all employees from the IKN authority had [started working](#) from their newly-completed building near Point Zero of the capital city, proving that the existing infrastructure was already functional, and not merely for show.

Amidst forced austerity measures for the sake of “efficiency” in government expenditure, it is important to view the development of IKN through the lens of the new Prabowo administration. Prabowo’s move to set 2028 as a likely date for IKN to operate as a political capital was perhaps his most realistic decision in his first 100 days.

While IKN’s budget is frozen for the *time being* to prioritise the Free Nutritious Food project and the development of the [Danantara](#) sovereign wealth fund, there is still a possibility that Prabowo could eventually release the necessary funds to complete projects that would bring IKN to a functioning level he envisions for his first term. Aside from projects that are still on-going, components of IKN’s development are being completed or entering into the [feasibility](#) study and [design](#) stages. Prabowo may also have decided that his administration’s near-term priorities need immediate public funding, whereas IKN could rely on future budget releases or [private sector funding](#) to see through its completion. Again, IKN only needs to be completed to the functional level Prabowo desires for August 2028, and not to the full realisation of the phase five vision of a “metropolitan city for all” in 2040-2045.

Doubters have raised concerns about the slow completion of infrastructure, including the ability of the Sepinggan and the yet-to-be-completed Nusantara VIP [airports](#) to handle the relocation and daily traffic. Given that the fundamental reasons for capital relocation remain valid, the new administration will have to keep the development of IKN on track for 2028. Time and space should be given to the administration to do so notwithstanding the economic constraints and pressure to deliver the president’s first-term priorities.

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