Indonesia: UAE Crown Prince to Lead New Capital Construction

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FILE - Abu Dhabi’s Crown Prince Sheikh Mohammed bin Zayed Al Nahyan, left, and Indonesian President Joko Widodo wave at photographers during their meeting at the presidential palace in Bogor, Indonesia, July 24, 2019.

JAKARTA, INDONESIA - Abu Dhabi’s crown prince has agreed to lead a committee that will oversee the construction of a new capital city for Indonesia that is estimated to cost $34 billion, an Indonesian official said Tuesday.

Crown Prince Sheikh Mohammed bin Zayed Al Nahyan said it would be “an honor to play a role in the development of the largest Muslim-majority country,” Indonesian Coordinating Maritime Affairs and Investment Minister Luhut Binsar Pandjaitan said in a statement.
The committee will also include Masayoshi Son, the billionaire founder and chief executive of Japanese holding company SoftBank, and former British Prime Minister Tony Blair, who currently runs the Tony Blair Institute for Global Change, he said.

“We expected their presence would provide a confidence boost for prospective investors in the new capital,” Pandjaitan said.

Indonesian President Joko Widodo met Sheikh Mohammed during a two-day trip to Abu Dhabi that ended on Monday.

Widodo announced last August that Indonesia’s capital will move from overcrowded, sinking and polluted Jakarta to a site in sparsely populated East Kalimantan province on Borneo island, known for rainforests and orangutans.

The capital’s relocation to a 180,000-hectare (444,780-acre) site almost triple the size of Jakarta will cost an estimated $34 billion. Of that, 19% is to come from the state budget and the rest from cooperation between the government and business entities and from direct investment by state-run companies and the private sector.

Widodo welcomed talks between Indonesian officials and the United Arab Emirates, as well as SoftBank, on the setting up of an Indonesia Sovereign Wealth Fund which will be finalized at the end of this month in Tokyo, the maritime and investment ministry said.

It said the UAE, a federation of seven sheikdoms on the Arabian Peninsula; SoftBank; and the U.S. International Development Finance Corporation will participate in the SWF’s funding of Indonesian development projects.

The idea to set up the fund came during a visit by Sheikh Mohammed to Indonesia last July, and the UAE has pledged to become the main investor in SWF projects, Pandjaitan said.

During Widodo’s visit to Abu Dhabi, the two countries reached 16 business and government deals in which the UAE agreed to invest $6.8 billion through five government-to-government agreements and 11 business-to-business deals, the maritime and investment ministry said.

Jakarta is an Asian mega-city with 10 million people, or 30 million including those in its greater metropolitan area. It is prone to earthquakes and flooding and is rapidly sinking because of uncontrolled extraction of ground water. The water and rivers are highly contaminated. Congestion is estimated to cost the economy $6.5 billion a year.

Mineral-rich East Kalimantan was once almost completely covered by rainforests, but illegal logging has removed many of its original growth. It is home to only 3.5 million people and is surrounded by Kutai National Park, known for orangutans and other primates and mammals.

Indonesia is archipelago nation of more than 17,000 islands, but currently 54% of the country’s nearly 270 million people live on Java, the country’s most densely populated area.