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Building a Resilient Economy in East Kalimantan: Capturing SME Investment Opportunities in Energy Transition

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on behalf of Clean, Affordable and Secure Energy (CASE) for Southeast Asia

Koalisi Ekonomi Membumi

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34 INSTITUTIONAL ORGANIZATION MEMBERS

316 YEARS OF COMBINED INSTITUTIONAL EXPERIENCE

17 SDG'S COVER AS MEMBERS SECTOR FOCUS

2000+ ENTREPRENEUR DATABASE COLLECTED

150K+ ENTREPRENEURS SUPPORTED BY KEM MEMBERS

123 FINANCIAL CAPITAL PROVIDERS REACHED THROUGH EVENTS & NETWORKING

23 SUSTAINABLE & NATURE BASED ENTERPRISES IDENTIFIED

818 TOTAL INDIVIDUAL MEMBERS

3.3X MULTIPLIERS ON DONOR MONEY SPENT TO FINANCIAL UNLOCKED VALUE[1]

US $35.5 MIO CAPITAL UNLOCKED

7 NATURE-BASED ENTERPRISES CONNECTED TO KEM COMPANIES NETWORK

71 SUSTAINABLE DISTRICT JURIDICTION COLLABORATED

85% MEMBERS IMPACT ARE MONITORED AND REPORTED

Kaltim's data points from 689 SME survey in KalTim & SumSel

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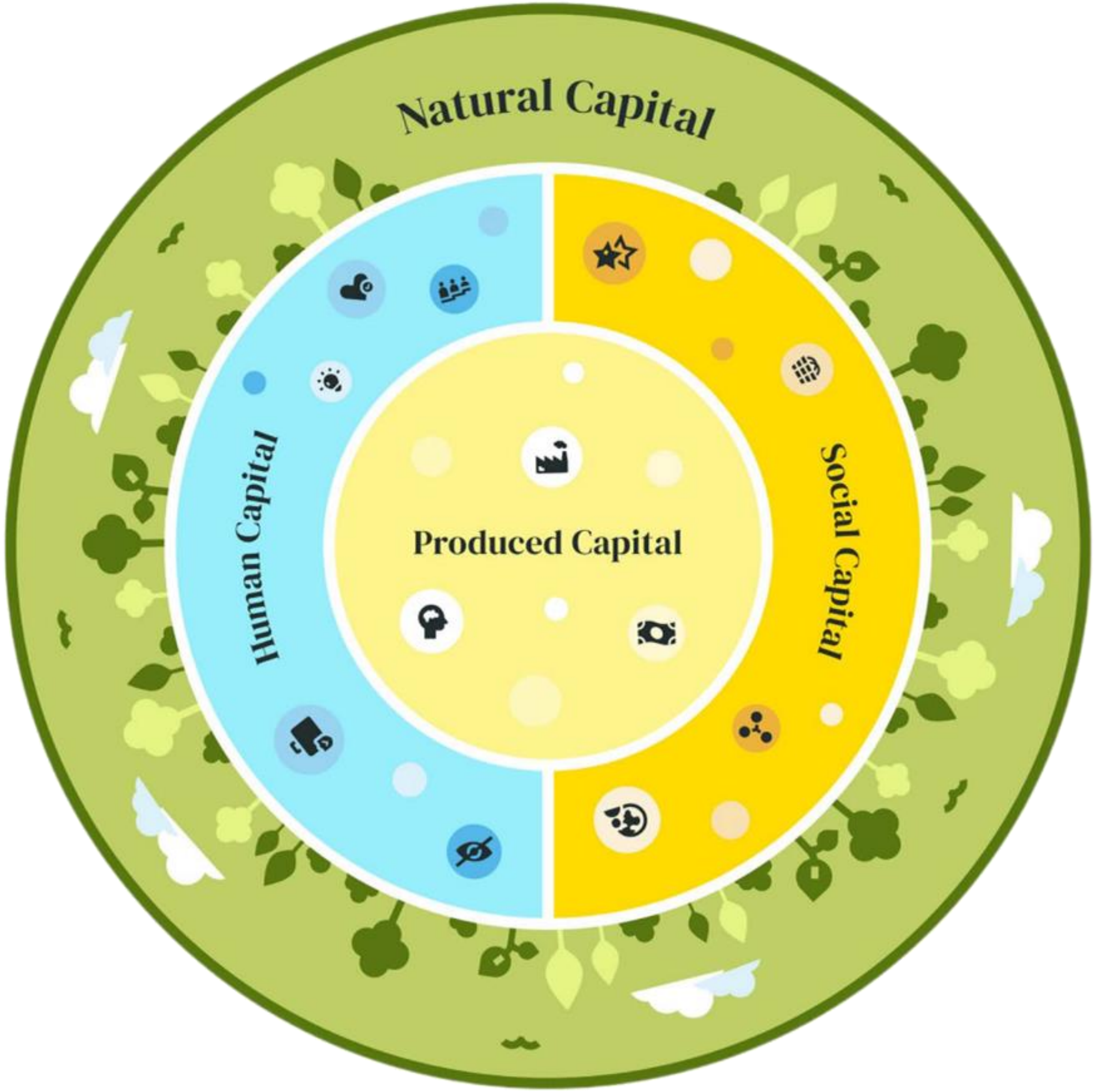
In Kalimantan Timur, 45% of SMEs report no financing access issues, but the other 55% face barriers: lack of information, complex requirements, and no collateral.

