

## Policy Analysis on the Development of Strategic Fast Growth Areas Challenges and Opportunities

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**ABSTRACT:** The development of Rapidly Growing Strategic Areas is one of the government's strategies to boost economic growth in regions with high potential for rapid and sustainable development. This policy aims to increase investment, accelerate infrastructure development, and create job opportunities to improve community welfare. However, its implementation faces several challenges, including complex regulations, inefficient bureaucracy, inadequate basic infrastructure, and environmental impacts that need to be addressed. This study employs a qualitative approach using literature reviews and policy analysis to identify the challenges and opportunities in implementing Strategic Fast Growth Areas in Indonesia. The findings indicate that despite the existing obstacles, there are significant opportunities, such as investment incentives, public-private partnership schemes, and technological advancements supporting strategic area management. To overcome these challenges, regulatory simplification, improved synergy between central and regional governments, and the adoption of sustainable development principles are necessary to ensure that Strategic Fast Growth Areas contributes optimally to national economic growth. With the right strategies, Strategic Fast Growth Areas can serve as a driving force for development, not only enhancing economic progress but also promoting social and environmental sustainability.

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### INTRODUCTION

Strategic Fast Growth Areas are an important part of national development planning that aims to encourage regional economic growth more evenly, given that economic inequality between regions in Indonesia is still quite high, especially between Java and other regions (Anzelbe et al., 2023a). Based on data from the Ministry of National Development Planning/Bappenas (2023), around 70 per cent of Indonesia's total Gross Domestic Product (GDP) is still concentrated in Java, while regions outside Java, despite having great potential in natural resources and tourism, still face constraints in infrastructure and investment. The government has designated 35 strategic areas that focus on the development of industrial, tourism, and urban sectors to encourage accelerated growth in areas with high potential but not yet optimised (Hutasoit, 2024). However, the implementation of this policy faces major challenges, ranging from limited basic infrastructure, overlapping regulations, to low investment interest from the private sector caused by legal uncertainty and complex bureaucracy (Anshar et al., 2024). Therefore, a more comprehensive strategy is needed to ensure that the Strategic Fast Growth Areas policy can run effectively by considering synergies between the government, the business world, and local communities (Anisah et al., 2017).

The main challenge in the implementation of Strategic Fast Growth Areas is the imbalance in infrastructure development, which is still a major obstacle for many regions in attracting investment and improving local economic competitiveness (Wijaya et al., 2025). According to a World Bank report (2022), around 60% of infrastructure projects in strategic areas are delayed due to regulatory issues, protracted land acquisition, and weak coordination between central and local governments. One concrete example is the Patimban Port development project in West Java, which experienced various technical and administrative obstacles, causing the realisation of the project to be far from the initial target set (Matondang, 2017a). This suggests that without careful planning and

better cross-sector coordination, Strategic Fast Growth Areas development policies risk stagnation and cannot have a significant impact on regional economic growth. Therefore, improvements in policy governance and simplification of regulations are key factors that must be done immediately to ensure the success of this programme (Matondang, 2017a).

In addition to infrastructure constraints, regulatory complexity is also a major challenge that hampers the acceleration of development in strategic areas, especially related to business licensing, investment policies, and environmental regulations that often overlap (Purnaditya, 2024). Data from the Investment Coordinating Board (BKPM) in 2023 showed that almost 40% of total investment applications in strategic sectors faced administrative obstacles that slowed down the project realisation process, which in turn resulted in low labour absorption and slow local economic growth (Anzelbe et al., 2023b). One concrete example is the Mandalika Special Economic Zone (SEZ) project, which faced challenges in land management and conflicts with local communities, causing many investors to delay their investment plans. Disharmonious regulations between the centre and regions further complicate the situation, as each region has its own policies that often contradict national policies. Therefore, a more structured policy reform is needed so that the licensing and regulatory system can be more flexible and support a conducive investment climate (Lestari, 2017).

