



**KEYNOTE ADDRESS**

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PREMIER OF SARAWAK**

**FOR**

**2023 MALAYSIAN BANKING AND FINANCE SUMMIT**

***"SARAWAK'S POST PANDEMIC ECONOMIC RECOVERY -  
GROWING OPPORTUNITIES FOR BANKS AND  
FINANCIAL INSTITUTIONS TO DRIVE SARAWAK'S  
FUTURE GROWTH "***

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## **KEYNOTE ADDRESS by:**

**YAB DATUK PATINGGI TAN SRI ABANG ABDUL RAHMAN**

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**PREMIER OF SARAWAK**

## **SALUTATION**

- YBhg. Datuk Seri Mohamed Iqbal Rawther, Chairman Economic Club of Kuala Lumpur and Deputy Chairman, KSI Strategic Institute for Asia Pacific
- YBhg. Datuk Shaik Abdul Rasheed bin Abdul Ghaffour, Deputy Governor, Bank Negara Malaysia
- Members of the Media;
- Ladies and Gentlemen

Assalamualaikum and a very good morning to all.

1. It is a great pleasure to be here this morning. Many thanks to KSI for inviting me to deliver the keynote address at the 2023 Malaysian Banking and Finance Summit and to speak on **Sarawak's Post Pandemic Economic Recovery – Growing Opportunities for**

## **Banks and Financial Institutions to Drive Sarawak's Future Growth.**

2. I applaud KSI for choosing this topic of economic recovery which is dear to me and my government. The focus on sustainable economic recovery is timely as we navigate an unprecedented landscape of economic devastation exacerbated by COVID-19, which in the last 3 years have set back many developing countries' progress by at least a decade.
3. **And what about Sarawak?** Sarawak is NO exception, in the last three years, my administration has been RESPONSIVE to the State's pressing needs, particularly through the nine special Sarawak social aid packages, **Bantuan Khas Sarawakku Sayang (BKSS)** valued at **RM6.7 billion in 2020 to 2022** and the introduction of the 10-year economic recovery masterplan, that is, the Post Covid Development Strategy 2030 (PCDS 2030).
4. I am also pleased to share through this podium that, PCDS 2030 has outlined key priorities, including Sarawak's strategic transition from the current recovery phase towards longer-term economic reforms. These involve facilitating better income opportunities and enhancing holistic wellbeing of the rakyat to achieve the

vision of a more inclusive and sustainable socio-economic development for Sarawakians. We can only achieve lasting, sustainable reforms by having everyone to move together towards that common aspiration.

5. Today, Sarawak is implementing the first phase of PCDS 2030 under the 12<sup>th</sup> Malaysia Plan (2021-2025). Under this Plan, we are working diligently to reform our economy, leverage on the assets, diversify from heavy resource-based economy into higher value-added activities to reduce the over-concentration in upstream commodities, and intensify digitalisation.
6. I am committed to shaping a sustainable future for Sarawak which builds upon three pillars, namely economic prosperity, social inclusivity and environmental sustainability. Our development capitalises on data and innovation to drive the future of Sarawak.
7. I am also confident Sarawak is on the right track to becoming a stronger region, sustainably especially with our development aligning to Environment, Social and Governance (ESG) principle.
8. I would like to personally encourage Malaysian banking industry to readily commit and embrace sustainability

financing, which complements the UN Sustainable Development Goals (SDGs) by coordinating financing, inculcating the elements of ESG.

9. On that note, I think, most importantly, both public and private sectors need to make the transition to ESG-focused operations quickly. A study by a global bank in 2021 revealed that by 2025, 70% of multinational corporations (MNCs) will remove suppliers that endanger their carbon transition plan. This is not limited to MNCs but I believe also applies to banks and other financial institutions throughout the globe.
10. And these MNCs and financial institutions alike, are expected to exclude 35% of their current suppliers as they transition away from carbon. In short, if we, meaning both the public and private sector, are part of the MNC and financial institutions ecosystem, we risk being excluded from future business opportunities and finances if we do not start to adapt their businesses to ESG practices.
11. I am happy to share here that, Sarawak government commitment for sustainable development has received attention from the world. The PCDS 2030 have fulfilled 11 out of the 17 Sustainable Development Goals (SDGs)

pillars. More importantly, our development exercise is rated annually by international rating agencies such as Standard and Poor and Moody's Investors Services.

