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Details of sovereign bond to be released next month

DETAILS of the much-anticipated US\$2 billion (RM7.6 billion) sovereign bond issue planned by Malaysia may be announced within a month, the National Economic Action Council member of its working group Dr Zainal Aznam Yusof said yesterday.

"It's going to be (announced) within one or two months or maybe sooner," said Zainal, who is the Institute of Strategic and International Studies Malaysia deputy director-general.

The announcement includes the managing party for the proposed issue, which is to raise funds to finance the additional development allocation for the remaining period of the Seventh Malaysia Plan (1996-2000).

"(The Government) is in the stage of identifying the manager (of the proposed bond issue)," Zainal told reporters during the morning break of an international workshop on Openness, Macroeconomic Crises, and Poverty in Kuala Lumpur.

The three-day workshop is jointly organised by Isis and the World Bank Institute, the research arm of the World Bank.

It is attended by researchers, policymakers and non-governmental organisation representatives from various countries including Australia, Britain, China, Canada, France, India, Indonesia, the Philippines and Vietnam.

Prime Minister Datuk Seri Dr Mahathir Mohamad had said late April that the Government would go on a roadshow to tap funds from the international markets to raise about RM8 billion to help finance the additional development allocation for the remaining period of the Plan.

The Government's development allocation will be increased by an additional RM22 billion to RM89.5 billion under the Plan.

Last July, the then Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim and Tun Daim Zainuddin, who was then the Special Functions Minister, were scheduled to visit several countries to brief prospective investors on Malaysia's economic recovery plans and to raise funds to implement them.

The Finance Ministry had said then that Malaysia would enter the international bond market when the conditions were conducive.

On the eve of the aborted visit, several ratings agencies downgraded Malaysia's sovereign risk rating and long-term foreign currency sovereign rating.

It was recently reported that several top investment bankers have now come up with "solid proposals" to help Malaysia raise funds in the international bond markets.

JP Morgan had confirmed it had submitted a bid, while Credit Suisse First Boston, Salomon Smith Barney and Goldman Sachs were believed to be among the others.

Asked to elaborate on details of the planned bond issue, Zainal said: "As the Prime Minister had said, we are still deciding on the amount, nature and timing."

Nevertheless, he said there was no change with regards to the value of the bonds to be issued which is US\$2 billion.

Zainal said it was now appropriate for Malaysia to enter international markets as "many investment bankers and market analysts said that now is a good time for the country to issue its sovereign bonds".

Referring to the international road show, he said the country should

take advantage of the optimism expressed by international community on its economic prospects "to tell the Malaysian story of its economic pick-up and how it dealt with the crisis".

"We should take this opportunity to tell our heterodox approach in dealing with the economic and financial crisis ... Part of the process is by going into the global financial market."

Meanwhile, World Bank director for its World Development Report 2000, Professor Ravi Kanbur said the latest report would be focusing on poverty reduction internationally.

"Each year, the Report gives focus on different issues such as health, infrastructure and environment ... The last report on poverty reduction was in 1990. Every 10 years, we would re-visit the issue of poverty reduction."

Kanbur said the Report, expected to be completed in September next year, would highlight efforts and progress made by various countries in addressing poverty problem.

It would also formulate future strategies to address the issue based on the lessons learnt over the years.

On the efforts and progress made by Malaysia in eradicating poverty in the past 10 years, Kanbur said the country had been a "success story" given the positive results achieved thus far, thanks to various measures introduced under the New Economic Policy.

They included significant reduction in the number of hardcore poor over the period.

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