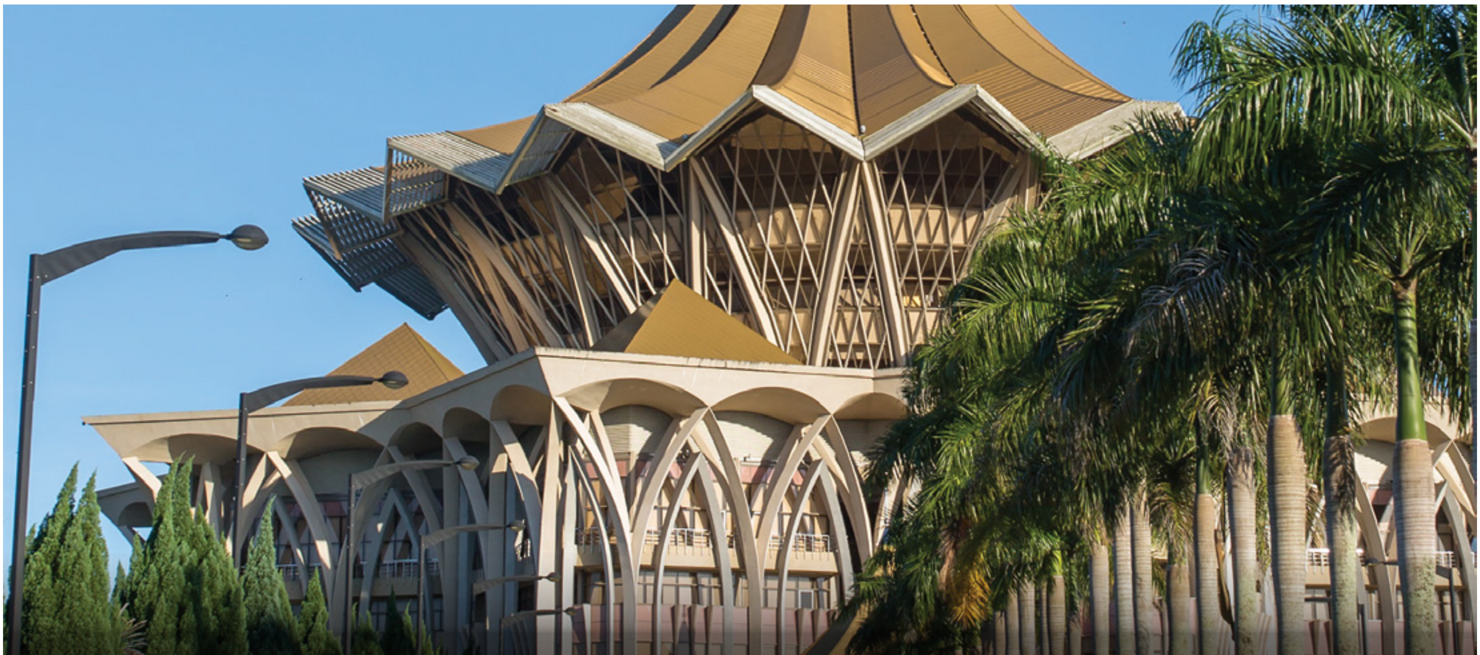
SARAWAK RAS

NEWSLETTER ISSUE # 01 · OCTOBER 2025



STRENGTHENING ECONOMIC GOVERNANCE FOR DEVELOPMENT:

Towards Public Financial Management (PFM) Transformation and State-Owned Enterprises (SOE) Reform in Sarawak

ARTICLES

Navigating the Reform Journey:

Foreword by Sarawak Premier

The Right Honourable Datuk Patinggi Tan Sri (Dr) Abang Haji Abdul Rahman Zohari Bin Tun Datuk Abang Haji Openg

State-Owned Enterprises (SOEs) have long driven Sarawak's growth. In Fiscal Year 2023, the World Bank completed a systematic diagnostic of SOE governance, presenting a reform roadmap to the Sarawak Financial Secretary's Office (SFSO). To turn analysis into action, SFSO and the Federal Ministry of Finance signed a Reimbursable Advisory Services (RAS) agreement with the World Bank in March 2025.

The RAS supports two critical reform agendas: (i) transforming the governance and performance of SOEs, and (ii) strengthening public financial management systems across the State—both essential pillars for Sarawak's journey toward high-income status.

