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Malaysia to subscribe to Islamic infrastructure fund

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MALAYSIA has agreed to subscribe to the US\$1.5 billion (US\$1 = RM3.80) Bahrain-based Islamic Development Bank (IDB) Infrastructure Fund, which provides diversified sources of financing for private sector infrastructure projects in 53 member nations of IDB.

Prime Minister Datuk Seri Dr Mahathir Mohamad had conveyed the Government's decision to subscribe to the fund to his counterpart from Bahrain, Shaikh Khalifa bin Salman Al-Khalifa.

The Government, however, is still considering on the quantum of subscription.

Foreign Minister Datuk Seri Syed Hamid Albar said at the Cabinet level, "we have agreed to subscribe but the question is the quantum. We have yet to decide.

"The target size of the fund is about US\$1.5 billion," he said when briefing newsmen on the outcome of talks between Dr Mahathir and Shaikh Khalifa at Putrajaya yesterday.

The Bahrain Prime Minister and his 55-member delegation are in the country for a three-day official visit.

During the one-hour meeting, Syed Hamid said Shaikh Khalifa had expressed Bahrain's interest to see Malaysia's participation in the fund.

Syed Hamid said Muslim countries had agreed to set up the fund, with the cooperation of IDB, by inviting individual country to participate in the fund.

The fund - the first Islamic private infrastructure fund - is expected to be operational next month.

Mooted by IDB three years ago, the fund aims to stimulate government-to-government effort to assist Muslim nations.

Managed by Emerging Markets Partnership (Bahrain), the fund will invest in equity and complement financing in infrastructure projects in Muslim countries.

The fund would target US\$1 billion capital for equity investment and another US\$500 million as a complementary finance facility to underwrite and promote the use of Islamic finance in projects in which it had invested in.

Among the projects which the fund will consider investing include power, telecommunications, transportation, natural resources development and infrastructure-related sectors such as cement.

Syed Hamid said the setting up of the fund will have positive spin-off effects such as promoting the transfer of technology from one Muslim country to another.

"It encourages Muslim countries that have expertise to participate in infrastructure projects in other Muslim countries," he said.

IDB chief executive officer Mumtaz Khan, who was in Kuala Lumpur in December last year, said the fund will initially invest in eligible projects in Brunei and Malaysia. Later, it will look at suitable opportunities in Indonesia.

According to her, the fund will not provide 100 per cent financing to any one project, but will act as a catalyst to the infrastructure project.

The fund had recently chosen Brunei to be its regional office for Asia.

IDB will use Brunei as the focal point for the promotion of initial public offerings of underlying equity investments of the fund.

Emerging Markets Partnership (Bahrain) is 60 per cent owned by

Washington-based Emerging Markets Partnership (EMP) and 40 per cent by Bahrain's Shamil Bank.

EMP is a global adviser to private infrastructure funds worth over US\$5 billion including the IDB Infrastructure Fund.

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