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Establishing New Regulations Towards the Future of DKI Jakarta

The Government of the Republic of Indonesia passed Law No. 2 of 2024 on the Special Regional Province of Jakarta (“Law 2/2024”) on April 25, 2024. This law has been enacted due to the mandate provided by Law No. 3 of 2022 on the State Capital City, as amended by Law No. 21 of 2023, in which the government aims to relocate Indonesia’s capital city from Special Capital Region of Jakarta (Daerah Khusus Ibukota Jakarta/“DKI Jakarta”) to Capital of the Archipelago (Ibu Kota Nusantara/“IKN”). Law 2/2024 intends to emphasize Jakarta’s new role as the national economic center and a global city, fostering business connections between Indonesia and cities worldwide. The objective of this law is to drive Jakarta in conveying a significant contribution to the national economy, while simultaneously improving overall societal welfare. This initiative creates various opportunities for businesses and stakeholders to enhance economic value in Jakarta’s new capacity as a global city.

Overview

Issuance of Law 2/2024 marks a significant shift for the future of government affairs of DKI Jakarta, including to transform the status and name of DKI Jakarta Province into the Special Regional of Jakarta (*Daerah Khusus Jakarta/“DKJ”*) Province. Under this law, DKJ is no longer designated as the capital city of Indonesia, rather it is positioned as the national economic center and a global city. DKJ’s new role includes serving as a center for trades, services, financial activities, and facilitating business interactions at the national, regional, and global levels.

The DKJ Provincial Government holds authority over a spectrum of regional affairs, spanning from financial matters to the management of regional and state-owned assets. Notably, the law opens a wide range of opportunities that could be explored by businesses and stakeholders with performing strategic investments to accelerate the

progression of DKJ to become the national economic center and global city. However, it is noteworthy that the transformation of DKI Jakarta to become DKJ will come into force when the presidential decree on the transfer of the capital city of the Republic of Indonesia from DKI Jakarta to IKN has been stipulated. The summary below outlines key provisions stipulated in Law 2/2024 and provides essential considerations to optimize city development in the DKJ as the national economic center and a global city.

Key Changes of DKI Jakarta Transformation to Become DKJ

The following table highlights the substantial adjustments related to the governance of DKI Jakarta according to Law No. 29 of 2007 on the Provincial Government of the Special Capital Region of Jakarta as the Capital City of the Republic of Indonesia (“**Law 29/2007**”) that have transformed to DKJ under the Law 2/2024:

No.	Aspects	Law 29/2007	Law 2/2024
1.	Status	DKI Jakarta is determined as the capital city of the Republic of Indonesia.	DKJ is enacted as a national economic center and global city in the Republic of Indonesia.
2.	Authority	DKI Jakarta is given authority as an autonomous region that covers all government affairs except foreign policy, defense, security, justice, national monetary and fiscal affairs, religion, and parts of other government affairs which are under the authority of the central government. In addition, DKI Jakarta is also given the authority to determine and implement policies in the form of spatial planning, natural resources and the environment, population and settlement control, transportation, industry and trade, and tourism.	Law 2/2024 has adjusted the authority given to DKJ to become a global city, by specifying certain areas of special authority, including government affairs, institutions, personnel, and regional finance aspects. Additionally, DKJ is also authorized to determine and implement policies in the broader fields as mentioned above.
3.	Cooperation	Law 29/2007 only specifies explicitly that DKI Jakarta Province could only cooperate with government organs.	As DKJ is designated a global city, it maintains openness to various forms of cooperation not only with the other regions but also with business entities and institutions both domestically and internationally.
4.	Funding	DKI Jakarta Provincial Government could only rely on the state budget to finance its government affairs.	DKJ Provincial Government could obtain funding to finance its government affairs from the regional budget and other legitimate sources including financial support from the central government.

Government Affairs and Special Authority

In overseeing its government affairs, DKI Jakarta holds both general and special authority of provincial regions as stipulated under prevailing laws and regulations. On top of that under Law 29/2007, the authority and government affairs of the DKI Jakarta Provincial Government as the capital city of Indonesia also covered (1) spatial planning, natural resources, and environment; (2) population and settlement control; (3) transportation; (4) industry and trading; and (5) tourism.

Nonetheless, as DKI Jakarta no longer serves as the national capital and transforms into DKJ, the scope of government affairs of DKI Jakarta will also be changed in accordance with its new position as the national economic center and a global city. The transformation of DKI Jakarta from the capital city of the Republic of Indonesia to DKJ

affects the additional authority to administer its government affairs from the authorities that have been possessed earlier, which encompasses:

1. Public works;
2. Investment;
3. Education;
4. Health;
5. Family planning;
6. Population administration and civil registration;
7. Marine and fisheries;
8. Institutions;
9. Personnel; and
10. Regional finance.

