



Unlocking Public and Private  
Finance for the Poor

# **COUNTRY SNAPSHOTS**

## **SOUTHEAST ASIA**

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## Country Overview: Indonesia

Snapshot	
GDP (USD bn.)	1,119.2 (2019: World Bank data)
GDP Per Capita (USD)	4,135.6 (2019: World Bank data)
Population (mn.)	270.6 (2019: World Bank data)
GDP composition	Services: 44%; Industry: 39%; Agriculture: 13%
Inflation rate	3% (2019: World Bank data)
Sector Overview	
Number of smallholder farmers	<ul style="list-style-type: none"> <li>26 million farmers</li> <li>Sector provides employment to 30% of the workforce</li> </ul>
Main crops	<ul style="list-style-type: none"> <li>Major agricultural products are palm oil, rubber, rice, coffee, cocoa, tea and cassava, as well as spices such as pepper, cinnamon, nutmeg and cloves</li> </ul>
Sector Landscape	<p>Indonesia is one of the world's major agricultural nations and a key contributor to Indonesia's economy.</p> <p>The sector consists of large scale mechanised plantations that are usually owned by the state or conglomerates, as well as millions of smallholders – often controlling less than 2 ha of land – who tend to rely on traditional farming methods.</p> <p>Independent smallholders dominate the production of many agricultural commodities in Indonesia. They manage 85% of Indonesia's rubber plantations, 90% of coffee plantations, and 95% of cocoa plantations. For palm oil, one of the main agricultural exports, the proportion of plantations managed by independent smallholders is smaller yet significant, at about 30%.</p> <p>Many of the plantations started by smallholders in the 1980s and 90s, including oil palm, rubber, and cocoa, need urgent replanting. Else, smallholders will face declining yield and revenue. However, replanting requires large amounts of capital, which is needed to clear the land and purchase new seed stock.</p> <p>Due to their rural location, most independent smallholders lack access to formal financing institutions such as banks. Instead, independent smallholders may obtain loans through local traders or middlemen. However, these loans usually have high interest rates and a short tenor.</p> <p>Even independent smallholders with access to formal financing institutions often have difficulty obtaining loan approvals.</p>

Ecosystem	
Financial services ecosystem	<ul style="list-style-type: none"> <li>• There are various financial institutions and banks operating in Indonesia, including Bank Mandiri, Bank Rakyat (BRI), Bank Negara, Bank CIMB Niaga, Bank Danamon, among others</li> <li>• Government of Indonesia and commercial banks have been designing financial products tailored to the needs of independent smallholders, such as microfinance institutions, branchless / local agent banking, mandatory SME loans and government funding (e.g. Oil Palm Estate Fund)</li> </ul>
Digital Inclusion and Internet Penetration	<ul style="list-style-type: none"> <li>• Internet penetration: 68.3% (2019)</li> <li>• Financial inclusion rate: 76.1% (2019)</li> <li>• Digital economy has been the key driver behind the growth of technology sector in Indonesia, led largely by the private sector</li> <li>• By 2025, digital economy in Indonesia is expected to be USD 124 billion, up from USD 44 billion in 2020</li> </ul>
Mobile networks	<ul style="list-style-type: none"> <li>• Key telecom operators include Telkomsel, Indosat &amp; XL Axiata</li> </ul>
Additional Reference Links	<p><a href="#">Country Economic Overview</a></p> <p><a href="#">Digital Finance Overview</a></p>
Landscape: Challenge Areas	
<p>Challenge 1: Low Productivity</p> <p>Challenge 2: Climate Risk</p> <p>Challenge 3: Inefficient Supply Chain</p>	<ul style="list-style-type: none"> <li>• Small-scale farmers in Indonesia have little capital to invest and limited access to formal financing.</li> <li>• Many independent smallholders need finance to replant their ageing plantations, else they may resort to clearing new land or replanting with low-quality seed, creating negative economic and environmental impact in the long term.</li> <li>• While customised financial solutions exist to facilitate access to finance, there is scope for end-to-end solutions.</li> <li>• In addition, climate change has been leading to an increase in loss of income for farmers due to spoilt or missed harvests.</li> <li>• Further, according to various report, climate variability and extremes shifts, indicated by rainfall changes as well as rising temperature, is likely to change rice production (one of the main crops in Indonesia).</li> <li>• Infrastructure gaps too continue to hinder agricultural growth</li> <li>• Inadequate infrastructure and lack of coordination within the supply chain lead to the increasing cost and inefficient flow of material and information. There is scope to improve collaboration between stakeholders across the supply chain to address these inefficiencies.</li> </ul>

