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DFIs to have more financial muscle in economic package

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THE economic package to be unveiled today is expected to see limited direct government spending but provide development financial institutions

(DFIs) more financial muscle to spur domestic economic growth.

Sources said while actual government spending is about RM2 billion, a portion of it would be allocated to the DFIs, which include Bank Pertanian

Malaysia, Bank Pembangunan dan Infrastruktur Malaysia Bhd, Bank Industri dan Teknologi Bhd and Bank Simpanan Nasional Bhd. Among other things, the

DFIs give out small loans.

"The DFIs will then use the allocation as capital to arrange more financing. They (DFIs) will use a portion of the allocation to get bigger

loan from the market which is now in an excess liquidity position.

"This would mean a multiplier effect for greater outreach as well as minimal impact to the government spending. This would also shield the Government from further fiscal risks," the sources told Business Times.

Prime Minister Datuk Seri Dr Mahathir Mohamad is scheduled to announce the economic package today.

It is understood that the thrust of the package, prepared by the Treasury, will see less direct government expenditure and more on streamlining and fine-tuning the process to make the economy more efficient.

It is also important to point out that the package is not a stimulus package, as many have been anticipating, the sources said.

"This package will provide a more prudent and efficient as well as professional management of disburseable loans.

"This would be a credible and professional approach taken by the Government in managing its fiscal risks.

While the main objective of the package is to address economic impacts brought about by the outbreak of Severe Acute Respiratory Syndrome and the

war in Iraq, it is also expected to contain elements aimed at moving resources, taking advantage of opportunities and improving the nation's efficiency and competitiveness.

The Government had announced a RM3 billion and RM4.3 billion stimulus package in March and September 2001 respectively.