What this tell us:

The financing gap isn't universal - nearly half of SMEs have found ways to access capital

But the barriers are systematic for the other half:

- Lack of information (**asymmetric information problem**)
- Don't understand funding processes (**capability gap**)
- Administrative/collateral requirements (**structural barriers**)



CAPITAL.

Any resource or asset that stores or provides **value** to people.

Produced capital is constrained by the society it sits within, in turn this is limited by physical planetary boundaries and natural capital.

SME Actors vs Entrepreneurs

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UMKM Actor (Pelaku UMKM) = Anyone running a small/medium business

- May operate informally
- Often subsistence-level businesses
- Limited growth orientation
- Traditional business models

Entrepreneur (Wirausaha) = Business owner with specific characteristics:

1. Innovation-driven
2. Calculated Risk-taking
3. Growth Oriented
4. Job Creator
5. Formal Business Structure
6. Technology Adoption

64 million SME Actors, only 3,47% entrepreneurs (2021, KUKM),
Average advanced economies: 10-12%.
Singapore: 8.76%, Malaysia: 4.74%, Thailand: 4.26%

KALTIM?

Key SME Opportunities in Energy Transition Value Chain: Actors or Entrepreneurs?

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Manufacturing & Production:

- Solar component assembly
- Battery component production
- EV parts manufacturing
- Clean-tech equipment distribution

Supply Chain & Logistics:

- Clean-tech equipment distribution
- Transportation services for renewable energy projects
- Warehousing and inventory management

Agriculture:

- **Solar-powered agriculture**
- **Biogas from agricultural waste**
- Organic farming with renewable energy
- **Agrivoltaics** (combining solar panels with farming)

Installation & Services:

- Renewable energy installation (solar, wind, biogas)
- Maintenance and operations
- Energy efficiency consulting
- Green building services

Food & Hospitality:

- **Catering for renewable energy workers** on project sites
- **Accommodation for project teams** during construction
- Sustainable tourism linked to renewable energy sites

Training & Education:

- **Skills development centers**
- **Vocational training** in renewable energy technologies
- **Green business consulting**

Financing SMEs: Current landscape

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Current State of SME Investments

- **The "missing middle"** - too large for microfinance, too small for traditional investment
- **Perception vs. reality** of SME **<u>risk profiles</u>**
- Gender dimensions (women-led SMEs face additional barriers)

Why *Traditional Finance* Falls Short

- **Information asymmetry** between lenders and SME borrowers
- Lack of collateral and formal financial records
- High transaction costs relative to loan sizes

How *innovative* is Innovative Finance for SMEs?

Derisking & Investment Readiness:
It takes two to tango.

