



KEYNOTE ADDRESS

**YB SENATOR TENGKU DATUK SERI UTAMA ZAFRUL AZIZ
MINISTER OF FINANCE MALAYSIA**

**DEVELOPING & FINANCING GREEN HOUSING IN ASIA
CONFERENCE 2022**

**21 SEPTEMBER 2022 | 2.30 – 3.30AM | KHAZANAH
AUDITORIUM, ASIA SCHOOL OF BUSINESS, KUALA
LUMPUR**

SALUTATIONS

Bismillahirrahmannirrahim

Yang Berbahagia Dato' Seri Dr. Awang Adek Hussin

Executive Chairman, Securities Commission Malaysia

Yang Berbahagia Dato' Bakarudin Ishak

Chairman, Cagamas Berhad

Yang Berbahagia Datuk Chung Chee Leong

Chief Executive Officer, Cagamas Berhad

Mr. Alfredo Perdiguero,

Director of the Regional Cooperation and Operations

Coordination Division, Asian Development Bank

Ms. Christine Engstrom,

Director of Financial Institutions Group, Asian Development

Bank

Members of the media,

Distinguished guests,

Ladies and gentlemen

Assalamualaikum and a very good afternoon.

INTRODUCTION

1. First and foremost, I'd like to thank Cagamas for inviting me to this **Developing and Financing Green Housing Asia Conference**. It's a pleasure to see familiar faces here, as well as new ones from different countries and institutions.
2. I would also like to congratulate Cagamas on its 35th anniversary. Since its establishment as the National Mortgage Corporation in 1987, Cagamas has reached a number of significant milestones. Its various products and solutions, such as the Purchase with Recourse (PWR), Purchase without Recourse (PWOR), *Skim Rumah Pertamaku*, and more recently, *Skim Saraan Bercagar*, have supported broader access to homeownership and contributing to national development.
3. It is also worth noting that Cagamas has made significant contributions to the secondary mortgage market, Islamic Finance, and is now transitioning to green financing. With its successful business model, Cagamas has also become a source of

reference across many developing countries looking to develop their own housing market.

KEY TRENDS SHAPING GREEN HOUSING AND DEVELOPMENT

Ladies and gentlemen,

4. The world we know is changing rapidly, including Malaysia. Recently, we have seen frequent and extreme weather events happening all over the world, be it drought, heatwaves as well as floods. Homes were destroyed, crops ruined, shipping activities disrupted, and lives lost. Just like the pandemic, the most vulnerable groups are the least able to bear the consequences.

5. Closer to home, the December floods we experienced resulted in 50 deaths, 400,000 people being displaced from their homes, and losses estimated at 6 billion ringgit. This indicates despite our progress as a nation, we are still vulnerable to the effects of climate change.

6. Moreover, it has actually impeded Malaysia's post-pandemic recovery. As such, building and ensuring the resilience of our physical infrastructure has become both a moral

and economic imperative, and key to ensuring our people's resilience.

7. Statistics have shown that the transition to a sustainable and climate resilient economy is no longer a nice-to-have, but a must-do that makes for sound socio-economic policy. This is evident by:

- a. First, ESG assets are on track to exceed 53 trillion US dollars by the end of 2025, accounting for more than a third of the projected total assets;
- b. Second, the development upside to the ESG transition: According to the ILO, the fields of energy efficiency, renewable energy and green mobility could create up to 100 million new jobs by 2030;
- c. Third, transforming urban centres into green and connected cities presents a 185 billion dollar upside by 2030 in the Southeast Asia region (*according to a report by Bain & Company and Temasek*).

8. Therefore, we need to ramp-up our efforts and seize this opportunity to rebuild a more sustainable economy.

GOVERNMENT'S COMMITMENT TOWARDS ESG/CLIMATE ACTION

Ladies and gentlemen,

9. Malaysia has one of the fastest urbanisation rates in South-East Asia and has become one of the region's most urbanised countries. In 2020, 77% of the country's population have lived in urban areas or cities, up from 34.2% in 1980¹.

