

## Webinar Report

# Challenges for the Province of East Kalimantan: An Analysis of East Kalimantan's Economic Structure and Opportunity for Growth

Asia Competitiveness Institute (ACI) conducted its second webinar as part of the Subnational Competitiveness Webinar Series. The webinar focused on the East Kalimantan province, and was titled “The Inaugural Provincial Dialogue on the Economy and Development 2020 for East Kalimantan”. Those in attendance included senior officeholders from East Kalimantan government agencies, members of East Kalimantan’s Indonesian Employers’ Association (APINDO). and academics from the Mulawarman University.

## Webinar 1: The Inaugural Provincial Dialogue on the Economy and Development 2020 for East Kalimantan 2020

Monday, 5th August 2020  
10.00 – 12.00 (GMT+8)

**Dialog Perdana tentang Ekonomi dan Pembangunan Provinsi Kalimantan Timur 2020**

5 Agustus 2020  
1000 - 1200 (WITA)

**Sesi 1: Analisis Daya Saing Provinsi-Provinsi di Indonesia**

Pembicara:

- 1. David Gunawan  
Asia Competitiveness Institute  
Lee Kuan Yew School of Public Policy  
National University of Singapore

**Sesi 2: Tantangan Ekonomi Kalimantan Timur, Isu Struktural dan Peluang Pertumbuhan**

Pembicara:

- 1. Saur Parsoaoro T,S.Pi, MEMP  
Kepala Bidang Ekonomi  
Badan Perencanaan Pembangunan Daerah  
Provinsi Kalimantan Timur
- 2. M. Slamet Brotoiswoyo  
Ketua  
DPP APINDO Kalimantan Timur
- 3. Prof. Dr. Eny Rochaida, SE., M.Si.  
Dosen  
Fakultas Ekonomi dan Bisnis  
Universitas Mulawarman

Pembicara Tamu:

- 1. Tutuk S H Cahyono  
Kepala Perwakilan Bank Indonesia  
Provinsi Kalimantan Timur

**Zoom Webinar ACI**

**Agenda**

1000 - 1005: Pembukaan dan Perkenalan Pembicara

1005 - 1025: Analisis Daya Saing Provinsi-Provinsi di Indonesia  
(Sesi 1)

1025 - 1120: Tantangan Ekonomi Kalimantan Timur, Isu Struktural dan Peluang Pertumbuhan (Sesi 2)

1120 - 1140: Sesi Dialog

1140 - 1200: Q&A

## Opening Remarks

The webinar began with opening remarks from Professor Paul Cheung, Director of ACI. He highlighted the importance of economic resilience and the availability of socio-economic protections against current and future shocks. Given the rapid transformation in economic structure and work dynamics in Indonesia and globally, Professor Cheung hopes that the webinar will provide a platform for key policymakers and stakeholders in the province to

engage in meaningful dialogue regarding the economic condition and strategic direction for the province moving forward.

## **Session 1**

### **2020 Annual Update of ACI's Competitiveness Rankings and Simulation Studies of East Kalimantan**

Speaker: David Gunawan  
Research Assistant  
Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy  
National University of Singapore

ACI research provides a quantitative framework to track the competitiveness level of all the provinces across Indonesia. Key notable findings are as follows

- In 2020, East Kalimantan's overall ranking increased from 7<sup>th</sup> to 4<sup>th</sup> placing, out of 34 provinces.
- Out of 5 provinces in the Kalimantan region, East Kalimantan is ranked 1<sup>st</sup> in Overall Competitiveness.
- Compared to 2019, East Kalimantan's rankings in 2020 for the four environments have undergone the following changes:
  1. Macroeconomic Stability: Increased from 6<sup>th</sup> to 5<sup>th</sup> rank
  2. Government and Institutional Setting: Increased from 22<sup>nd</sup> to 8<sup>th</sup> rank
  3. Financial, Business and Manpower Condition: Increased from 8<sup>th</sup> to 4<sup>th</sup> rank
  4. Quality of Life and Infrastructure Development: Remains at 1<sup>st</sup> rank
- Top three strongest indicators:
  1. Primary Industry Productivity
  2. Secondary Industry Productivity
  3. Overall Labour Productivity
- Top three weakest indicators:
  1. Number of Non-performing Loans per Total Bank Loans
  2. GRDP Growth
  3. Internet Access at School

## **Session 2:**

### **Challenges for the Province of East Kalimantan: An Analysis of East Kalimantan's Economic Structure and Opportunity for Growth**

Speaker: Saur Parsoaran T, S.Pi., MEMD  
Head  
Department of Economics  
Regional Development Planning Agency  
Province of East Kalimantan

M. Slamet Brotosiswoyo  
Head  
DPP APINDO East Kalimantan

Prof. Dr. Eny Rochaica, SE., M.Si.  
Professor  
Faculty of Economics and Business  
Mulawarman University

Tutuk Cahyono  
Head  
Representative of Bank Indonesia  
Province of East Kalimantan

### **Economic Impact of COVID-19 and East Kalimantan's Economic Structure**

Due to the COVID-19 pandemic, global economic growth has been projected to slow down or even drop. Under the best-case scenario, Indonesia's 2020 economic growth projection is expected to drop from 5.5% to 2.3%.

Structurally, the economy of East Kalimantan is centred around coal mining. Coal has been key to the mining and manufacturing sectors, contributing 34.65% and 12.94% respectively, to East Kalimantan's Gross Domestic Regional Product (GRDP). Despite being the largest contributors to East Kalimantan's economy, mining and manufacturing are amongst the industries with the slowest economic growth in the past 3 years.

Through the dialogue, Mr. Tutuk of Bank Indonesia (BI) shared that there are a few sectors with the potential to bolster East Kalimantan's economy as well as reduce the province's reliance on coal. For example, the construction and agricultural sectors not only have better economic growth rates, but also do not rely on coal as heavily as the mining and manufacturing sectors. Mr. Tutuk also identified the tourism sector as one of the drivers of East Kalimantan's GRDP growth. These multiple growth channels present opportunities for East Kalimantan to diversify its economy.

### **Development Projects in East Kalimantan**

In 2019, President Joko Widodo announced a plan to move the capital city from DKI Jakarta to East Kalimantan. This prompted East Kalimantan to further enhance its infrastructure through numerous projects in an effort to increase foreign investment in the province. However, due to the COVID-19 pandemic, most projects have been put on hold, including the infrastructure development for the new capital city.

Despite this, East Kalimantan is still viewed as one of the more desirable provinces to invest in due to its abundance of natural resources and workforce. In addition to coal, many local corporations are investing in energy resource development to capitalize on methanol and

petrochemicals. Furthermore, East Kalimantan has significant potential to develop its renewable energy industry.

### **Challenges and Moving Forward**

Mr. Saur of the Regional Development Planning Agency of East Kalimantan expressed the importance of diversifying East Kalimantan's economy. As the current economic model is highly resource-dependent, East Kalimantan risks depleting its natural resources. Mr. Slamet, the head of DPP APINDO East Kalimantan, also highlighted that the initiative to diversify the province's economy is hindered by East Kalimantan's labour market structure. While East Kalimantan has a large labour force, it has a low labour absorption rate. This infers that the skillset of the workforce does not meet industry demand.

Moving forward, Prof. Eny Rochaida of Mulawarman University stated that while East Kalimantan is expected to experience an economic contraction in 2020, development projects in the province will continue either in this year or the following year. Prof. Eny also mentioned that the province is currently focusing on a smooth economic transformation to ensure that it can remain competitive and resilient in both good and bad times.