Building Bankable Business Models

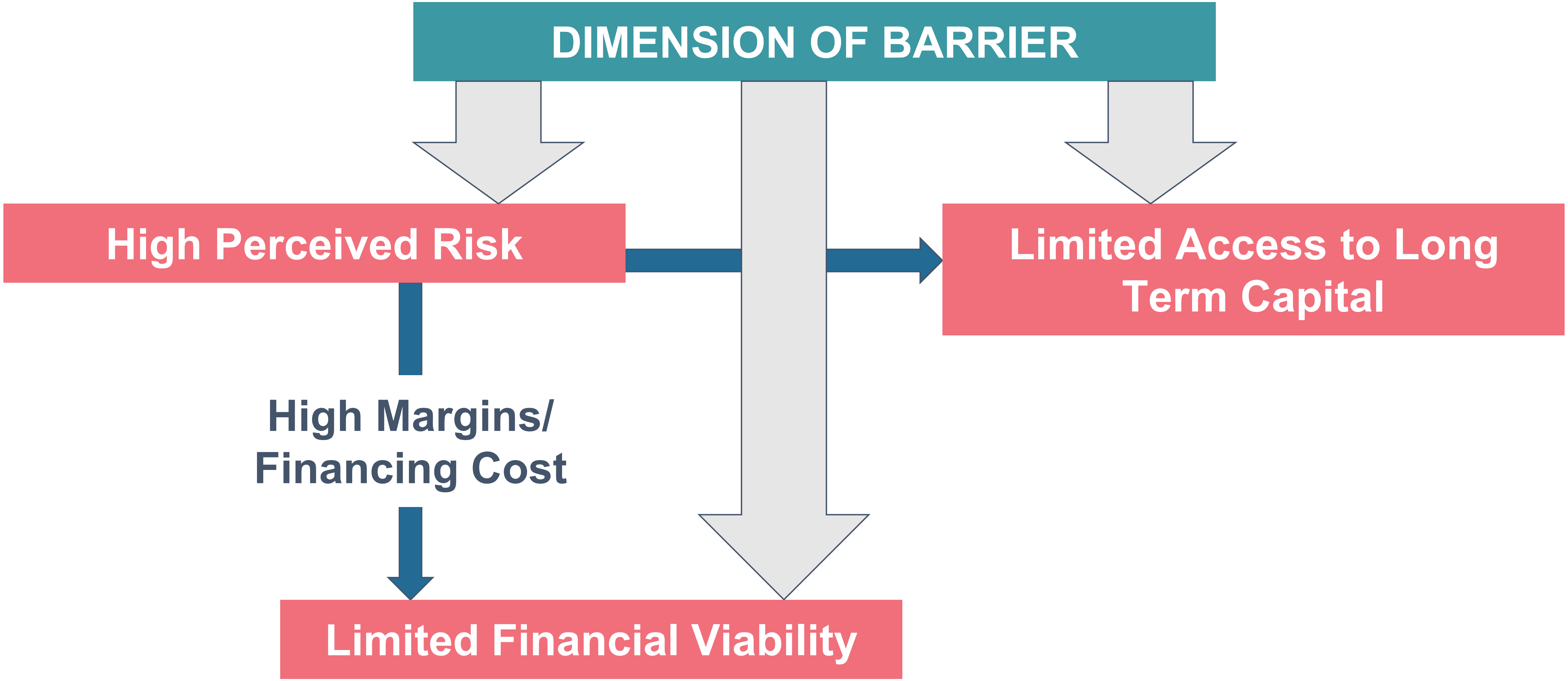
- Financial **transparency** and record-keeping **systems**
- **Formalization** (legal structure, licensing, permits)
- **Business model innovation for sustainability**
- **Digital** transformation **as a derisking tool**

External Derisking Mechanisms

- Credit guarantee schemes Blended finance structures
- Technical assistance and capacity building
- Standardized due diligence frameworks

… but we're currently dancing with two left feet… in separate rooms.