12. Our good credit rating has enabled Sarawak to attract more quality investments, to develop Sarawak on a big scale. As such, there are ample opportunities across all sectors, both the supply and value chains beginning from the development of growth enablers to economic activities.
13. There are many other objectives in the PCDS 2030 that are equally worthy to mention, but my intention today at this summit, is to share PCDS 2030 blueprint for the banking and financing perspectives.
14. To future-proof Sarawak and her people, today, I would like to speak on SARAWAK's TRANSFORMATIONAL economic development plan post COVID-19 pandemic, and how the concept of NEW ECONOMY models support our Sarawak's aspiration to help us re-set our economy to be on the right (fiscal) track and to chart Sarawak's sustainability journey and build Sarawak resilience.

15. To achieve this, I emphasise that we must be more agile and competent, as well as embrace and incorporate productivity, efficiency and innovations into our policy formulation and government operations.
16. Let me now share with you our policies supporting our Sarawak dreams that my Government and I has put in place over the last 3 years, even while we were managing the pandemic.

### **DEVELOPMENT BANK OF SARAWAK (DBOS)**

17. I took office as Sarawak's head of Government in early 2017, sometime in April 2017. It was clear to me that we need a bolder financial model - a model that plays the role to fill major financing gaps for our economic transformation and expedite development.
18. I look at how banks create money, where one-ringgit increase in the monetary base causes the money supply to increase by more than one ringgit. I noticed that many countries in the world such as Japan, Singapore and Germany have set up their own development bank in the past for economic development. Similarly, in a regional context, the Asian Development Bank also carries the function as a development bank.



19. My government obtained consent from Bank Negara Malaysia (BNM) to establish the Development Bank of Sarawak (DBOS) under the Development Financial Institutions Act 2002 (DAFIA).
20. My idea behind DBOS was model on the Asian Development Bank (ADB), a development bank founded in 1966 in the Philippines and the Singapore's Development Bank of Singapore (DBS) which have successfully promoted social and economic development in underdeveloped and underserved economies, where getting financing right will be critical to meet their development goals.
21. DBOS was established with a paid-up capital of RM500 million Sarawak's reserve funds. DBOS business model promotes market-based solutions to address Sarawak development finance challenges. I trust this is the way for us to expand our fiscal flexibility for strategic infrastructure projects to keep the development momentum continuing without struggling to source funding from internally or from the federal government, nor be dependent on the public market.
22. The bank leverages on Sarawak's vast reserve mandated on Sarawak's government development projects only.

Therefore, the bank does not accept deposit from public like any other commercial banks, but only accept deposits from Sarawak Government's corporations and its reserves to provide alternative funding over and above that of the Malaysia 5-year Development Plan (RMK) allocations.

23. Allocating State's fund from one of state's panel bank to DBOS would not affect State's reserve balance outstanding, however it provides capital for DBOS to lend out to government projects at marginal rates.
24. Since the projects are government projects, therefore, the loan credit risks are well insulated and that the State Government will have access to an alternative source of funding at a more affordable rates amortised over a medium to long term.
25. Over the past five years, DBOS has fulfilled its mandate to fund strategic infrastructure projects. Among the key projects funded by DBOS are the Coastal Roads Network, Second Trunk Roads, Sarawak Water Supply Grid, Rural Electrification Scheme, and various infrastructure projects implemented under the Regional Development Agencies.
26. These projects have created substantial impact in terms of connectivity, linkages, and accessibility across the vast

region of Sarawak via roads and bridges, supplying clean, safe, and reliable water, electricity lighting up our rural communities and spurring inclusive and sustainable economic development throughout Sarawak.

27. As of October 2022, the bank's total assets have grown to RM9.47 billion, with retained earnings of about RM130.5mil.
28. Moving forward, DBOS will partner with other financial institutions on business opportunities, leverage on digitalisation applications to create a smart-banking system, operations and enhance service delivery. In line with the emphasis on environmental sustainability, the bank will also be looking for opportunities to provide green finance to ventures that embed environmental, social and governance (ESG) into their business practices.

Ladies and Gentlemen,

### **SARAWAKPAY E-WALLET**

29. Consumer spending is as important as public spending. Almost two-thirds of consumer spending is on services. The remaining one-third of consumer spending is

on consumption expenditure. To enhance efficiency and public service delivery, e-wallets have a role in meeting the call for financial inclusion, and servicing into underserved markets.

