**Encl 2**

**Keynote address by HE The PM of Malaysia**

**Bismillahirrahmanirrahim.**

**Assalamualaikum Warahmatullahi Wabarakatuh,**

**Excellencies, Tan Sri Tan Sri, Dato' Dato',**

**Ladies and Gentlemen,**

Firstly, allow me to thank Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank and SME Bank for inviting me to deliver this address.

In August, Malaysia celebrated its 57th birthday. In just six decades, we have achieved much, and many milestones. Last week saw our latest achievement, when Malaysia was elected to sit on the United Nations Security Council. And next year, we will chair ASEAN.

**Ladies and Gentlemen,**

The global economy shows signs of improvement, although lately there are some concern about global growth. SMEs in Asia, which have been affected by the global downturn, can look forward to better prospects for growth. But despite the strong economic indicators, the business ecosystem remains challenging. So what can we, the Government, do to promote SMEs – and create an environment that encourages entrepreneurship?

In Malaysia, we know that the sustainability of our economic growth depends on several factors, one of which is to ensure that in our quest for development, to achieve higher growth rates; we must ensure that growth is not only sustainable, but also inclusive and no one group is left behind or marginalized. We are also to generate wealth and in this regard we have to recognize the role played by entrepreneurs and small and medium sized enterprises. So we have made entrepreneurship a key priority, and introduced a number of policies to support SMEs.

Last year alone, 12 billion ringgit was spent on 157 SME development programmes; this in turn supported nearly 890,000 projects, across all economic sectors.

This year, spending rose to 13 billion ringgit and almost half of these funds came from the private sector. It is a public-private partnership that brings benefits for both; a more vibrant business environment, and a more competitive economy.

We have also developed an SME Master Plan, which is designed to enhance productivity and innovation among entrepreneurs and SMEs, and includes a set of challenging targets.

Currently, SMEs contribute about 33% GDP. In the recent 2015 Budget, the Government has allocated substantial amount of 1.075 billion ringgit or equivalent to approximately USD 346 million to accelerate the participation of SMEs in economic activity. These include SME Investment Partner programme, Business Accelerator Programme and various loans for SMEs. The budget also allocated 80 million ringgit or equivalent to USD 35.8 million to emphasize on upskilling of the workforce. These skills will be critical in the SME industry to ensure value add in the production chains.

**Ladies and Gentlemen,**

Our ambition is to massively increase the macro contribution of SMEs to 41% of GDP, 62% of employment and 25% of exports by 2020. This is indeed a tall order, but I believe it is attainable and achievable. And external evidence shows that Malaysia is making good progress. According to the World Bank’s Ease of Doing Business Report, Malaysia is now the 6th best place in the world to conduct business. In the report, we score especially high in the categories on access to credit, protecting investors, trading across borders, and believe it or not paying taxes (I doubt that somehow!) The Institute of Management Development’s World Competitiveness Rankings also ranked Malaysia the 12th most competitive out 60 of the World’s economies, with one of the major criteria focusing on SMEs.  A vibrant domestic economy, strong international trade and high employment growth helped Malaysia outperform many other economies.

These rankings show that our economic transformation policies are working, and they are delivering results – and opening up new opportunities for Malaysian SMEs. But there is much more to be done.

**Ladies and Gentlemen,**

While there remain obstacles to development and prosperity of the Muslim population, Islamic countries in general have made remarkable progress. This is even more important given the fact that collectively, the OIC countries have become a significant group in a global economy. According to the Statistical Economic and Social Research and Training Centre for Islamic Countries in a 2013 report, total GDP of the OIC countries has grown 25.3% over the period of 2008 to 2012, from USD 7.5 trillion, it reached USD 9.4 trillion in 2012.

Looking at these numbers, the potential for our Muslim brothers are limitless especially among the OIC member countries. Many Muslim countries have transformed itself in the past decades to become hubs and source of prosperity. These include in the areas of logistics, oil and gas, services and Islamic finance. And of course Qatar is one of those countries that achieved remarkable success. This is why we need to continuously explore working together to find new approaches, challenge ourselves with new ways of thinking and develop a revolutionary method of determining how the entrepreneurs and financiers could leverage on each other that would contribute significantly to the nation’s economic growth.

The Muslim world through organizations such as ADFIMI must continue to emphasize that Islamic nations are peaceful sovereigns despite some of the negativity surrounding some of the latest developments in a Muslim world and also a source of prosperity for the world. Our potential is enormous if we can organize, if only we can organize ourselves better in fact and get our act together.

**Ladies and Gentlemen,**

One area where I believe SMEs can make greater inroads is Islamic finance: one of the fastest growing sectors in a crowded financial marketplace.

Ten years ago Malaysia issued the world’s first sovereign sukuk. Today, Islamic finance is a USD 1.2 trillion market; this is expected to rise to USD 2.6 trillion by 2017. Islamic finance is now growing at 50% faster than conventional banking.

This exemplary growth is expected to continue. In many Muslim countries, millions of people still don’t have bank accounts. This will change in due course, as economic development and growth continues, per capita incomes increase, people will begin to look for new investment and business opportunities.

The transformation of finance in the Muslim world brings huge opportunities for entrepreneurs and SMEs in the financial sector. However, challenges remain – from regulatory hurdles, human capital needs to lack of consumer education and the need for more business-friendly policies. On the side of the government and on the side of the entrepreneurs to really understand what needs to be done to bring their business to higher level. Forums such as this can come up with recommendations as to how these issues can be overcome.

We also look to lead by example. As an Islamic finance pioneer, Malaysia can and must play an influential role in ensuring the sector’s future development. Within associations such as ADFIMI, we must create a working platform to collaborate, share experiences, improve cooperation and facilitate cross-border activities. The potential is boundless, and we must continue breaking new grounds.

**Ladies and Gentlemen,**

I believe the future is exciting and we can prosper even further. Allow me to conclude by urging you to explore the wealth of business opportunities available, not only here in Malaysia – but also in ASEAN and the wider world.

And with the recitation of Bismillahirrahmanirrahim, I hereby officiate the ADFIMI-SME BANK International Development Forum 2014 and declare it officially open.

Thank you.

Wassalamualaikum Warahmatullahi Wabarakatuh.