Dimension of Financial Barriers to Investments



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Strategic Risks

- Shareholder Risk
- Partner Risk
- Reputation Risk
- Management Risk
- Key Person Risk
- Business Model Risk
- New Markets Risk
- Mergers & Acquisition Risk
- Product Development Risk
- Product Obsolescence Risk
- Patent / License Risk
- Major Project Risk
- Key Contracts Risk
- Reserves Risk
- Government & Regulatory Risk
- Country Risk
- Climate Change Risk

Financial Risks

- Revenue Risk
- Expense Risk
- Cash Flow Risk
- Liquidity Risk
- Financial Leverage Risk
- Refinance Risk
- Loan Agreement Default Risk
- Interest Rate Risk
- Currency Risk
- Commodity / Input Price Risk
- Debtor Default Risk
- Asset Valuation Risk
- Capital Expenditure Risk
- Tax Liability Risk
- Hidden Liability Risk
- Financial Model Risk

Operational Risks

- Physical Event Risk
- Operations & Process Risk
- Supply Chain Risk
- Outsource Risk
- Occupational Health & Safety (OH&S) Risk
- Labor Supply Risk
- Industrial Relations Risk
- Cyber Security Risk
- IT Risk
- Fraud Risk
- Employee Misconduct Risk
- Product Liability Risk
- Loss of IP Risk
- Litigation Risk
- Regulatory & Compliance Risk
- Environmental Risk
- Weather Risk
- Project Risk
- Documentation Risk

52 Risks!

Derisking isn't about eliminating risk - it's about making risk assessable, manageable, and appropriately priced.

This unlocks billions in dormant capital for KalTim's economic transformation.

De-Risking Financial Instruments Have Developed Various Forms

Guarantee Provision	Performance-based Lending	Asset Securitization
Green Bonds	Seed Capital	Convertible Grants
Asset Aggregation	Mezzanine Financing	Concessional Debt

KUR IS NOT ENOUGH. TIME FOR CHANGE.

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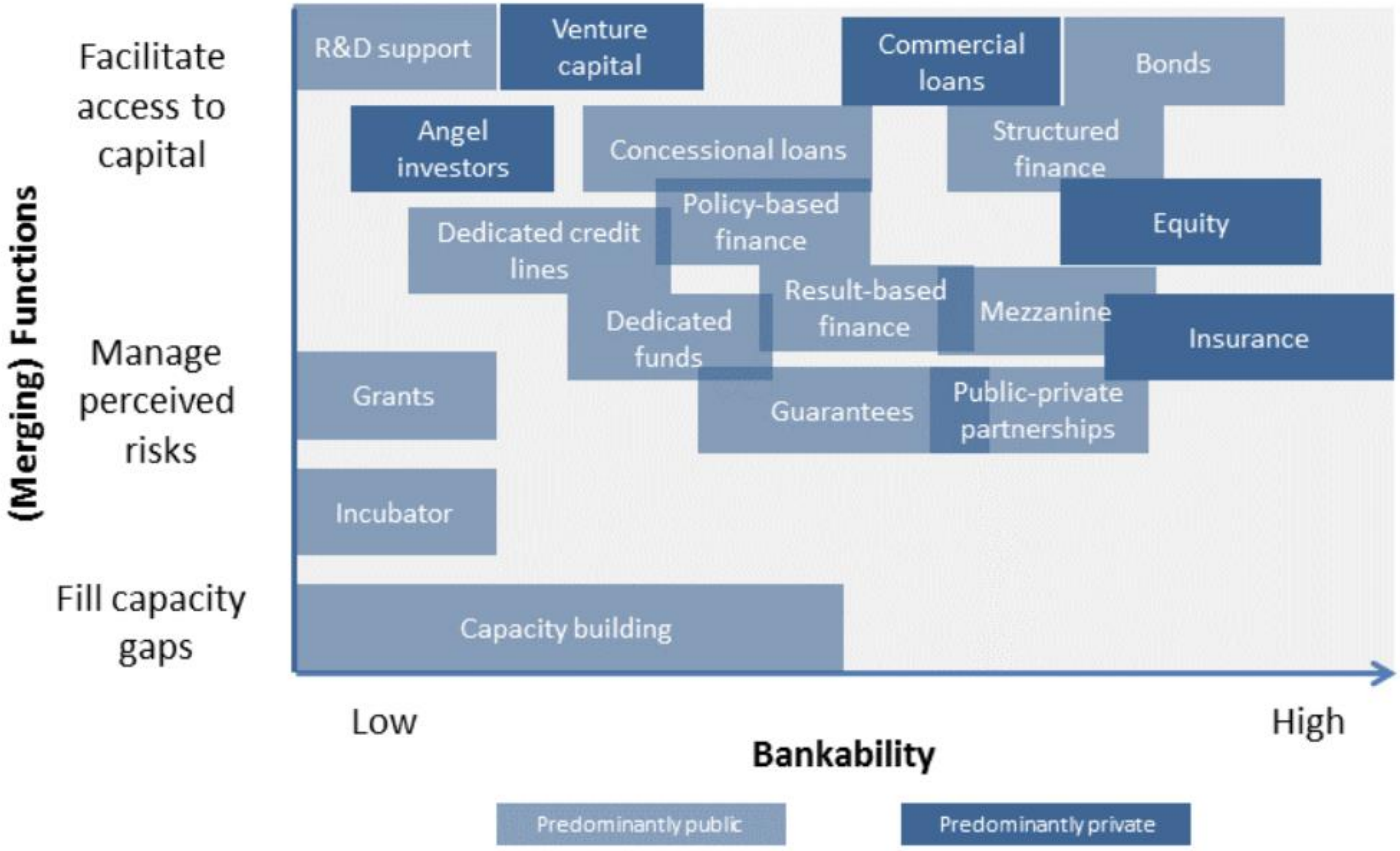


