

Zamani Abdul Ghani: Malaysia – seizing the opportunity to evolve

Opening remarks by Mr Zamani Abdul Ghani, Deputy Governor of the Central Bank of Malaysia, at the Seminar on Financing for Overseas Project, Kuala Lumpur, 14 January 2010.

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I am pleased to be invited today to officiate this Seminar on Financing for Overseas Project. On behalf of Bank Negara Malaysia, I wish to thank and congratulate the EXIM Bank, the ICD and the CIDB for their efforts in organizing this important and invaluable Seminar. The continuous collaboration among Malaysian private and public related organizations with the IDB and its related organizations demonstrate the solidarity of the Muslim Ummah and the community at large towards achieving a strong and sustainable economic development. This also reflects the growing importance of cross border trade and investment among the OIC member countries. We, at Bank Negara Malaysia, are pleased to note that over 200 participants from more than 100 companies in Malaysia are participating in this Seminar. Today's Seminar which brings together participants in the related industries, not only provide information on the business opportunities abroad, but also serves as an excellent platform to establish new networking links as well as sharing of innovative ideas and invaluable experiences.

Malaysia has always accorded and will continue to accord a high priority on enhancing collaboration with the OIC member countries towards fostering intra-OIC trade and investment. Realizing the large business opportunities in the OIC countries, Malaysia entered into an MoU with the IDB in 2004. This MoU sets a framework of cooperation among OIC member countries in key economic activities, with the objective of enhancing the opportunities for economic growth and development. Today's Seminar is indeed a testimony to the continued efforts by both the IDB and Malaysia in enhancing the cooperation and deepening of business relationship.

As all of us are aware, infrastructure development is a critical component to unlock potential economic activities, thus supporting sustainable economic growth of a nation. Malaysia has placed great emphasis on infrastructure development as part of its economic transformation, diversifying from agriculture to manufacturing and, in more recent years, in the services sector as well. Over the last ten years, the Government of Malaysia has allocated a total of nearly RM100 billion for infrastructure development mainly in transport, energy and public utilities. The Malaysian government has also encouraged the participation of the private sector in the development of infrastructure through privatization and the public-private partnership (PPP) policies.

On the global front, the estimated value of infrastructure development is estimated to be USD35 trillion over the next 20 years. For the Asian region alone, a study done by the Asian Development Bank (ADB) reveals that the region needs USD750 billion per year over the year 2010–2020 to meet the rising needs of infrastructure development. Out of this, the needs for the ASEAN region have been estimated to be over USD60 billion per year.

Considering the vast opportunities of infrastructure projects regionally and globally, Malaysian contractors should seize the opportunity for further expansion of their business. I am pleased to note that many Malaysian companies have already established their presence in the global construction industry with commendable achievements. The number of overseas projects awarded to Malaysian contractors has increased by 43% to 40 in 2008 valued at RM8.5 billion, from just 28 projects valued at RM2.9 billion in 2004. In 2008, the Middle East region being the major end-users of the projects undertaken by Malaysian contractors, accounted for nearly RM6 billion or 68% of the total value of the projects comprising various sectors including energy and transportation. Indeed, the achievement

signifies that our local contractors do have competitive advantage to reap the vast opportunities in the global market.

In complementing the efforts of local contractors to strengthen their international presence, relevant authorities and institutions should be continued to enhance and improve the enabling environment. In this regard, I am pleased to note that the CIDB has effectively played a key role in promoting the capabilities and strength of Malaysian contractors to the relevant parties in the global market.

Apart from having well established companies with excellent track record to undertake infrastructure projects, the other critical component in ensuring the success of infrastructure development is the availability and accessibility to financing. Bank Negara Malaysia has always accorded and will continue to accord high priority to ensure that financing continues to be available to support the needs of the economy. I am pleased to note the vital role played by the EXIM Bank in providing the financing facilities for the construction sector to undertake projects abroad. In today's Seminar, we have the opportunity to hear from the EXIM Bank on the various available financing facilities to contractors with overseas projects. Similarly, we will also be enlightened on the role of the ICD in promoting economic development among OIC member countries, particularly on private sector project, by providing financial as well as advisory services for a range of client requirements.

Malaysia's Islamic financial industry, as we are all aware, distinguishes itself a proven platform for conducting Islamic finance activities. The vibrancy and dynamism of Malaysia's Islamic financial system is reflected by its continuous product innovation, the diversity and strength of its domestic and international financial institutions, the wide range of available financial instruments, a comprehensive Islamic financial infrastructure and the adoption of global regulatory, legal and Shariah best practices. Leveraging on the strengths of the ever growing domestic Islamic financial sector, Malaysia has launched the Malaysia International Islamic Financial Centre (MIFC) initiative in August 2006 to offer its value proposition in Islamic finance to the world at large to leverage on its inherent strengths, advantages and experience to tap the trillion-dollar opportunity that awaits financial institution worldwide.

The Islamic financial system in Malaysia has evolved as a competitive component of the overall financial system, with both acting as drivers of economic growth and development. Bank Negara Malaysia has and will continue to play an active role in promoting the offering of Islamic financial products and services, including sukuks or Islamic bonds. For issuers that include government agencies, multinational corporations and development institutions, sukuks play a multi-faceted role in meeting different funding requirements ranging from large infrastructure and developmental projects to capital and business expansion. As part of Malaysia's goal in promoting the issuance of sukuks, various attractive initiatives are offered. These include tax exemption, facilitative approval processes and liberal foreign exchange rules.

In Malaysia, sukuks accounted for nearly 60% of outstanding corporate bonds in 2009. As at end of June 2009, Malaysia's outstanding sukuks, both private and public, accounted for about 62% of outstanding sukuks globally. Total global sukuk issued during the 12 months period until September 2009 is about USD41 billion, of which Malaysia's share accounted for almost USD30 billion or nearly 74%. We in Bank Negara Malaysia are confident that in 2010, sukuk financing will continue to play an increasingly important role in financing across the Malaysian economy including cross-border financing of overseas projects by Malaysian companies.

I am very confident that this Seminar and the opportunities for business networking will be a fruitful one. On this note, and with the lafaz Allahuakbar, it is my pleasure and honour to declare open the Seminar on Financing for Overseas Project.