In general, the insertion of several new DKJ Provincial Government authorities in organizing its government affairs as elucidated by Law 2/2024 prescribes compatible provisions related to the scope of government affairs of the provincial government as set out in Law No. 23 of 2014 on Regional Government and its amendments (“**Law 23/2014**”). Listed below is a detailed elaboration of the expanded scope of authority in Law 2/2024:

No.	Special Authority of Government Affairs	Coverage
1.	Industry	Adding new items including supervision and control.
2.	Tourism and creative economy	Adding new items including the tourism industry.
3.	Education	Adding new items including education quality and access, and higher education.
4.	Health	Adding new items including health data.
5.	Population administration and civil registration	Under Law 23/2014, the provincial government does not have the authority to manage government affairs related to population administration and civil registration. However, Law 2/2024 added new items including administration of population and civil registration of residents registered in the DKJ Province.
5.	Marine and fisheries	Adding new items including administrative arrangements, spatial arrangement, participation in maintaining security at sea, participation in maintaining the sovereignty of the state, implementation of reclamation, and arrangement of special areas at ports.
6.	Institutions	Law 2/2024 has set out the determination of the organizational structure and work system of the government in the DKJ Province including (a) determination of the type; (b) number; and (c) composition of regional apparatus, in accordance with the needs of DKJ Provincial Government.
7.	Personnel	Under Law 2/2024 DKJ Provincial Government could determine the allowance and incentives of civil servants and appoint professional non-state civil servants.
8.	Regional Finance	Law 2/2024 has set out a variety of special authorities for the DKJ Provincial Government in the sector of regional finance. For instance, the DKJ Province may receive grants and subsidiary loans from foreign

No.	Special Authority of Government Affairs	Coverage
		institutions to fund activities that are prioritized by the DKJ Province, subject to the regional revenue and expenditure budget mechanism.

Management of Regional Assets and Utilization of State-Owned Assets

Furthermore, the transformation of the status capital city of the Republic of Indonesia also changes the provisions related to the management of regional assets (*barang milik daerah*) and the utilization of state-owned assets (*barang milik negara*) located in the DKJ area, further explained below:

1. Management of Regional Assets

In order to achieve its status as a global city, the management of regional assets in the DKJ Provincial Government is given specific arrangements. Moreover, the DKJ Provincial Government could implement the management of regional assets for investment purposes outside of regional assets used to perform the duties and functions of regional apparatus by forming an asset management institution. The duties of asset management institutions in managing the regional assets also comprise the utilization of regional assets with a third party which could be conducted in the form of:

- a. lease (*sewa*);
- b. utilization cooperation (*kerja sama pemanfaatan*);
- c. build-operate-transfer or build-transfer-operate (*bangun-guna-serah atau bangun-serah-guna*);
- d. cooperation in infrastructure provision (*kerja sama penyediaan infrastruktur*);
- e. operational cooperation (*kerja sama operasional*);
- f. lease cooperation (*kerja sama sewa guna*);
- g. optimization cooperation (*kerja sama pendayagunaan*);
- h. empowerment cooperation (*kerja sama pemberdayaan*); and
- i. other forms of cooperation based on the provisions of laws and regulations.

As for regional assets owned by the DKJ Province which is utilized by the Central Government, it shall be handed over to the DKJ Provincial Government no later than ten (10) years after the stipulation of the presidential decree regarding the relocation of the Capital City of the Republic of Indonesia from the DKI Jakarta Province to IKN.

2. Proposal of Utilization of State-Owned Assets

The policy enacted by the Government of the Republic of Indonesia to relocate the capital city from DKI Jakarta to IKN presents opportunities for the DKJ Provincial Government to utilize state-owned assets that stay within DKJ after the departure of the central government to IKN. Furthermore, the idle state-owned assets located in DKJ could promote the involvement of investors to optimize the utility value of the state-owned Assets by performing the state-owned assets utilization cooperation upon the approval of the Minister of Finance (“MoF”). The MoF is expected to issue a separate regulation to clarify the details of the utilization of assets.

Agglomeration Area

In synchronizing the development of DKJ Province, Law 2/2024 provides a new breakthrough for DKJ Province together with its surrounding regions to establish an agglomeration area which constitutes the regions having the functional interplays connected by an integrated regional infrastructure network system as a center for national economic growth on a global scale. Apart from DKJ Province, the agglomeration area covers various cities and regencies, namely: (1) Bogor Regency; (2) Cianjur Regency; (3) Bogor City; (4) Depok City; (5) Tangerang City; (6) City of South Tangerang; and (7) Bekasi City.

The synchronization of DKI Province as mentioned above will be exercised by developing master plan covering the programs and activities that fall under the authority of the central government, provincial regions, and regency/city regions in the agglomeration areas, including but not limited to the following sectors (1) transportation; (2) waste management; (3) environment management; (4) flood management; (5) drinking water management; (6) management of hazardous and toxic waste; (7) regional infrastructure; and (8) energy.

In terms of providing cross-regional services and/or cross-regional impacts, local governments in the agglomeration areas may cooperate in the formation of joint service agencies (*badan layanan bersama*), which is determined by a collective decision of the regional heads after obtaining approval from the Regional House of Representatives/*Dewan Perwakilan Rakyat Daerah* (DPRD). The joint service agency is entitled to (1) possess its own assets; (2) manage its own budget; (3) manage its own employees; and (4) cooperate with other parties. As of now, we are not aware of any implementing regulations issued to that provision, and anticipate that it will be clarified under a separate regulation.

Key Takeaways

In view of the foregoing, some of the key takeaways which may be taken for consideration encompass:

1. The status of DKI Jakarta will be changed from the capital city of the Republic of Indonesia to become DKJ as the national economic center and global city upon the enactment of the presidential decree on the transfer of the capital city of the Republic of Indonesia from DKI Jakarta to IKN.
2. This new law offers a wide range of opportunities for a variety of stakeholders, spanning from private sector (investors) to public sector representatives, to actively engage and contribute to the advancement of DKJ as both the national economic center and a global city. Stakeholders could contribute to the successful development of DKJ by participating in collaborative efforts, particularly regarding the management of regional assets and utilization of state-owned assets located in DKJ.
3. Despite the framework established by this new law, additional detailed provisions and implementing regulations are necessary to ensure comprehensive and practical implementation of the DKJ government.

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