30. On that score, in November 2017, I launched SarawakPay e-wallet. S Pay Global as it is known now, is a Sarawak government Fintech Platform that provides technology and businesses tools for secure, fast and convenient use. The mobile application which I launched 6 years ago started from a humble beginning with e-wallet size of RM200, has now increased to RM6,000. S Pay users increased from 42,000 to more than 685,000. We have also made our presence globally through the collaboration with Union Pay International.
31. The idea of introducing S Pay e-wallet then, was part of my government efforts to enhance digital economy adaptation among Sarawakians, to allow cashless payment of bills at selected retailers in the state via a mobile app. Sarawak Pay, enables payment through electronic wallet (e-wallet), credit card or online banking, has paved the way for new ways of doing business transactions among Sarawakians especially during the unprecedented COVID-19 lockdown.

Distinguished Guests, Ladies and gentlemen,

## **SARAWAK SOVEREIGN WEALTH FUND**

32. This leads me to the savings and investment strategy involving the **establishment of the Sarawak Sovereign Wealth Fund by the Government of Sarawak**. Sarawak must grow and diversify our source of revenue to be economically and financially sustainable.
33. I learned that sovereign wealth fund is a strategy for many countries to invest excess capital into markets or other investments. Therefore, we must build up wealth for Sarawak when our oil and gas reserves run out in the future.
34. Sarawak is setting up a sovereign wealth fund with an initial amount of RM8 billion to strengthen the State's financial sustainability.
35. Sarawak Sovereign Wealth Future fund adopted a capital maximization model, where we benchmark against Norway's sovereign wealth fund known as Norway Government Pension Fund Global (with a fund size of USD1.25 trillion). The same model is also adopted by US Alaska Permanent Fund Corporation (with a fund size of

USD70.6 billion). Intriguingly, these countries' sources of revenue are also from oil and gas, similar to Sarawak.

36. Simply, the fund would enable Sarawak to convert non-renewable assets to financial assets, invest for the future through forced savings and secure the continued growth of financial reserves through diversified investments. Ultimately, this will create an endowment to generate sustainable sources of income for future generations.
37. This Fund is set up according to best international practices to ensure appropriate governance and an internationally accepted level of integrity and transparency when dealing with public funds. The sovereign wealth fund would be managed professionally and transparently by a board of guardians comprising finance and investment experts and professionals.

Ladies and gentleman,

## **SARAWAK SMES FINANCING CHALLENGES**

38. **I am committed to develop the funding capacity for our SMEs as one of the key building blocks to achieve Sarawak's 2030 aspirations. This is because our SME sector is a key contributor to Sarawak economy, and employs almost 50% of our workforce.**
39. As some of us here may still remember, Sarawak used to have five privately owned commercial bank until the late 90s. They are **Kwong Lee Bank, Bian Chiang Bank, Hock Hua Bank, Wah Tat Bank and Bank Utama.** However, all these legendary bank were consolidated as part of Malaysian banking industry rationalisation in the late 90s.
40. In the early 19th century, these family-owned commercial banks were behind the rapid growth of Sarawak economy back then. They played important role in facilitating trades and commerce with their simple processes and ease of doing business. Our SMEs flourished and expanded, contributing to Sarawak's GDP back then.

41. **Looking at these historical events, I am even more committed to develop the funding capacity for our SMEs as one of the key building blocks to achieve Sarawak's PCDS 2030 aspirations.**
42. I am pleased to share with the audience here this morning that, Sarawak is the only state in the country that extended interest subsidy for the three financing facilities under BNM to assist local SMEs during the COVID 19 pandemic economic meltdown.
43. The total budget for the interest subsidy for Special Relief Facility (SRF), Targeted Relief and Recovery Facility (TRRF), and Penjana Tourism Financing (PTF) is approximately, **RM80.7 million** and that the Sarawak Government is providing the interest subsidies for 3 1/2 years.
44. Under the interest subsidy scheme provided by the Sarawak Government, a total of 1,918 Sarawakian SMEs have benefited from the scheme with a total loan facility of RM560.67 million and an estimated interest subsidy of RM47 million.
45. I like to see Malaysian banks and financial institutions to be prepared to be more flexible with their project-finance



risk criteria so that more industry players especially the SMEs, can capitalise on the financial mechanism to support our economic growth and make Malaysia great again.