## Country Overview: Malaysia

Snapshot	
GDP (USD bn.)	364.7 (2019: World Bank data)
GDP Per Capita (USD)	11,414 (2019: World Bank data)
Population (mn.)	31.4 (2019: World Bank data)
GDP composition	Services: 54%; Industry: 37%; Agriculture: 7%
Inflation rate	0.7% (2019: World Bank data)
Sector Overview	
Number of smallholder farmers	<ul style="list-style-type: none"> <li>The agriculture sector provides jobs to 835,974 people</li> <li>Smallholders account for 94% of the rubber area, 96% of the cocoa area, and 40% of the oil palm area. They also operate most of the commodity and food crops as well as 97% of fruit and vegetable farms (i.e., less than 1 ha)</li> <li>Paddy farmers and food growers are traditionally smallholders, majority in the low-moderate income groups</li> </ul>
Main crops	<ul style="list-style-type: none"> <li>Oil palm, rubber, cocoa and rice</li> <li>In Malaysia, agriculture is generally divided into two categories; food crops and industrial crops. <ul style="list-style-type: none"> <li>Food crops refer to vegetables, fruits, root crops, and grain crops associated with smallholdings managed by individual farmers</li> </ul> </li> </ul>
Sector Landscape	<p>While there are few large companies, the sector is dominated by SMEs: 20% are involved in fruits and vegetable products, 16.6% in livestock products, 14.2% in fish and related products, 12.1% in agrobiological products, 10.1% in palm oil products, and 27.1% in various other food-based products.</p> <p>Among land development and resettlement agencies, the Federal Land Development Authority (FELDA) helps integrate smallholders in the palm oil value chain, both in planting and processing stages.</p> <p>Land management rights have been outsourced to cooperatives. The cooperatives are able more easily to undertake certification, acquire modern technologies, adopt information and communication technologies and portals, and venture into processing. Small Bumiputera agroentrepreneurs have also been encouraged to form cooperatives to increase their capacity, thus contributing to their potential income earning ability and commercial success.</p>

Ecosystem	
Financial services ecosystem	<ul style="list-style-type: none"> <li>Lending by banking system accounts for 90% of the sector's financing source. Majority of financing is for commercial commodities, i.e., palm oil and rubber at 70%</li> <li>Agrobank is a Malaysian government-owned Bank under the purview of the Minister of Finance Incorporated. The Bank's financing of the agricultural sector is driven by a policy set forth by the Ministry of Agriculture and Agro-Based Industry (MOA)</li> <li>Agrobank has remained the main source of funding (88%) for individual farmers diversifying into farm and nonfarm activities, including for food related activities</li> </ul>
Digital Inclusion and Internet Penetration	<ul style="list-style-type: none"> <li>Internet penetration: 84.2%</li> </ul>
Mobile networks	<ul style="list-style-type: none"> <li>In terms of subscriptions market share, Digi has the highest share of 27%, followed by Maxis (25%) and Celcom (20%). The remainder is from U Mobile and MVNOs, with 16% and 12% share respectively.</li> </ul>
Additional Reference Links	<p><a href="#">Country Economic Overview</a></p> <p><a href="#">Agriculture Sector Overview</a></p>
Landscape: Challenge Areas	
<p>Challenge 1: Low Productivity</p> <p>Challenge 2: Climate Risk</p> <p>Challenge 3: Inefficient Supply Chain</p>	<ul style="list-style-type: none"> <li>Smallholder farmers need financial and non-financial support to maximize the use of their land, diversify their crops and business to meet changing market demand, and hedge risks against economic and environmental risks such as climate change and pandemics.</li> <li>There are still many smallholder farmers and SMEs who are poor and do not have the collateral to be of interest to commercial banks, and too rich to qualify for government loans to new companies on generous terms.</li> <li>There is scope to engage with cooperatives, who act as conduits for smallholders' land ownership, diversification of crops and value addition, professional support, government assistance and so on.</li> </ul>