

What's wrong with green tech financing scheme?

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By Green Ninja

COMMENT Prime Minister Najib Razak first announced the setting up of a fund to promote technologies that are 'clean' and environmentally-friendly, known otherwise as the Green Technology Financing Scheme (GTFS), in his 2010 Budget Speech.

An agency called GreenTech Malaysia was simultaneously set up to manage the fund and to oversee the overall development of green technology in the country.

NONEWhen the Budget 2010 was announced, there was indeed a lot of excitement. After all, who wouldn't? The figure involved was in the billion mark - RM1.5 billion to be exact - sufficient to make many entrepreneurs salivate.

Suddenly everyone was hyped up on green technology. The GTFS were the magical acronym on everyone's mind.

Call it the typical Malaysian mindset. Although the green industry, such as generating electricity from the sun and wind, was something relatively new to most Malaysians, no one wanted to be left out in the scheme.

Just two years down the road, we are still nowhere near meeting the loan target of RM1.5 billion, which has to be achieved by year end. Whether Najib will extend the deadline beyond December 2012 is anyone's guess, but like most fluff, the excitement is short-lived.

Despite efforts to explain how companies could apply and benefit from the GTFS, and people travelling from as far as Penang to attend the briefings provided by GreenTech Malaysia in Bangi, the outcome is disappointing.

GreenTech Malaysia, despite putting its efforts to provide free consultancy and helping companies obtain a green certificate (which qualifies them to apply for GTFS funding), is now struggling with the question whether it is able to meet its target by year end.

The anti-climax

We are already into our second quarter of 2012, but GreenTech Malaysia's published summary report, still dated July 15, 2011, shows that we are far from reaching the target of RM1.5 billion meant to benefit 140 companies.

azlanFrom a total of 120 companies which have been assessed by GreenTech Malaysia, 75 percent (or 90 companies) have been awarded the Green Certificate, which certifies that their business proposals as 'green' and therefore eligible for GTFS loan.

However, of this, only 14 companies have successfully obtained their loan, with a total value of only RM207 million (or just over 13 percent from the target figure of RM1.5 billion).

Why is the rest of the money (RM1.29 billion) not disbursed to companies which have been certified green and are eligible for the GTFS?

What has gone wrong? Is it the policy or the implementation of the policy that has gone wrong? Is the blame on the entrepreneur himself?

No, the entrepreneur has in fact done all he could to obtain the green certificate, since everyone knows that no loan would be disbursed if you fail to qualify the green assessment.

However, he has yet to find out that, after obtaining the green certificate, it does not guarantee him access to the financing that he needs. Why?

Not soft loans

The answer is simple. He had thought the RM1.5 billion were meant to be soft loans from the government.

The truth is: the RM1.5 billion mentioned in Najib's speech is not money set aside by the government as soft loans, but the government is working alongside with banks to support its scheme.

All that the government is doing is to subsidise two percent of whatever interest charged by the banks, and provide guarantee for up to 60 percent of the loan through the Credit Guarantee Corporation Malaysia Berhad (CGC).

There is no wonder why banks would not loan the money. With or without the green certificate, if you do not have a viable business and cash-flow plan in place, no banker would loan you any money.

The banks have stood firm on this ground. After all, which bank would release any loan unless they are convinced that you will be making good money? The bottom line is profit, and bankers know who they choose to play golf with.

So, you have a situation that, despite the guarantee of 60 percent on the financing amount provided, banks are still not excited about the GTFS.

NONEI went back to Najib's Budget Speech, and yes - the answers are there in paragraph 55!

Maybe, like most people, I heard his speech wrongly. It sounded more like the government had set aside RM1.5 billion to be used as soft loan to assist 140 companies in an effort to boost the green economy.

What's more important, we all thought it is a 'soft loan' - similar to the RM250 million given to the National Feedlot Corporation - coming directly from the government's coffers. Indeed, it turned out to be a dream.

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