On the other hand, the low participation of the private sector in strategic projects is also a challenge, given that many investors are reluctant to invest in areas that do not have clear legal certainty and profit guarantees (Nurani et al., 2024a). According to an Asian Development Bank (ADB) report in 2023, private investment in infrastructure projects in strategic areas increased by 15 per cent compared to the previous year, but this figure is still far from the target set in the RPJMN 2020-2024. Many investors are still waiting for certainty from the government regarding fiscal incentives, partnership schemes, and protection against business risks that may occur in the long run (Matondang, 2017b). Without more proactive policies to incentivise the private sector, the acceleration of Strategic Fast Growth Areas development could potentially be slower than expected. Therefore, the government needs to strengthen collaboration with the business world through Public-Private Partnership (PPP) schemes so that investment in strategic areas can be more optimal and sustainable (Mandasari & Prabawati, 2020).

Despite facing various challenges, the Strategic Fast Growth Areas development policy also has great opportunities in encouraging regional economic growth, especially with increasing international cooperation and the use of technology in managing the Region (SUKMAYANINGRUM, 2019). Data from UNCTAD (2023) shows that the flow of Foreign Direct Investment (FDI) to developing countries, including Indonesia, has increased by 20%, which shows great potential in attracting global investment to strategic areas. The utilisation of digital technology in spatial planning and regional management can also improve efficiency and transparency in the implementation of strategic projects (Sari, 2018). In addition, the application of the smart city concept in several regions, such as in Batam and Makassar, has proven that the integration of technology in city governance can improve competitiveness and attract more investment to the area (Triananda, 2022). Therefore, this opportunity must be maximally exploited so that the Strategic Fast Growth Areas can develop into a sustainable centre of economic growth (Anisah et al., 2018a).

The successful implementation of the Strategic Fast Growth Areas relies heavily on strong synergies between the central and local governments, where effective coordination is key in ensuring that the policy is implemented as planned. Many regions still experience difficulties in accessing funding and resources to realise the development programmes that have been designed, so the role of the central government in providing policy and budget support is crucial (Putra, 2016). In addition, increasing the capacity of human resources in the region also needs more attention, because without a competent workforce, the economic potential of strategic areas will not be optimally utilised (Anzelbe et al., 2023c). Therefore, vocational training and education programmes that suit the needs of industries in the Strategic Fast Growth Areas should be further strengthened so that local communities can be actively involved in the development process (Matondang, 2017c).

Sustainability is also an important factor in the development of Strategic Fast Growth Areas, as economic growth that does not consider environmental impacts can lead to long-term problems, such as environmental degradation and social inequality. According to a report by the Ministry of Environment and Forestry (2023), several strategic areas under development face the risk of deforestation and pollution due to uncontrolled industrial expansion (Anisah et al., 2018b). Therefore, Strategic Fast Growth Areas development policies must prioritise sustainable development principles that harmonise economic, social and environmental interests (Ristiananda & Megawati, 2023). The government needs to ensure that any projects developed in strategic areas have gone through rigorous environmental assessments so as not to cause negative impacts on the surrounding ecosystem. Thus, development carried out in Strategic Fast Growth Areas can provide long-term benefits without destroying the natural balance (Rumagit et al., 2017).

In addition to economic and environmental aspects, the social dimension is also a factor that must be considered in the implementation of the Strategic Fast Growth Areas policy, especially in terms of the involvement of local communities in the project planning and implementation process (Mirah et al., 2017). Experience in several strategic areas has shown that community non-involvement in the decision-making process often leads to social conflicts that hinder development. Therefore, a participatory approach that involves the community from the early stages of planning is very important to ensure that this policy can be accepted and supported by all parties. In addition, strengthening the role of local governments in facilitating dialogue between communities and investors is also a key factor in creating a balance between economic interests and social welfare (Dewi & Azzaki, 2024).