Under the SOE track, an exercise is underway to draft a state-level ownership policy, code of corporate governance, build a centralized performance management and reporting platform, and modernize oversight practices. In parallel, the PFM component has introduced an Integrated Results-Based Budgeting (RBB) framework aimed at aligning public spending with strategic outcomes. The RBB reform, which has already been rolled out across ministries and departments, is equipping public servants with the tools and capabilities to better link resource allocation with results, ultimately improving service delivery and accountability.

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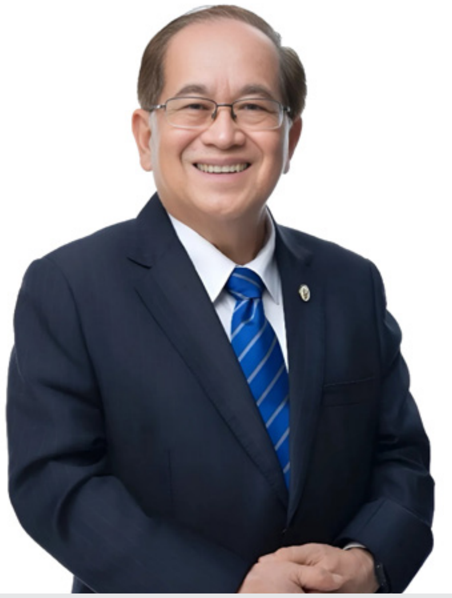
Together, these initiatives will sharpen fiscal discipline, unlock investment, and ensure that both public funds and state-owned assets deliver greater value for the people of Sarawak. They also reflect our broader commitment to evidence-based policymaking, institutional excellence, and inclusive development as outlined in the Post-COVID-19 Development Strategy 2030.

I salute the dedication of SFSO staff, SOE leaders, and the many public servants who have contributed data, insights, and time to this effort, as well as the World Bank team for its technical rigour. Their collaboration shows how reform, when anchored in partnership and grounded in local realities, can deliver quick wins today and sustained prosperity tomorrow.



YB Datuk Amar Douglas Uggah Embas, Deputy Premier of Sarawak, Second Minister for Finance and New Economy, and Minister for Infrastructure and Port Development

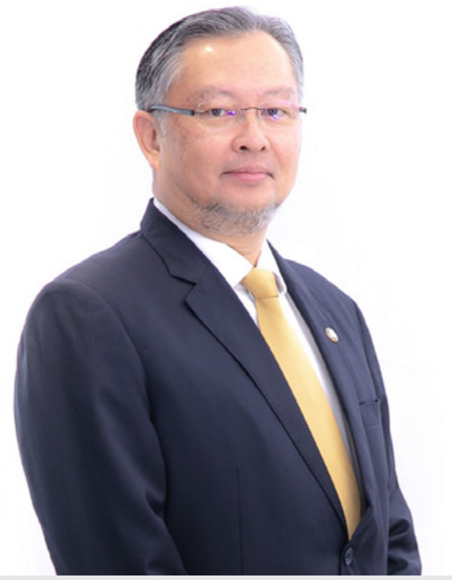
Foreword by Deputy Premier of Sarawak

There has been significant progress in the Reimbursable Advisory Services (RAS) between the Sarawak Government and the World Bank, and I am happy that this newsletter can serve as a platform to present these to the wider public. I commend the team from the Sarawak State Finance Secretary Office (SFSO) for their dedication and work on this.

Both the State-Owned Enterprises (SOE) and Public Financial Management (PFM) reform are crucial to ensure that the Sarawak Government can deliver on its aspirations outlined in the Post-COVID-19 Development Strategy 2030.

This is an ambitious, "whole-of-government" transformation. Under the PFM component, multiple training sessions have been conducted on the newly introduced Results-based Budgeting covering ministries, departments, SOEs, right down to the districts. For the SOE component, multiple consultation sessions involving key stakeholders have contributed to the drafting of the new SOE Policy and Code of Corporate Governance that will be introduced.

I encourage all senior leadership in the Sarawak Government to adopt a transformation mindset to support this paradigm shift, as we rollout and iterate on these reforms.