46. The changing economic landscape and the emerging industries will create rippling effect to the Micro, Small and Medium Enterprises (MSMEs) as well as mid-sized companies. These enterprises are the backbone of our economy as they are very much involved in the supply and value chains activities of the industries.

Distinguished Guests, Ladies and gentlemen,

### **MUTIARA MORTGAGE & CREDIT SDN BHD**

47. Thirty years ago, Sarawak is the first state in Malaysia to offer financial facility to those buying affordable houses built by the government. The Mutiara Mortgage & Credit Sdn. Bhd. (MUTIARA) was established 1993 to enable Sarawak Government provide housing loans to those low income group who want to buy affordable houses and who were unable to secure financial facility from banks.

48. In 2015, MUTIARA provides comprehensive Shariah compliance Islamic Home Financing Packages with profit rate as low as 1%. This strategy of providing affordability and financing ownership scheme have reduced social issues especially in urban areas and improves the living conditions of the venerable.
49. Last year, I introduced the Housing Deposit Assistance Scheme (HDAS), which offers a maximum RM10,000 deposit for low and middle-income households to own their first home. The scheme is managed by Mutiara. The State Government will provide 10 per cent (of the house value) or a maximum of RM10,000 for first-time homeowners under the B40 and M40 groups – for them to pay their deposits.
50. As such, we hope our people can own a house at a younger age and not have to pay as much in monthly instalments for their housing loans. Many youths are facing difficulties to buy a house as they did not have enough money to pay for the deposit.
51. My government understands and always strives to provide adequate, quality, comfortable and affordable housing facilities to meet the needs of all people in Sarawak and the government is committed to improve

the quality of life of the people and ensure no one is left behind from enjoying the rapid development in the state.

Distinguished Guests, Ladies and gentlemen,

### **Public Private Partnership**

52. To that end, **how can the Malaysian banking community play its role in galvanising Sarawak towards achieving its development vision?** From the Government's standpoint, financial institutions have a great role.
53. While the Government facilitate in funding basic infrastructure projects, a lot of the initiatives require private sectors' take up to boost and fast track the development growth.
54. I believe, there is no shortage of capital in our Malaysian economy. This is simply because, I think all our Malaysian banks are adequately capitalised. Based on recent records, last year, Malaysia's six GLICs – namely EPF, PNB, KWAP, Khazanah Nasional Berhad; Lembaga Tabung Haji dan Lembaga Tabung Angkatan Tentera – **collectively manage RM1.7 trillion of assets.**

55. Similarly, **the Global ESG assets are currently valued at USD35 trillion and will exceed USD53 trillion by 2025**, representing more than a third of the **USD140.5 trillion** in projected total assets under management globally.
56. I believe this is where financial institutions have a role to play. Aligning to ESG initiatives towards green and sustainable economy, Malaysian financial institutions, specifically, should focus on providing green financing to help businesses to become more sustainable. This will contribute to equalising the transition to a low-carbon society, resulting in more socially inclusive growth.
57. I am confident and with the support from the banks and financial institutions, these enterprises will be more agile and innovative to expand their businesses.
58. There are more than just financing requirements for businesses. In building the Sarawak economy and supporting growth of new economy, financing is equally important to develop our talent. Banks and financial institutions can work towards creating bursary for education and human capital development in Sarawak.

## **CONCLUSION**

Ladies and gentlemen,

59. Sarawak is a politically stable region, where our focus is to develop Sarawak. We are business friendly and is continuously improving the ease of doing business. We work towards putting in place the right policy and regulations and improve efficiency and enhance transparency through digitalisation.
60. We have lay out ample opportunities in PCDS 2030 where investors, bankers and financial institutions can participate together to grow Sarawak's economy. The massive development in Sarawak will require huge investment and financing.
61. Sarawak welcomes partnerships, investment and financing across the supply and value chains of all sectors of the economy. We assure you that we have put in place robust policies and procedures to ensure integrity, transparency and good governance that will certainly improve the ease of doing business in Sarawak that are aligned to ESG principles.

62. Before I conclude, I'd like to thank KSI once more for inviting me to give a keynote address at this event. I would like to personally encourage all delegates to embrace and support both the Malaysian and Sarawak government's economic transformative efforts.
63. On that note I wish you a productive summit. I also would like to see more initiatives such as this to propel Malaysia's journey forward and help chart the nation's sustainability journey, thank you.