

# Indonesia

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## // Overview

Indonesia is a Southeast Asian island nation located between the Indian Ocean and Pacific Ocean. Comprised of over 13,000 islands, Indonesia is the world's largest archipelago and home to 250 million people. The country boasts an impressive 5% GDP growth rate and is the 10th largest economy in the world in terms of purchasing power parity.<sup>1</sup>

While recent urbanization and industrialization has spurred economic growth and the rise of a middle income class, economic inequality and regional disparities remain.<sup>2</sup> Almost half the population (46% in 2010) survive on less than \$3.1 per day.<sup>3</sup> Over 100 million people in Indonesia lack access to safe water, and approximately 50 million people do not have access to electricity.<sup>7</sup> The industrial sector accounts for almost half of the total GDP, followed by services (40%). Although the agricultural sector only contributes 15% to Indonesia's GDP, the sector remains a significant employer (39% of the labor force).<sup>5</sup>

The government has committed to increasing Indonesians' living standards and catalyzing further economic growth through the Master Plan for Acceleration and Expansion on Indonesia's Economic Development (MP3EI). Launched in 2011, the MP3EI targets economic growth in the eight core sectors of agriculture, mining, energy, industry, marine, tourism, telecommunication and the development of strategic areas. The central government implements the MP3EI in collaboration with local government, state-owned enterprises and the private sector.<sup>6</sup>

Inclusive businesses can benefit from Indonesia's vibrant corporate social responsibility culture, a growing middle-class market segment, the abundance of natural resources, strong economic growth and investment, relative political stability and the governments ambition for a more inclusive development of the economy.

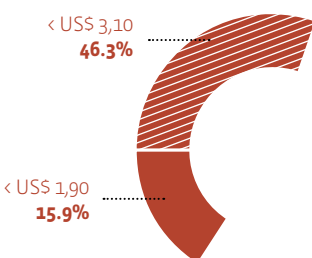
## Market Data //

- Population **254.5 million** <sup>7</sup>
- Population living on less than \$1.90/day **15.9% (2010)** <sup>8</sup>
- Population living on less than \$3.10/day **46.3% (2010)** <sup>9</sup>
- GDP (nominal) **\$888.5 billion** <sup>7</sup>
- Average GDP growth per year, 2000-2014 **5.0%** <sup>7</sup>
- GDP / per capita (PPP) **\$3,492** <sup>9</sup>
- Unemployment rate (of total labor force) **6.2** <sup>10</sup>
- Gini ranking **80 / 141 (2009)** <sup>11</sup>
- HDI ranking **110 / 188** <sup>12</sup>
- CPI ranking **107 / 174** <sup>13</sup>

(All data for 2014 unless otherwise noted / all \$ in purchasing power parity)

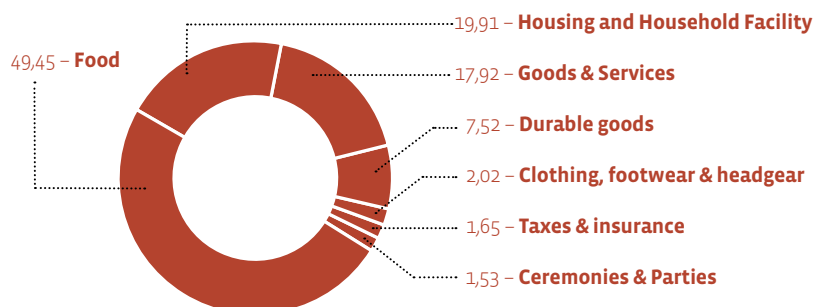
<sup>1</sup> www.worldbank.org/en/country/indonesia/overview  
<sup>2</sup> www.data.worldbank.org/country/indonesia  
<sup>3</sup> www.adb.org/sites/default/files/related/32751/INO%20-%20IB.pdf  
<sup>4</sup> www.energypedia.info/wiki/Indonesia\_Energy\_Situation#Energy\_Situation  
<sup>5</sup> www.cia.gov/library/publications/the-world-factbook/geos/id.html  
<sup>6</sup> www.indonesia-investments.com/projects/government-development-plans/masterplan-for-acceleration-and-expansion-of-indonesias-economic-development-mp3ei/item306  
<sup>7</sup> http://data.worldbank.org/country/indonesia (accessed: 29.01.2016)  
<sup>8</sup> http://wdi.worldbank.org/table/2.8 (accessed: 01.02.2016)  
<sup>9</sup> http://data.worldbank.org/indicator/NY.GDP.PCAP.CD/countries?display=default (accessed: 29.01.2016)  
<sup>10</sup> http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS (accessed: 29.01.2016)  
<sup>11</sup> https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html (accessed: 29.01.2016)  
<sup>12</sup> http://hdr.undp.org/en/composite/HDI (accessed: 29.01.2016)  
<sup>13</sup> https://www.transparency.org/cpi2014/results (accessed: 29.01.2016)