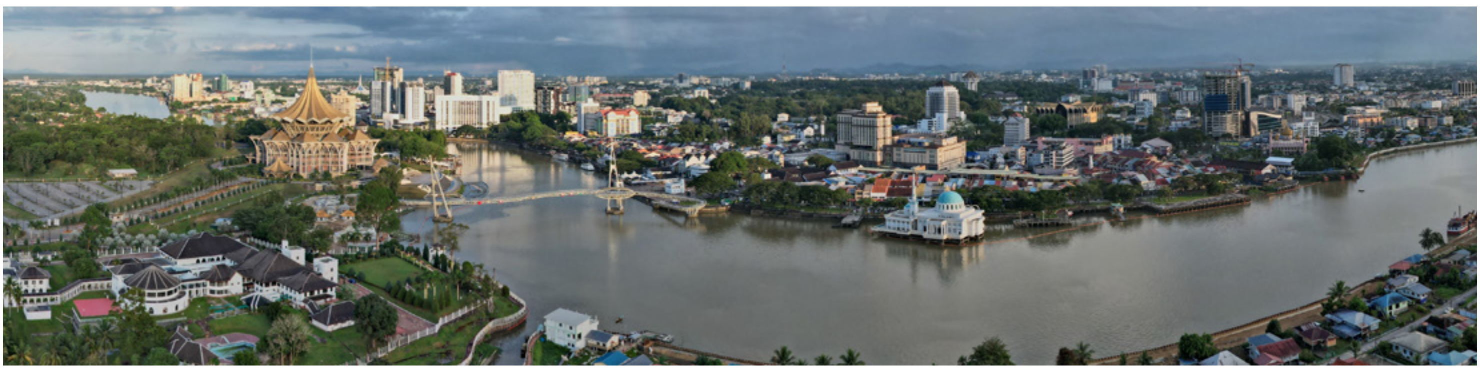
YBhg. Dato Sri Dr. Wan Lizozman Wan Omar
State Financial Secretary
State Financial Secretary's Office, Sarawak

Foreword by Dato Sri SFS

The partnership between the Sarawak Government and the World Bank through the Reimbursable Advisory Services (RAS) is helping to advance important reform efforts in two key areas: the governance of State-Owned Enterprises (SOEs) and Public Financial Management (PFM). Drawing on global experience and tailored analytical support, this collaboration has provided Sarawak with practical tools and evidence to guide reform design and implementation.

On the SOE side, the program is helping to clarify the State's ownership role, strengthen oversight, and improve the performance of enterprises that play a vital role in our development agenda. In parallel, the introduction of the Integrated Results-Based Budgeting (RBB) framework is shifting our budgeting approach toward one that better links spending with outcomes—enabling more strategic, transparent, and accountable public service delivery.

While reform is a continuous process that must be grounded in our local context, these efforts reflect Sarawak's broader commitment to institutional strengthening, good governance, and long-term development under the Post-COVID-19 Development Strategy (PCDS) 2030. We look forward to continuing this partnership as we move from design to implementation in the months ahead.



Transforming SOEs for a More Resilient Economy

Shaping Reform Through Stakeholder Dialogue

The Sarawak State Government's endorsement of the diagnostic report findings, on selected SSBs & GLCs in 2022 pertaining to current governance practice and financial position together with an intensive engagement process, laid the foundation for a strong partnership with the World Bank—formalized through a landmark tripartite Reimbursable Advisory Services (RAS) agreement signed in March 2025 between the Sarawak Government, the Federal Ministry of Finance, and the World Bank.

Since then, substantial progress has been made. In June 2024, the World Bank and Sarawak Financial Secretary's Office conducted a series of stakeholder consultations involving over 200 participants from ministries, departments, and agencies. These consultations reflected strong institutional buy-in and cross-government alignment, while also playing a key role in shaping the reform agenda. The feedback gathered helped refine the policy guidelines for Sarawak's first-ever State Ownership Policy Code of Corporate Governance and informed the development of a Performance Monitoring Framework for SOEs. By grounding reform design in local realities and incorporating input from those responsible for implementation, the RAS-supported collaboration is ensuring that SOE reforms are practical, context-specific, and positioned for long-term success—strengthening the foundations for transparent, accountable, and high-performing state institutions aligned with Sarawak's PCDS 2030 goals.

