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ICT Fund to get US\$420m boost from Japanese bank

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THE Japanese Bank for International Cooperation (JBIC) is providing a loan of US\$420 million (US\$1 = RM3.80) to the Ministry of Finance for the information and communications technology (ICT) Fund.

The money will be on-loan from the Ministry of Finance to Malaysia Venture Capital Management Bhd (Mavcap), a government entity, to finance its Debt Venture Programme.

The Secretary-General to the Treasury, Tan Sri Samsudin Hitam said during the signing ceremony in Kuala Lumpur yesterday that Mavcap's Debt Venture Programme was an innovative project-based financing for companies involved in ICT-related high growth sectors.

Mavcap, which was set up in April last year, is the custodian of RM500 million allocated under Budget 2001 to, among others, develop the local venture capital industry and provide an alternative source of risk capital.

The RM500 million can only be disbursed in the form of equity capital, but the RM1.6 billion can be disbursed in the form of debt, providing an alternative to the traditional form of venture capital funding.

Many new technology firms who go to venture capital companies are looking for debt financing, which they are unable to raise at banks, due to lack of collateral, as well as the lack of understanding on the part of conservative banking system about the new technologies. But most venture capital companies provide only equity capital.

"I believe Malaysia is the first country in this region to embark on this type of financing. In this respect, I would like to give the assurance to the Japanese Government and JBIC that the Ministry of Finance will monitor and supervise the implementation of the programme especially in ensuring that the loan is utilised prudently and in accordance with approved procedures."

He said the Government attached high importance to the development of the ICT sector due to its potential contribution to national growth. "This loan will go a long way in developing the ICT-related venture industries in Malaysia by providing funds at very competitive rates.

"We are honoured to become the first country in the Association of South-East Asian Nations to benefit from the Japanese assistance under its global information technology package to bridge the digital divide."

Samsudin also sought JBIC's cooperation to consider the Ministry of Finance's application for equity ventures under the same ICT Fund. "I believe negotiations on this portion of the loan can similarly be concluded in the shortest time possible."

Prime Minister Datuk Seri Dr Mahathir Mohamad announced during the Budget 2002 speech last year that the Japanese Government had approved in principle a loan of RM1.9 billion which would be on-loan to Mavcap. The terms of both loans were still being negotiated and the agreement for the RM1.6 billion was inked first. The loan agreement for the remaining RM300 million is expected to be concluded soon.

Samsudin also thanked JBIC for the favourable terms under this loan agreement, "... in particular, the favourable mode of repayment which is on an annual basis, instead of semi-annually, higher initial disbursement as well as the incorporation of innovative and flexible draw down schedules and disbursement procedures".

Meanwhile, JBIC deputy governor and managing director Koji Tanami said

during his speech at the signing ceremony that the untied loan for the ICT Fund, which was co-financed with Japanese commercial banks, is the first such loan to Malaysia since JBIC was established.

The co-financing banks are the Industrial Bank of Japan Ltd, Fuji Bank Ltd, Bank of Tokyo-Mitsubishi Ltd, Sumitomo Mitsui Banking Corp, UFJ Bank Ltd, Nippon Life Insurance Co and Shinkin Central Bank.

"This loan has its origin in the request for an untied loan made in September 2001 by the Government of Malaysia to JBIC.

"The whole process up to this signing was characterised by a very constructive and fruitful interaction between our bank, Malaysian officials and all the other parties concerned, resulting in deeper mutual understanding of us all."

He said one of JBIC's key roles is to support direct investment by Japanese corporations. "In this respect, the development of the ICT industry in Malaysia is expected to produce a positive impact on Japanese affiliates - whether they are already operating here or considering the possibility of coming here.

"We believe this loan will indirectly support Japanese direct investment in Malaysia. It is my hope that this loan will help foster closer economic relations between our two countries through its multi-faceted effects."

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