

Gov't guaranteed loans now total RM172 billion

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PARLIAMENT The government's guaranteed debts as at the end of 2014 came to a total of RM172 billion, or 14.7 percent of the gross domestic product (GDP), the Finance Ministry says.

"As at the end of 2014, the total guarantees given by the government on loans came to RM172 billion," the ministry said in a parliamentary written reply to Fauzi Abdul Rahman (PKR-Indera Mahkota).

"The guarantees were given especially to public entities to facilitate infrastructure projects, such as DanaInfra and Prasarana, which involved infrastructure construction and public transport operations.

"The government, from time to time, gives guarantees to statutory bodies and government-linked companies for the purposes of loans to fund projects of public interest," the ministry said in its reply to Fauzi (photo), issued yesterday.

It argued that the guarantees are allowed under the Loans Guarantee (Bodies Corporate) Act 1963.

Fauzi had asked for the total loans borne by the government, including loans given in the form of "letters of support", "letters of guarantee" and "letters of comfort".

He said it was common knowledge that letters of support are a practice of the ruling government to secure loans for the government-linked companies.

The media has widely reported on letters of support issued by the Transport Ministry in the controversial case of the Port Klang Free Zone development and by the Finance Minister for the debt-laden 1Malaysia Development Bhd (1MDB).

"According to records, one 'letter of support' was for the guarantee of US\$3 billion," the ministry said, without naming the borrower.

Lawmakers believe that in this instance, the Finance Ministry was referring to the 1MDB subsidiary, 1MDB Global Investment Ltd, which raised a US\$3 billion bond.

"Its performance in repaying the loan is good and on schedule, without any delay," the ministry said.

The ministry said the government is committed to making sure that government debts will not exceed 55 percent of the GDP, and efforts were being taken to reduce the need for the government to borrow.

As of March 2015, the government's debts have increased to RM596.8 billion, it said.

Rafizi Ramli (PKR-Pandan, photo) said, "This RM172 million guarantee is a huge debt commitment the government has undertaken. And there is no need for the government to seek the approval process in Parliament."

There practice and tendency of BN government to bypass the formal approval process, Rafizi said, is to hide its debt from public knowledge in form of contingent liabilities, which are in fact worsening.

This has been done through government wholly-owned companies such as PFI Sdn Bhd and 1MDB, he said, adding: "This is equivalent to the government taking the loans, but the loans will not appear on the balance sheet."

He suspects that the government has indeed exhausted its debt ceiling and was therefore playing with off-balance sheet accounting.

"The total debt of the government has increased to RM700 million. This will have an impact on the deficit and cash flow of the government," he said.

'Letter of support' bypasses formal processes

Rafizi also accused the government of creating the term 'letter of support' to circumnavigate the formal process of getting approvals from the cabinet and Parliament, as required under the old practice.

"In the past, the government issued a 'letter of guarantee', which needed to be passed by the cabinet and brought to Parliament," he said.

"Now, it resorts to 'letter of support', which is an implicit guarantee. Accounting wise, an implicit guarantee need not to be shown in the book and by this, the government can circumnavigate the formal processes," he said.

Rafizi said he first noticed this change in practice in 2013, when the government issued letter of support for a 1MDB subsidiary to raise a bond.

"The most worrying thing is not just the debts, but the ways the government chooses to circumnavigate the rules," he noted.

Rafizi therefore demanded the government puts the 'letter of support' process for loans under the scrutiny of Parliament.