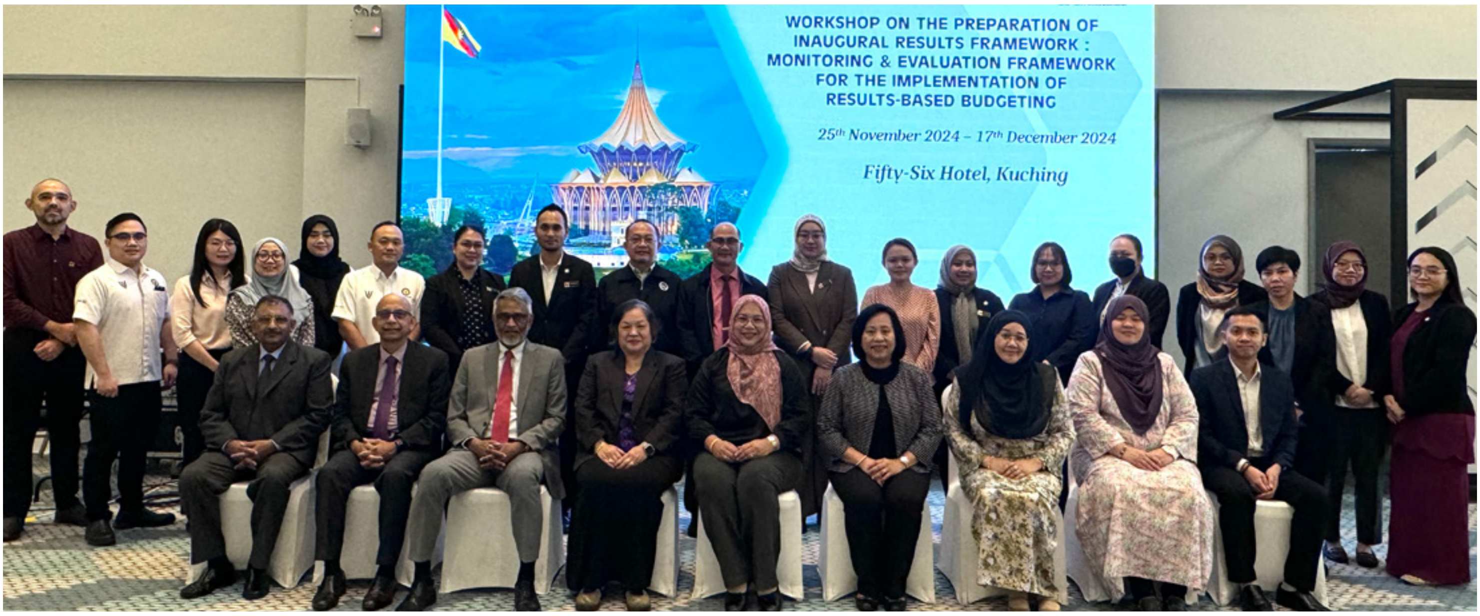
Key SOE Reforms Presented Before Technical Committee

As part of the ongoing partnership with the Sarawak Financial Secretary's Office (SFSO), the World Bank presented the draft State Ownership Policy (SOP) and the Sarawak Code of Corporate Governance for SOEs to the SOE Technical Committee in May 2025. These two key deliverables represent a major step toward institutionalizing a more transparent, accountable, and performance-oriented SOE sector in Sarawak.

The SOP sets out clear ownership principles, roles, and responsibilities for the State, while the Corporate Governance Code provides a framework to strengthen SOE practices in leadership, oversight, risk management, and public accountability. Together, they aim to build a more consistent and strategic approach to state ownership and oversight.

Both documents are expected to undergo further review before the SOP is submitted to the State Cabinet by the end of 2025, with implementation slated to begin in 2026. These reforms are set to enhance Sarawak's institutional capacity, improve SOE financial performance and service delivery, and support the State's broader development goals under PCDS 2030.