10. It is estimated that by 2040, approximately 85% of the total population² will live in urban areas, as migration from rural to urban centres continues to increase due to economic and employment opportunities. As a result, future developments must meet the demands of a rapidly growing urban population.

11. We must be mindful that a world in which only a few people can afford to live is unsustainable. Everyone deserves a safe place to live, and it can improve the lives of individuals and families. Today, however, most cities around the world face significant challenges in providing safe and adequate housing for their residents, particularly in rapidly growing cities with limited affordable housing options.

¹<https://www.thestar.com.my/news/focus/2021/09/19/malaysian-future-is-urban>

²Twelfth Plan Document

12. Even those with steady incomes are facing difficulties to purchase or rent affordable housing. Residential prices remain alarmingly high and out of proportion to income, forcing many people to spend more of their monthly income on housing. Our frontliners, like teachers, police officers, firefighters, and nurses, for example, cannot afford to live near the communities they serve.

13. Therefore, it is important for us to look into this, as it is in line with the eleventh (11th) UN SDG Goal, which focuses on making cities and human settlements inclusive, safe, resilient and sustainable.

14. In supporting such need, the good news is that the sustainability journey in Malaysia began more than a decade ago. We have put in our efforts that savings are mobilised towards ESG and also sustainability related activities, beginning with the launch of the Green Technology Funding Scheme (GTFS) in 2010.

15. Being a champion of sustainability, Malaysia has also adopted the **2030 Agenda for Sustainable Development**.

16. Among the key priorities outlined include reducing greenhouse gas emissions (GHG) to 45% of GDP by 2030 while

providing long-term guidance on advancing green growth to implement clean, green and resilient development agenda through the whole-of-nation approach.

17. Towards this, the Government has, amongst others:

- i. Established the National SDG Council to provide leadership for the country's programmes on SDGs, by empowering, intensifying and tracking SDG programmes nationwide.
- ii. In addition, the Environment and Water Ministry (KASA), in collaboration with the MOF and Bursa Malaysia, is in the midst of finalizing the carbon market framework by the end of this year.
- iii. We will also table the bill on climate change to Parliament next year.
- iv. Complementing all these, are our efforts to ensure national-level coordination among all economic ministries and state governments to align on policies and encourage green growth through the Malaysian Climate Action Council (MyCAC).

- v. Our YAB Prime Minister also launched the National Energy Policy 2022 to 2040 earlier this week, reaffirming Malaysia's commitment to a low-carbon energy transition through the promotion of green mobility, renewable energy, and hydrogen as our primary energy source.

18. Through our whole-of-nation approach on sustainability, the Government will continue efforts to ensure SDG elements are embedded in our annual budgets. We started this in Budget 2021 and I assure you that this will also be part of Budget 2023.

19. Measures taken by the Government to improve budget transparency and public involvement include the issuance of a Pre-Budget statement, as well as Public Consultation Papers based on the Government's priority areas for the year. To note, between the six (6) Public Consultation Papers issued for Budget 2023, three (3) of them were ESG related.

20. Our whole-of-nation approach towards a green transition and being carbon neutral by 2050 is guided by the MOF's 3R principles:

- i. First, it is about being Responsive to the impact climate change has on people's livelihood and welfare;

- ii. Second, we must also be Responsible in formulating policies that balances the needs of different stakeholders – particularly our people and small businesses – as we shift towards a greener economy; and
- iii. Third, we must also be Reformist in our policies that must address structural challenges, while also facilitating a just transition towards sustainable development.

21. Holistically, the transition and implementation of Green practices across all sectors of the economy will require the deployment of significant resources, both financial and non-financial.

22. While we have made significant inroads on our path to sustainability, **more can and must be done**. We urgently need to scale up support using innovative approaches, and this is where sustainable finance development in the financial sector will play a significant role.

