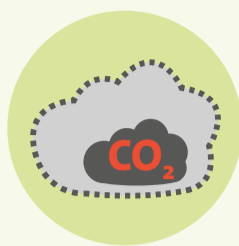




GREEN FINANCE for SMEs in MALAYSIA



Why GREEN FINANCE?



Providing financing for countries (Malaysia) to make investments to meet their **► Intended Nationally Determined Contribution (INDC)** to reduce greenhouse gas (GHG) emissions, following the Paris Agreement on climate change in 2015



Providing means for Malaysia to finance programmes to meet their **► 2030 Agenda for Sustainable Development Goals (SDGs)**

COUNTRY BACKGROUND

GDP 2016:
EUR 272.95 billion

8.2% agriculture

54% services

37.8% industry

Small and medium enterprises (SMEs) are a vital part of Malaysia's economy: they **contribute 36% of the GDP**

SMEs

More than **600,000** registered SMEs, responsible for nearly **36%** of GDP

90% of SMEs are in the **services sector**, 6% in **manufacturing**, and 3% in **construction**, with the remaining in **agriculture, mining, and quarrying**

52% of SMEs are funded by bank loans, **48%** are self-funded

38% of Malaysian SMEs are **underserved** by banks and financial institutions

The Malaysian government has allocated more than **RM 1.3 billion** (approx. EUR 276 million) to SMEs in 2016.

Eleventh Malaysia Plan's goals for 2020:
9.3% SME growth per annum
9.5 million jobs across all sectors
a contribution of approximately EUR 485 billion to **GDP (38.4%)**

SME POLICY AND RESPONSIBLE DEPARTMENTS

- **National SME Development Council**
- **Malaysian Industrial Development Finance Berhad (MIDF)**
- **Third Industrial Master Plan (2006-2015)**
- **The Economic Transformation Programme (2011-2020)**
- **The SME Master plan (2012-2020)**

CHALLENGES SMES FACE in accessing green finance

- Lack of solid financial records and collateral for applying loans to banks
- Lack of capacity in business planning
- Lack of capacity in marketing
- Limited product diversity
- Limited access to markets
- Limited economies of scale
- Lack of skilled workers

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Deficiencies in overall financial infrastructure
- Weak legal and regulatory framework
- Perception of high risk
- Lack of in-country examples
- Lack of technical and policy analytical evaluation
- Higher transaction costs due to additional (environmental) assessments
- Long turnaround time due to additional (environmental) assessments

Green finance SOURCES

- Commercial banks
- **SME corporation Malaysia**

In 2017, SME Corporation Malaysia has allocated a total of **RM 6.7 billion** (approx. EUR 1.4 billion) for SME development, channeled to SMEs through agencies such as Malaysia Dept Ventures (MDV). MDV has established the Green Technology Financing Scheme, supporting the development of green technology.

THE WAY FORWARD

Raise SMEs' awareness on the benefits of SCP

Build SMEs' capacity in business skills and project readiness

Offer lending that is more tailored to SMEs' lifecycle needs

Offer differentiated green finance products

Increase SME lending portfolio of banks

Provide varied non-financial SCP needs of SMEs so SMEs can satisfy other business requirements