Strengthening Public Finances for Better Service Delivery



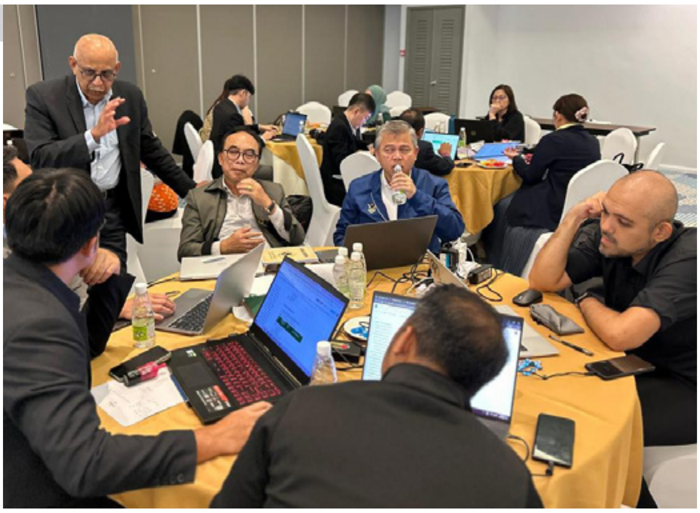
RBB Policy and Training Launched

Following a comprehensive situational analysis, the Sarawak Government (SG) formally adopted the Integrated Results-Based Budgeting (RBB) model to strengthen public financial management and drive performance-oriented governance. This commitment was solidified through the issuance of the RBB Policy Circular, following its approval by the Majlis Mesyuarat Kerajaan Negeri (MMKN), which provides a clear policy direction and institutional mandate. The circular sets clear expectations for MDAs to align their planning and budgeting processes with measurable outcomes, signifying a major shift towards accountability, strategic prioritisation, and resource optimisation.

To facilitate effective implementation, a structured capacity-building programme was launched in parallel. A cohort of approximately 200 officers from across State Ministries and Departments was selected and trained as core trainers using a dedicated Training Manual and the RBB Technical Guideline. This initiative is designed to institutionalise RBB practices across government and build internal capacity to deliver on the State's strategic priorities in a consistent, informed, and impactful manner.

The issuance of the RBB Policy Circular, following its approval by the Majlis Mesyuarat Kerajaan Negeri (MMKN), provides a clear policy direction and institutional mandate. Since its issuance, we have rolled out engagement sessions with Ministries, Departments, and Agencies, conducted targeted training for officers and most significantly, the development of Inaugural Results Frameworks across Ministries, Departments, Local Authorities, Statutory Bodies, and Government-Linked Companies (GLCs), laying the groundwork for performance-based planning and budgeting.

Embedding RBB in Budgeting



With the rollout of the Results-Based Budgeting (RBB) framework well underway, Ministries, Departments and Agencies (MDAs) across Sarawak have begun taking important steps to embed results-oriented thinking into their budgeting processes.

From March to December 2024, the Sarawak Financial Secretary's Office (SFSO) conducted 4 workshops and awareness sessions under a whole-of-government initiative. Close to 1590 officers participated, gaining hands-on guidance to develop their first-ever Strategic Performance Plans (SPPs) and basic monitoring frameworks. These efforts aim to ensure that budgeting is no longer just about spending, but about achieving clear and measurable results.

The SPPs developed in 2024 will not only guide the 2025 budget cycle but also serve as the foundation for a three-year rolling plan to be submitted alongside the 2026 budget. Encouragingly, central agencies such as the Sarawak Implementation Monitoring Unit (SIMU) and the Human Resource Development and Management Unit (HRDMU) are now adapting their oversight functions to reflect the priorities and outcomes outlined in these plans.

Charting the Road Ahead

What's next for SOE

The next phase of work will focus on turning the diagnostic insights and stakeholder consultations into concrete reform measures. The World Bank will continue working closely with the Sarawak Financial Secretary's Office and relevant stakeholders to refine and implement the SOP with a view toward Cabinet submission by end-2025 and implementation beginning in 2026. Parallel efforts will support the development of a robust SOE performance monitoring framework and the production of Sarawak's first aggregate SOE report, based on the SOE E-dashboard (E-SOE) developed with the Bank's advisory support. These deliverables will contribute to strengthening institutional oversight, enhancing transparency, and building a more efficient, financially sustainable and results-oriented SOE ecosystem.

Recognising that reform sustainability hinges on institutional commitment, the Sarawak Financial Secretary's Office (SFSO) has embedded change management, coordination mechanisms, and strategic communications throughout the reform process. These efforts ensure that RBB is not treated as a one-off policy shift, but as a long-term transformation of the State's planning and budgeting culture—anchored in results, driven by data, and aligned with Sarawak's development priorities under PCDS 2030.

To sustain momentum, continuous change management, institutional coordination, and a structured communication strategy have been embedded across all levels—from policy to implementation—ensuring RBB reform is both inclusive and enduring.

