

Indonesia picks McKinsey to help plan capital in the forest

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Aerial view of Penajam District, North Penajam Paser, East Kalimantan. (JP/Gede Dharma)

An Indonesian unit of management consultants McKinsey & Company has been appointed to conduct a feasibility study on moving the capital from the crowded, flood-prone city of Jakarta on Java island to the forested island of Borneo, an official said.

President Joko Widodo revealed the long-awaited site for a new capital in August in East Kalimantan province, triggering numerous questions including how the plan would be financed and its environmental impact.

The government estimates it will cost US\$33 billion to move the capital and build government offices and housing.

McKinsey Indonesia will take on the government's initial studies on issues including the social, cultural, environmental and economic impact, said Rudy Soeprihadi Prawiradinata, deputy for regional development at Indonesia's Planning Ministry.

"They will not start from zero as we have done many studies. They will determine the strategy going forward that's why we are looking for world class consultants," Prawiradinata said by telephone.

The three-month study would also look at the funding needed in more detail and how the new capital would link in with the existing nearby cities of Balikpapan and Samarinda, he said.

The result of the 25 billion rupiah (\$1.77 million) tender, which was announced on a government website, attracted 103 candidates, including groups involving Roland Berger and Boston Consulting.

McKinsey declined to comment.

Ed Baker, a Singapore-based urban planner who was involved in the bidding process, said the study included picking the right location based on various criteria and “also understanding the financial reality ... the investment mechanisms to start funding a project like this, whether public or private”.

Authorities had also emphasized the physical attributes of the site, a city in the forest which authorities expect to eventually house 1.5 million people, he said.

“Water is a key thing that they highlighted. How do you provide drinking water to this new city ... and also understand the natural conditions of the site so you avoid flooding etc?”

Indonesia has been floating the idea of moving its capital for years and the site in East Kalimantan is known as one of the regions least prone to natural disasters that regularly hit the archipelago of 17,000 islands.

The government has 3,000-hectare (7,413 acres) of land in the province for the first stage of development.

The estimated cost of \$33 billion for moving the capital is an initial price tag that includes government offices and homes for about 1.5 million civil servants expected to pack up and start moving by 2024, according to the planning ministry.

Source: <https://www.thejakartapost.com/news/2019/10/17/indonesia-picks-mckinsey-to-help-plan-capital-in-the-forest.html>