THE ROLE OF THE FINANCIAL SECTOR TOWARDS FINANCING GREEN DEVELOPMENT

Ladies and gentlemen,

23. At MOF, we recognise that green finance can truly be a catalyst to advance green development. A case in point is the issuance of the world's first sovereign USD Sustainability Sukuk by the Government of Malaysia in April 2021 to the value of USD800 million which was oversubscribed by 6.4 times across the world. The proceeds from the issuance were used to finance sustainability related programmes and projects.

24. As announced in the 2022 Budget, the Government will issue up to 10 billion ringgit of Sustainability Sukuk denominated in Ringgit with proceeds similarly channelled to eligible social or environmentally friendly projects.

25. In terms of operationalising Malaysia's sustainability objectives, various efforts have begun through the MOF's ecosystem, including:

- a. First, the launch of the enhanced Sustainable and Responsible Investment-linked (SRI-linked) Sukuk Framework by Securities Commission

Malaysia on 30 June 2022 to facilitate companies' issuance of SRI-linked Sukuk for transition towards low-carbon activities³.

b. Second, the effort by the Joint Committee on Climate Change (JC3) co-chaired by Bank Negara Malaysia and Securities Commission Malaysia to accelerate the financial sector's response to climate risks.

c. Third, Bursa Malaysia has proposed changes to its Listing Requirements aimed at improving sustainability disclosures for listed companies across all sectors, following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) Application Guide for Malaysian Financial Institutions early this year.

d. Fourth, MOF has also instituted policies and measures to empower SMEs to embrace sustainable and low-carbon practices. This includes measures such as the 1 billion ringgit Low Carbon Transition Facility via Budget 2022. Expanding further, the GTFS

³ <https://www.bnm.gov.my/-/jc3-8th-meeting-en>

has also been allocated 2 billion ringgit for the issuance of SRI Sukuk and green bonds.

e. Our Government-Linked Investment Companies (GLICs), too, such as Khazanah, PNB, EPF, and KWAP have clearly begun their respective sustainability journeys, particularly in terms of allocating more funding into sustainable assets and investments.

26. But note that whether they are tax incentives, private sector initiatives, or financing and investment facilities, what is key is to ensure that the transition towards sustainability will not disenfranchise the poor, or systematically exclude the micro SMEs. If a 'greener' house is on the market, is it financially accessible to lower-income buyers? If compliance costs are too high, small and micro businesses may eventually be pushed out of the market.

27. A greener economy does not become synonymous with an exclusive club that can only be joined by those with resources to build the right capacity for compliance and periodic reporting of sustainable initiatives, as I mentioned earlier.

28. Further, at another sustainability forum I spoke at yesterday, I also mentioned that a just transition also demands that we seriously consider the potential loss of jobs through the operationalisation of more eco-friendly production or manufacturing techniques.

29. The financial and investment ecosystem also have a key responsibility to help the Government address certain structural issues and generate balanced growth opportunities across all sizes of businesses, and all segments of society. Otherwise, we might end up with unintended consequences that do not serve our sustainability and inclusivity agenda in the long run.

30. To that end, I expect Cagamas and all industry players here to also play a key role in this space and become the catalyst to support not only the growth of green housing, but also the inclusivity agenda in Malaysia.

CLOSING

Ladies and gentlemen,

31. Undoubtedly, embracing the sustainability agenda will take time, effort and resources. Some of us may not even be able to see the benefits, many decades down the road. However, we

owe it to the next generation to build a more sustainable economy and the government cannot do on its own. Lasting and sustainable progress can only be achieved when everyone across the public and private sectors rally behind a common sustainability vision.

32. We also appreciate the continuous technical support from multi-lateral agencies such as the World Bank and the Asian Development Bank (ADB) to help Malaysia achieve our sustainability goals. As Malaysia rebuilds itself post-pandemic, for the private sector, I am confident that there are tremendous opportunities for everyone to consider a profit-with-a-purpose journey and actively work on growing their stakeholders' capabilities in their respective ecosystems.

33. Thank you for having me.

Wabillahi taufiq wal hidayah Wassalamualaikum warahmatullahi wabarakatuh.