### Percentage of people living at less than USD 1,90 and USD 3,10 (PPP)



Data source: World Bank 2010 (http://wdi.worldbank.org/table/2.8)

### Household expenditures per month in %



Data source: BPS / Indonesian Central Agency on Statistics 2011 (http://www.bps.go.id/linkTabelStatis/view/id/937)

## // Examples

**IBEKA** is a social enterprise constructing community energy projects throughout Indonesia. IBEKA develops off-grid electrical schemes in remote areas and installs income-generating hydro schemes for on-grid communities. The finished infrastructure is owned and managed by the local communities. To date, IBEKA has installed 61 hydro schemes, reaching 54,000 beneficiaries and saving 7,400 tons of CO<sub>2</sub> per year.

**Bina Swadaya** is a community development agency that empowers the rural poor through microfinancing, agribusiness, communication, alternative tourism, printing services and self-reliance training centers. Bina Swadaya reinvests 25% of its profits in civil society empowerment programs.

**Kopernik** is a non-profit organization that sells basic technology items. Kopernik combines business and philanthropy into an innovative model: the NGO utilizes donations to pay upfront costs of purchasing and shipping items, then creates microbusiness opportunities in remote communities through local partners. To date, the organization has served about 300,000 people in 24 countries.

**RUMA** is a technology-based social enterprise, focused on improving the quality of life of Indonesia's poor through ICT kiosk business models. Established in 2009, the enterprise empowers micro-entrepreneurs to start their own kiosks by providing training, mentoring and pre-packed kits with mobile technology and marketing materials. Of RUMA's current micro-entrepreneurs, over 85% are women living below the poverty line.

## // Trends

### How is society going to develop?

With the country's burgeoning population, extensive natural resources and greater democratization, Indonesia is well positioned for sustained growth. However, development strategies of the past widened economic inequality and regional disparity in the country. Inclusive development is essential to address the widespread social exclusion and poverty.

### Which sectors currently offer the greatest opportunities?

The Asian Development Bank identified nine priority sectors for inclusive business development in Indonesia. Fast growing sectors include: agriculture, manufacturing, retail and consumer goods, housing materials, renewable energy, pharmaceuticals, tourism, education and trainings and financial services.

### Is support from the government likely to change?

Elected in 2014, President Joko Widodo is a champion of the idea that development starts from villages and the peripheries. He removed fuel subsidies and channeled the additional earnings into social protection, health insurance, education subsidies and rural development—providing necessary benefits to marginalized groups in Indonesian society. Increasing support for inclusive and green economic growth seems likely.

### What are future risks?

Corruption, lack of quality infrastructure, natural disasters, ethnic tensions, religious violence and cases of inefficient governance are key investment challenges for Indonesia. The Asian Development Bank considers that access to capital, high input costs and a poor business climate and regulatory environment are the biggest barriers to growth for inclusive business models.

## // Directory

### Literature & web sites

- Country profile: <http://www.worldbank.org/en/country/indonesia/overview>
- Economic Trading: <http://www.tradingeconomics.com/indonesia/gdp-growth-annual>
- Master Plan Economic Development Indonesia 2011–2025: <http://www.indonesia-investments.com/projects/government-development-plans/masterplan-for-acceleration-and-expansion-of-indonesias-economic-development-mp3ei/item306>
- Poverty in Indonesia: <http://www.indonesia-investments.com/finance/macroeconomic-indicators/poverty/item301>
- Energy situation: [https://energypedia.info/wiki/Indonesia\\_Energy\\_Situation#Energy\\_Situation](https://energypedia.info/wiki/Indonesia_Energy_Situation#Energy_Situation)
- Water & sanitation: [www.unicef.org/indonesia/A8\\_E\\_Issue\\_Brief\\_Water\\_Sanitation\\_REV.pdf](http://www.unicef.org/indonesia/A8_E_Issue_Brief_Water_Sanitation_REV.pdf)
- Inclusive Business Indonesia: [www.adb.org/sites/default/files/related/32751/INO%20-%20IB.pdf](http://www.adb.org/sites/default/files/related/32751/INO%20-%20IB.pdf)

### Contacts & support

- Indonesian Chamber of Commerce & Industry: <http://www.bsd-kadin.org/>
- The Indonesian Entrepreneur Association: <http://www.apindo.or.id/en>
- GIZ's Responsible Inclusive Business Hub Jakarta: <https://www.giz.de/en/worldwide/24721.html>
- Global Entrepreneurship Program Indonesia: <http://www.gepi.co/about>
- Endeavour Indonesia - Supporting Indonesia's high-impact entrepreneurs: <http://endeavorindonesia.org>

### Fact sheet author



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