

# Sultan Nazrin outlines key steps for sustainable finance at Malaysia-UK forum

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Sultan of Perak, Sultan Nazrin Muizzuddin Shah outlined three essential imperatives for these sectors to effectively advance towards a sustainable future. NSTP FILE PIC

KUALA LUMPUR: As global challenges intensify, the finance and business sectors, supported by the burgeoning Islamic finance industry and the strengthening partnership between the United Kingdom and Malaysia, are emerging as crucial drivers of sustainable progress.

Following this, Sultan of Perak, Sultan Nazrin Muizzuddin Shah outlined three essential imperatives for these sectors to effectively advance towards a sustainable future.

In his keynote address at the Malaysia International Islamic Finance Centre - UK Business Forum (MIFC) at Hyatt Regency London - The Churchill, Sultan Nazrin identified sustainable investment and finance as the first imperative.

"First, sustainable investment must continue to be the impetus behind our efforts to deliver impact. Sustainable investment holds the key to accelerating the progress of the United Nations Sustainable Development Goals (SDGs), which serve as our global roadmap to shift the world onto a more sustainable and resilient path.

"While we have seen notable progress in rallying the commitment of national leaders and advancing the tools to monitor SDG progress, the critical investments needed to fuel this transition remain largely unmet.

"These investment needs are further compounded by the spillover effects of Covid-19, as well as ongoing conflicts and the burgeoning climate crisis, all of which have exacerbated existing inequalities and heightened the challenges we face," he said adding that this was where Islamic finance offers a potential solution.

He said Sustainable and Responsible Investment (SRI) sukuk are one mechanism through which Islamic finance can provide ethical, sustainable funding, and Malaysia is a regional leader in this area, with total outstanding SRI issuances exceeding US\$6 billion with potential for further growth.

"Incidentally, I was pleased to discover that the UK is one of the few countries outside the Organisation of Islamic Cooperation to have also issued sovereign sukuk twice, providing a supply of high-quality liquid assets that are Shariah compliant.

"Islamic finance, then, has both the instruments at its disposal and the values at its core, to help fill global funding gaps in a way that balances long-term value creation with short-term needs, while maintaining a commitment to social justice and inclusion. This is the very essence of sustainable development," he said.

Sultan Nazrin who is also Royal Patron of Malaysia's Islamic Finance Initiative said that if embedding sustainability values in finance is the first imperative, then leveraging technology must be the second.

"With rapid advancements in technology and the shifting global ecosystem, innovation can empower us to confront current and emerging challenges and to enhance the quality of our growth over the long term.

"Again, Islamic finance has the potential to be a trailblazer in this area, with Islamic fintech industry already worth US\$79 billion as of 2021, and projected to grow at a remarkable rate, to US\$179 billion by 2026," he said.

Sultan Nazrin said the World Economic Forum's findings reveal a growing disparity in digitalisation rates, which leads to persistent economic divides and missed opportunities for technological advancement.

"Lower income countries often lack access to the required physical resources and capital, while higher income economies are increasingly facing a shortage of skilled talent.

"Both of these factors hamper innovation.

"Yet, within this challenge lies a remarkable opportunity for developing economies. They can step forward to offer essential services and expertise in various sectors – ranging from engineering and design to healthcare and education.

"Such collaboration allows for a valuable exchange of knowledge and skills that can help to bridge the innovation divide in ways that foster mutual growth and progress," he said.

Sultan Nazrin said the final imperative he wished to highlight was international collaboration, emphasising the importance of collective, coordinated efforts in pursuing the sustainability agenda.

"Individual countries cannot succeed by themselves: we need partnerships and synergies on a global scale.

"I firmly believe that our two countries, Malaysia and Britain, can serve as a model for productive, impactful collaboration between nations separated by vast geographical distances.

"We are connected, of course, by being members of the Commonwealth: but beyond that, the relationship between our nations encompasses trade and investment, as well as critical sectors such as education, finance, and technology.

"This reflects not only the strength and breadth but also the sophistication of our partnership," he said.

Sultan Nazrin added that the historical ties between Malaysia and the United Kingdom have laid a solid foundation for an ever-evolving partnership that promises significant growth opportunities.

"Trade between Malaysia and Britain has flourished over the years, standing at RM17.3 billion last year. Investments between our two countries also remain strong.

"As of June 2024, Malaysian companies had invested some US\$7.1 billion in the UK, while the UK's foreign direct investment in Malaysia totalled US\$7 billion," he said.

Sultan Nazrin said the importance of this relationship would become even more pronounced, particularly when considering the economic and environmental trajectories of the two nations.

"The partnership between Malaysia and Britain, meanwhile, has also proved fruitful in the area of driving growth, innovation, sustainable infrastructure and green finance simultaneously.

"For example, the Malaysia-UK PACT programme, which concluded in 2023, supported and continues to encourage Malaysia's low-carbon transition, with the value of projects amounting to £2.6 million.

"So let us now build on the important work we have already done, the strong foundations we have already laid. Let us continue to use our partnership to advance green finance and sustainability, in our nations and beyond," he said.