What's next for PFM

As Sarawak moves into the next phase of Results-Based Budgeting (RBB), the focus will shift toward full adoption and implementation across all Ministries, Departments, Local Authorities, Statutory Bodies, and Government-Linked Companies (GLCs). This means fully integrating Strategic Performance Plans (SPPs) into the annual budgeting process, ensuring that budgets are not just numbers, but reflections of clear goals and measurable outcomes.

To support this transition, the World Bank will continue working closely with the Sarawak Financial Secretary's Office and key stakeholders. Together, they will provide ongoing training, technical assistance, and change management support as the three-year rolling performance plans are finalised and rolled out starting in 2026.

At the same time, efforts are underway to strengthen monitoring and reporting systems, helping to improve oversight and accountability across the board. Ultimately, these initiatives are about building a stronger, more transparent public sector—one that uses resources wisely and delivers real, lasting results for the people of Sarawak.

Partners in Reform: Voices from the Ground

SOE Stakeholder

- Sarawak Economic Development Corporation (SEDC)

"SEDC strongly supports the ongoing State-Owned Enterprises (SOEs) reform initiatives as a vital measure to enhance governance, operational efficiency, and accountability within the public sector. Leveraging its own institutional transformation experience, SEDC has adopted strategic realignment, performance-driven practices, and strengthened compliance frameworks in support of these national objectives. The organisation recognises the importance of clear mandates, robust leadership, and continuous capacity development in driving sustainable outcomes. SEDC remains committed to align its strategies with the reform agenda and to contribute meaningfully to Sarawak's socio-economic advancement."

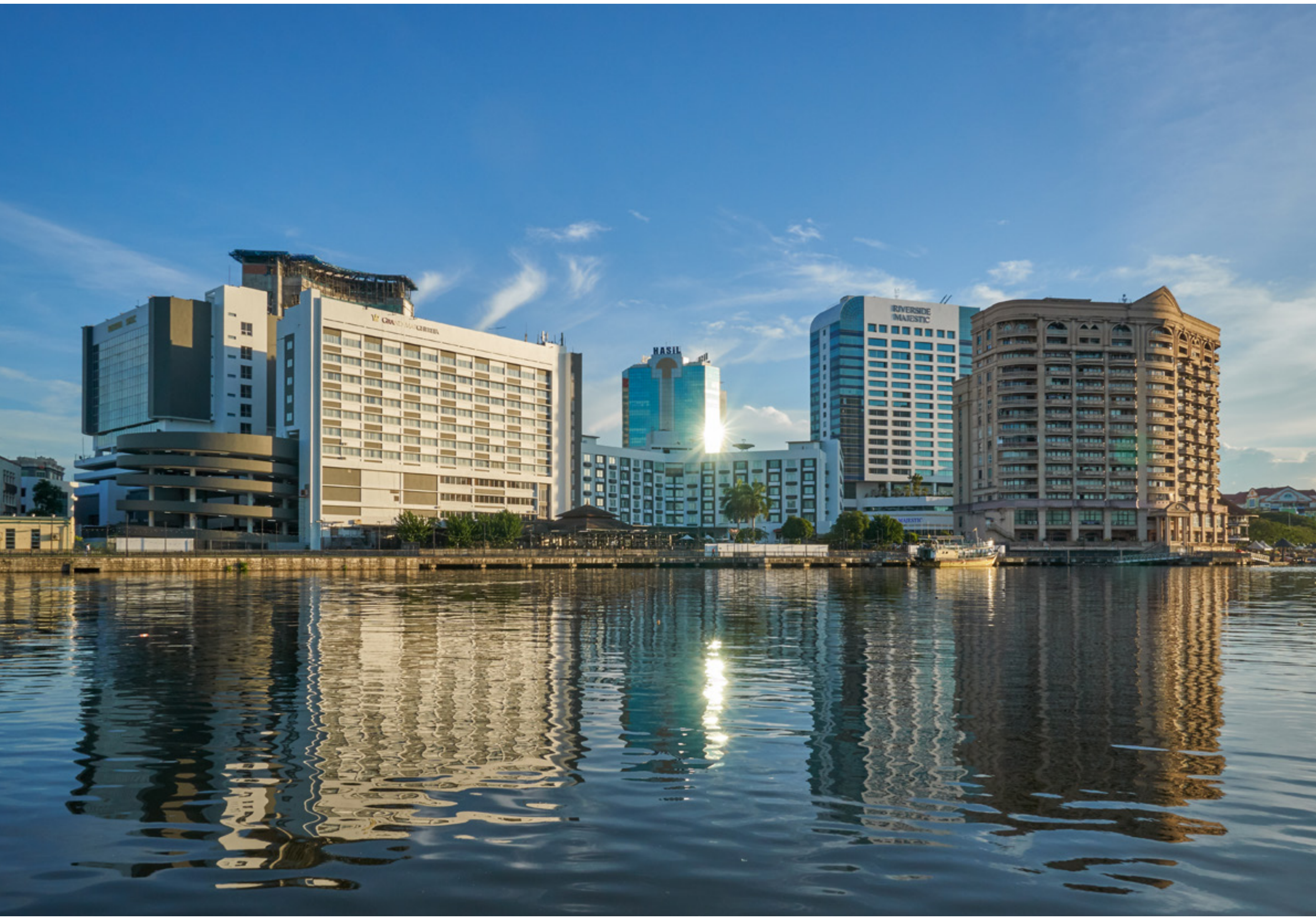
YBhg. Datu Haji Abdul Hadi Bin Datuk Haji Abdul Kadir
(General Manager of SEDC)