Given the challenges and opportunities that exist, the implementation of Strategic Fast Growth Areas development policies requires a more holistic approach, where synergies between the government, the business world, and the community must continue to be strengthened. Only with the right policies and effective implementation can strategic areas truly become the driving force for inclusive and sustainable regional economic growth (Podungge et al., 2024).

## RESEARCH METHODS

This research uses a qualitative approach with a descriptive-analytical method, which aims to deeply understand the challenges and opportunities in the implementation of the Fast Growth Strategic Area Development policy in Indonesia. The qualitative approach was chosen because this research focuses on exploring complex policy phenomena and involves various actors, ranging from the central government, local governments, the private sector, to the communities directly affected by the policy. According to Creswell (2014), qualitative research is more suitable for analysing social and policy issues because it allows researchers to analyse relevant policy and regulatory documents. (Susanti & Kurniawan, 2022).

The data analysis technique in this study uses thematic analysis, which is a method used to identify, analyse, and report patterns or themes that emerge from the data that has been collected. Miles and Huberman (2014) explain that thematic analysis in qualitative research involves three main stages, namely data reduction, data presentation, and conclusion drawing. At the data reduction stage, all information obtained from interviews, documents, and observations were classified based on key themes, such as regulatory challenges, infrastructure constraints, private sector involvement, and social and environmental impacts of the Strategic Fast Growth Areas policy. Furthermore, at the data presentation stage, the results of the analysis are arranged in the form of narrative descriptions that describe how the various challenges and opportunities interact in the implementation of the Strategic Fast Growth Areas policy. Then, in the last stage, conclusions are drawn by interpreting the analysed data to answer research questions and provide relevant recommendations for future development policies (Ridder, 2014).

## RESULTS AND DISCUSSION

The results of this study show that the implementation of the Fast Growth Strategic Area Development policy in Indonesia faces significant challenges, but also opens up great opportunities for economic growth and sustainable development. One of the main challenges in the implementation of Strategic Fast Growth Areas is the complexity of regulations and bureaucracy, which is still a major obstacle to investment in strategic areas. Many investors complain of overlapping policies between the central and local governments that cause legal uncertainty and slow down the licensing process. This is supported by a report from the Ministry of Investment/BKPM (2023) which states that the average time needed to obtain investment permits in strategic areas still ranges from 6 to 12 months, much longer than neighbouring countries such as Malaysia and Vietnam which only require about 3 to 6 months. In addition, regulations related to land management often change suddenly, which results in uncertainty for investors and has the potential to hinder the acceleration of regional development. Therefore, a more structured policy reform and synchronisation of regulations between agencies are needed to accelerate the licensing process and improve the competitiveness of strategic areas.

In addition to regulatory issues, limited basic infrastructure is also one of the main inhibiting factors in the implementation of the Strategic Fast Growth Areas policy. Based on the results of field observations conducted in several strategic areas, it was found that there are still many areas that do not have adequate transportation access, either in the form of roads, ports, or rail networks. For example, in one Strategic Fast Growth Areas located in the eastern part of Indonesia, accessibility is still very limited, resulting in higher logistics costs compared to developed areas in Java. Data from the Central Bureau of Statistics (2023) shows that logistics costs in the eastern strategic region of Indonesia still reach 23% of total production costs, while in Java it is only around 11-15%. This significant difference shows that without adequate infrastructure support, strategic areas will find it difficult to develop optimally (Fanisa & Ma'ruf, 2021). Therefore, the government needs to increase investment in basic infrastructure development in strategic areas, including the construction of roads, bridges, ports, and digital connectivity to support business and industrial ecosystems in the region.

