

Press Release

Bappenas Reveals Possible Funding Schemes for IKN Relocation during ISOCARP Congress

JAKARTA – The Ministry of National Development Planning/Bappenas' Deputy of Regional Development Rudy S. Prawiradinata revealed that the financing for the State Capital (IKN) relocation project will not interfere with other development priorities.

"We will invite and involve the private sector to participate in the IKN's development as well. The government has prepared incentives to attract private sector participation," he said during the 55th International Society of City and Regional Planners (ISOCARP) World Planning Congress at Hotel Borobudur in Jakarta, Tuesday (10/9).

The schemes are outlined as follows.

The Build Operate Transfer scheme will cover construction development funded or carried out by the private sector to help earn income from public facilities. The private sector will be able to transfer its ownership or operations to the government after the concession expires, as the revenue percentage of new projects initiated in the new State Capital will also be of concern. The second scheme is the Direct Reimbursement Scheme, where the government pays the private sector through either a Viability Gap, an advanced lump sum payment or periodic Availability payment.

The third scheme is the Risk Guarantee Scheme, namely incentives for reducing risks that the private sector might run into, including mitigating construction risks by implementing joint construction with state-owned businesses, mitigating the risk of lower revenues than the initial estimate (which is the responsibility of the government), and mitigating legal and political risks by guaranteeing the stipulation of regulations.

The State Capital financing projections are divided into three sources of funding:

- 1) Around 19.2%, or Rp 89.4 trillion, will be provided by the State Budget (APBN) to finance basic service infrastructure development such as the construction of the State Palace, police and military facilities and accommodation, land acquisition costs, green open space management, and military bases. The use of the State Budget will not interfere with other development priorities because it will be carried out using asset management schemes.
- 2) Up to 54.4%, or Rp 253.4 trillion, will be funded by the Government and Business Cooperation Scheme (PPP) to build executive, legislative and judicial buildings, educational facilities, health facilities, correctional facilities, museums and other supporting infrastructure.
- 3) Up to 26.4%, or Rp 123.2 trillion, will be provided by the private sector, covering the construction of public housing, universities, science technoparks, airports, ports, toll roads, health facilities, shopping centers and Meeting, Incentive, Convention and Exhibition (MICE) facilities.

Parulian Silalahi
Head of Public Relations
& Executive Administration

For More Information:

Kementerian PPN/Bappenas
Jl. Taman Suropati No. 2 Jakarta 10310
Telepon: (021) 31934283; Faks.: (021) 31901154
e-mail: humas@bappenas.go.id