

Press Release

State Capital's Construction Key to National and Regional Growth

JAKARTA – The Ministry of National Development Planning/Bappenas encourages the development of East Kalimantan through the State Capital (IKN) relocation project to contribute to Indonesia's efforts to escape the Middle Income Trap by 2036.

Moreover, East Kalimantan is seen to be one of the regions that has a relatively high Gross Regional Domestic Product (GRDP) compared to other regions. The development of the State Capital in the Penajam Paser Utara area is expected to be one of the sources of economic growth and become a driving force of growth for the country.

"We can see how East Kalimantan can contribute to the national economy through the development of the State Capital. Hopefully all expectations can be realized so that it will help increase the amount of investment and optimize strategic area management efforts," the Minister of National Development Planning/Head of Bappenas Suharso Monoarfa said in his remarks at the East Kalimantan Provincial Development Plan Deliberation Meeting (Musrenbangprov) on Thursday, (22/4).

Minister Suharso also emphasized the importance of considering the environmental aspects that come with developing such a mammoth project, especially due to Kalimantan Island's role as the 'lungs of the world'. For this reason, the development of the State Capital will emphasize green methods and innovation. It is also important to pay attention to the development of the surrounding areas. The nearby city of Samarinda is expected to be able to develop a sustainable energy sector and become a model for other regions. Moreover, by 2030, many countries are expected to only accept commodities and products made from clean energy.

The nearby city of Balikpapan is also targeted to become the largest petrochemical industry hub in the world.

"This is an Indonesia-centric design. At the same time, East Kalimantan must also maintain its status as the 'lungs of the world'," Minister Suharso said.

Several strategic development issues in East Kalimantan are also part of the government's 2022 Working Plan (RKP). "The focus starts from industry to education. What has not been included yet is the low-carbon development and economic digitization plans. These factors however, hinge on the successful completion of the State Capital project in the region," added the Minister.

The Ministry of National Development Planning/Bappenas also provides recommendations on issues that must be addressed by the provincial government of East Kalimantan, including the diversification of the business sector, expansion of job opportunities, improvement of educational support infrastructure, protection from natural disasters, and improvement of connectivity and accessibility.

"Of all the recommendations put forth, the issue of business sector diversification and the expansion of job opportunities are the main points because most of them still rely on natural resources that have not been diversified and employment opportunities have not been optimal in the area," concluded the Minister.

With this developmental focus, it is believed that in order to move the economy and encourage a 6.3% growth rate, the poverty rate must be reduced to at least 5.92%, in line with an open unemployment rate of 6% to 6.5%.

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