Investment follows bankability.

Bankability follows systematic ecosystem support.

Together we go far.

Interlocked Ecosystems Help Unlock Capital

GOVERNMENT

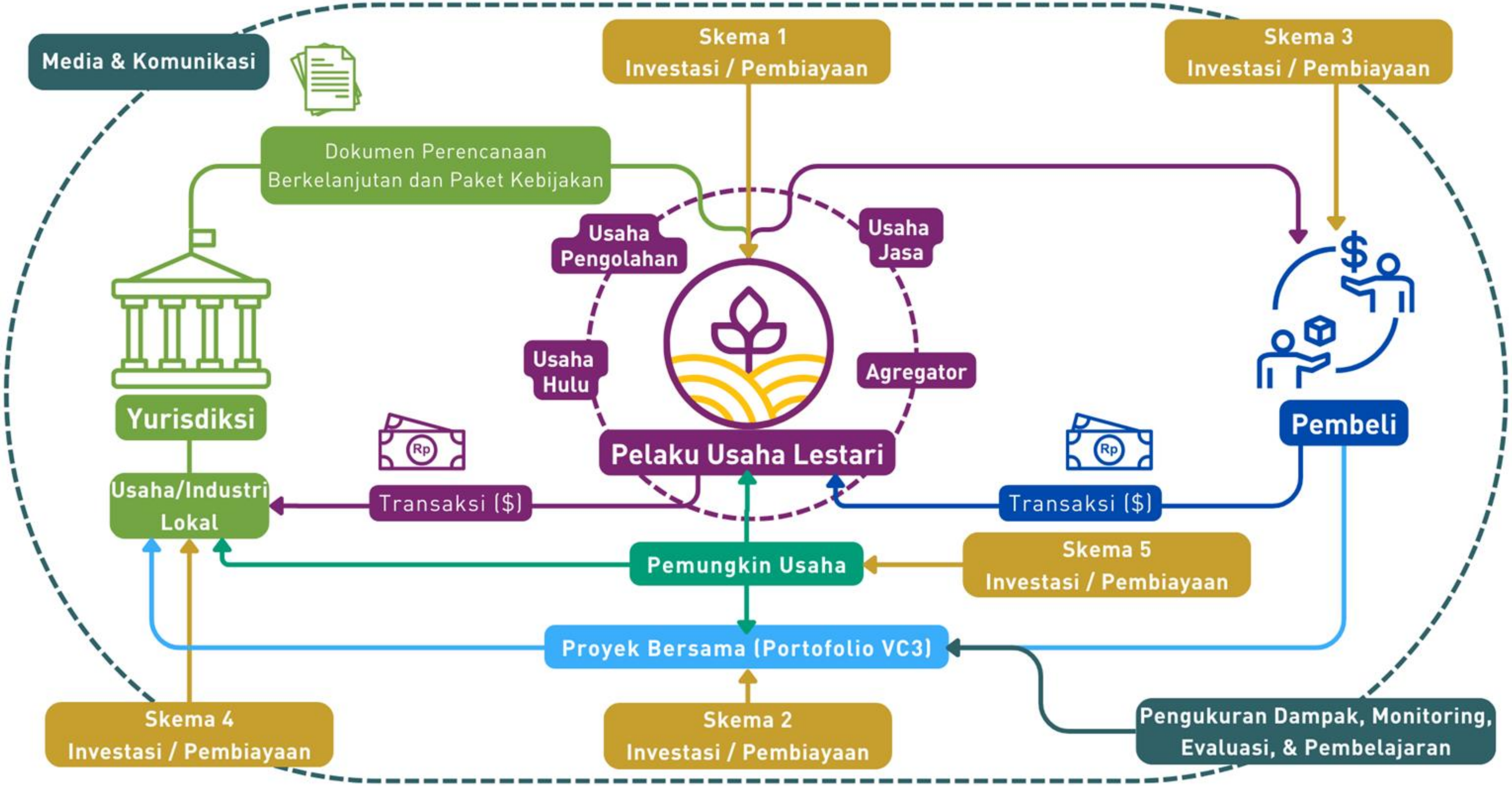
FINANCIAL INSTITUTIONS NOT JUST STATE OWNED BANKS!