PFM Stakeholder

- Ministry of Food Industry, Commodity and Regional Development (MFiCORD)

"Results-Based Budgeting has significantly strengthened our planning, budgeting, and monitoring processes by linking funding to clear and measurable outcomes. This approach has enhanced transparency, accountability, and performance across our programs and initiatives, especially in improving agri-food and agro-commodity productivity and promoting rural development aimed at increasing food security and farmers' incomes in Sarawak."

YBhg. Datu Sirai Anak Daha
(Permanent Secretary of MFiCORD)



The Sarawak RAS at a Glance

To address those challenges, during Phase 1 of the TA program (FY23), the World Bank undertook a systematic diagnostic of the SOE corporate governance challenges. Based on the findings from the World Bank's report, a roadmap of policy recommendations was presented to SFSO and shared with local stakeholders.

Building on this momentum, the Sarawak Financial Secretary's Office (SFSO) formally requested additional technical assistance to support the implementation of the SOE Reform Roadmap—culminating in the signing of a new Reimbursable Advisory Services (RAS) agreement in March 2025, together with the Ministry of Finance in representation of the Federal Government.

Following the signing of the Sarawak RAS, WB team is supporting SFSO in realizing the SOE reform roadmap. The World Bank RAS engagement is organized into three different components: (i) Strengthening the SOE legal and regulatory framework; (ii) Strengthening SOEs performance management frameworks and aggregate reporting; and (iii) Strengthening Public Financial Management (PFM) systems and the management of fiscal risks.

The primary objective of the first component is to provide support to SFSO in its efforts to design, adopt, and implement a comprehensive and innovative state-level SOE policy. It will address the fragmentation of Sarawak SOE's ownership structure, lack of clear rationale for State ownership, and lack of clarity on SOE objectives as well as mandates according to current establishing ordinances.

The second component aims to support the creation of a centralized SOE performance management system, facilitating systematic collection of data and ongoing assessment of both financial and nonfinancial performance for SOEs and strengthening the data analytics functions of SFSO.

Finally, the objective of the third component is to make the PFM systems and processes in Sarawak more efficient and result-oriented, as well as enhancing the management of fiscal risks arising from ministries, departments and agencies (MDAs), and will improve the sustainability of public finances.

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Deliverables under the RAS

COMPONENT 01
Strengthening SOE Legal and Regulatory Framework

1. RAS Inception Report ☑
2. State Ownership Policy ☐
3. Code of Corporate Governance for SOEs ☐

COMPONENT 02
Strengthening SOE Performance Monitoring Framework

4. SOE Performance Monitoring Framework ☐
5. SOE Aggregate Report ☐

COMPONENT 03
Strengthening Public Financial Management and Fiscal Risks Management

6. Fiscal Risks Policy Framework ☐
7. Policy Documents on Implementation of RBB ☑
8. Training of Trainers for the Implementation of RBB ☑
9. Inaugural Results Framework for RBB ☐
10. Performance Monitoring Review by State Ministries and Programs ☐

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