Despite the challenges, this study also found that there are great opportunities in the implementation of Strategic Fast Growth Areas, especially in terms of cooperation between the government and the private sector. In addition, the Public-Private Partnership (PPP) model can be an effective solution in overcoming the government's limited budget in developing strategic areas. A number of infrastructure projects in strategic areas that have successfully implemented PPP schemes have shown positive results, such as the development of an industrial area in Batang, Central Java, which has attracted investment from various multinational companies with a total investment value of Rp142 trillion by 2023. In addition, fiscal incentive schemes such as tax holidays and tax allowances given to investors investing in Strategic Fast Growth Areas have proven to be quite effective in attracting foreign and domestic investors. This shows that with the right strategy and supportive policies, the development of Strategic Fast Growth Areas can run faster and have a wider economic impact.

From a social perspective, the results of this study also show that the involvement of local communities in the development of Strategic Fast Growth Areas is still a challenge that needs serious attention. Many of them feel that this policy favours investors and the government more than the local community. For example, in some cases, the development of industrial estates led to the

conversion of agricultural land into industrial land, resulting in farmers losing their livelihoods without adequate compensation or alternative solutions (Brotojoyo et al., 2022). A report from WALHI (2023) noted that over the past five years, more than 50,000 hectares of productive land has been converted into industrial estates without spatial planning that considers the social impacts on local communities. To address this issue, the government needs to ensure that Strategic Fast Growth Areas policies are not only orientated towards economic growth, but also pay attention to social welfare and environmental sustainability. One solution that can be applied is the implementation of inclusive development, where local communities are actively involved in policy planning and implementation, both in the form of public consultation, economic empowerment, and corporate social responsibility (CSR) programmes from investors operating in the area.

In addition to social impacts, environmental aspects are also a major concern in the implementation of Strategic Fast Growth Areas. From the analysis of policy documents, it was found that some Strategic Fast Growth Areas projects have not fully implemented the principles of sustainable development. Some strategic areas experienced environmental degradation due to uncontrolled exploitation of natural resources and lack of supervision of industries operating in the area. For example, in one industrial area in Sumatra, it was found that water pollution due to industrial waste has impacted river ecosystems and threatened clean water sources for local communities. Data from the Ministry of Environment and Forestry (2023) shows that more than 30% of strategic areas in Indonesia face environmental problems, in the form of deforestation, water pollution, and land degradation (Sarweswara & Pramono, 2023). Therefore, it is important for the government to implement stricter environmental policies in the development of Strategic Fast Growth Areas, including the enforcement of Environmental, Social, and Governance (ESG) standards for investors, the application of environmentally friendly technologies, as well as stricter monitoring of the environmental impacts of projects developed in strategic areas.

Based on the results of this study, it can be concluded that the implementation of the Strategic Fast Growth Areas Development policy in Indonesia still faces significant challenges, but also has great potential to drive economic growth and sustainable development if managed properly. More flexible regulations, accelerated infrastructure development, increased partnerships between the government and the private sector, and community involvement in the policy-making process are key factors that must be considered in the future development of Strategic Fast Growth Areas (Nurani et al., 2024). In addition, environmental sustainability must also be a top priority so that the development of strategic areas not only provides short-term economic benefits, but also ensures ecological balance and social welfare in the long term. With a more holistic and inclusive approach, the Strategic Fast Growth Areas policy is expected to be an effective instrument in accelerating national development and improving Indonesia's competitiveness at the global level.

## CONCLUSION

Based on the results of the research, it can be concluded that the implementation of the Fast Growth Strategic Area Development policy in Indonesia still faces various challenges that need to be addressed immediately so that development goals can be achieved optimally. The main challenges in the implementation of Strategic Fast Growth Areas include the complexity of regulations and bureaucracy that hinder investment, limited basic infrastructure that increases logistics costs, and the lack of involvement of local communities in the regional development process. In addition, the environmental impact of strategic area development is also an important concern, given that many industrial areas still do not apply the principles of sustainable development. However, the Strategic Fast Growth Areas policy also opens up great opportunities in increasing investment, driving economic growth, and creating jobs through various partnership schemes, such as Public-Private Partnership (PPP), fiscal incentives, and improving connectivity between regions.

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