+

ENABLERS

CORPORATES

KEM VALUE CHAIN COLLABORATION



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Koalisi Ekonomi Membumi | Knowledge Hub

NAME OF DISTRICTS:

1. Aceh Tamiang
2. Bandung
3. Banggai
4. Banggai Kepulauan
5. Bangka Tengah
6. Banjarnegara
7. Banyuasin
8. Belitung
9. Bengkalis
10. Bogor
11. Bone Bolango
12. Cilacap
13. Dharmasraya
14. Donggala
15. Garut
16. Gayo Luwes
17. Gianyar
18. Gorontalo
19. Gowa
20. Gunung Kidul
21. Hulu Sungai Selatan
22. Hulu Sungai Tengah
23. Humbang Hasundutan
24. Indramayu
25. Jember
26. Kapuas Hulu
27. Kayong Utara
28. Kebumen
29. Kendal
30. Kepahiang
31. Kepulauan Meranti
32. Kepulauan Seribu
33. Kerinci
34. Klungkung
35. Kotawaringin Timur
36. Kutai Timur
37. Lampung Tengah
38. Lampung Timur
39. Magelang
40. Majalengka
41. Maluku Tengah
42. Mempawah
43. Morowali
44. Morowali Utara
45. Musi Banyuasin
46. Natuna
47. Ogan Kemering Ilir (OKI)
48. Pandeglang
49. Pekalongan
50. Pesisir Selatan
51. Poso
52. Pringsewu
53. Sanggau
54. Seram Barat
55. Siak
56. Sigi
57. Sintang
58. Sukabumi
59. Tabalong
60. Tanah Laut
61. Tanggamus
62. Trenggalek
63. Wonosobo
64. Banyuwangi
65. Indragiri Hulu
66. Jembrana
67. Karangasem
68. Kutai Kartanegara
69. Ngawi
70. Sorong
71. Sorong Selatan

Information:

- Districts pledged to sustainable development
- Districts participates in technical assistance on regional planning
- Districts pledged to sustainable development

  Districts participates in technical assistance on regional planning

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Think about the biggest barrier preventing SME investment in your sphere of influence.

Maybe it's a policy gap. Maybe it's risk perception. Maybe it's information asymmetry. Maybe it's coordination.

We've spent today talking about what's possible. But possibility becomes reality only through committed action.

Kalimantan Timur's transformation from 40% coal dependence to a diversified, resilient economy won't happen in a conference room. It happens in the decisions we make back at the office.

What will be YOUR contribution?

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