

Putrajaya sets up task force to investigate 1MDB

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By Elizabeth Zachariah

A special task force will be set up to investigate troubled state investor 1Malaysia Development Berhad's (1MDB) operations and its staggering RM42 billion debt, Putrajaya announced today.

Second Finance Minister Datuk Seri Ahmad Husni Hanadzlah said he would be part of the task force, which also includes Minister in the Prime Minister's Department Datuk Seri Abdul Wahid Omar; Chief Secretary to the Government Tan Sri Dr Ali Hamsa; and Treasury Secretary-General Tan Sri Dr Mohd Irwan Serigar Abdullah.

"The government has set up a task force. We are looking at it entirely including 1MDB's debts," he said in his winding up speech in Parliament today.

This is besides the earlier task force announced by the Attorney-General (A-G), comprising the Inspector-General of Police (IGP) Tan Sri Khalid Abu Bakar, Malaysian Anti-Corruption Commission (MACC), the A-G Chambers and the police that will look into the fund's dealings following reports made against it.

Besides the government task force, Husni also announced that the government has asked CIMB Group, as a "third party", to perform an evaluation of 1MDB, which is Prime Minister Datuk Seri Najib Razak's brainchild, for the Initial Public Offering (IPO) of its power assets.

"So we will also look at how much 1MDB can be valued at, how to use the land that it has, and joint ventures and more, which we believe, will solve 1MDB's cash-flow problems," he said.

Husni today reiterated his previous notion that the debt-ridden 1MDB's main issue was its cash-flow problems as it was deep in debts, noting that the company's woes would be resolved once the IPO takes off, expected in the second quarter of this year for its power plant assets.

"We have no problems with the principal as they are long-term debts. But the interests... we are confident that once the IPO is done, the interests will decrease.

"With proceeds from the land that can be sold off and from the joint ventures, we hope to not only pay off the interests but also the debts, that is the principal," he added.

Reuters had reported in December that the IPO is aimed at helping the state investor reduce a debt burden that exceeds US\$11 billion (RM40 billion).

Plans for the sale have been delayed several times, bankers say, due to a longer-than-expected due diligence process and debt refinancing negotiations.

However, critics of the strategic investment fund have said that the IPO was not enough to solve 1MDB's cash-flow problems, as the exercise would barely raise RM18 billion against its RM42 billion debt.

Even in the event where 1MDB is able to successfully list its energy subsidiary and sell its landbank at premium prices, the financially stricken company can only raise barely RM18 billion to repay its RM42 billion debt recorded as at 31 March 2014," said DAP's Tony Pua on March 13.

Husni had also announced then that 1MDB had used up some RM600 million of the RM950 million standby credit provided by Putrajaya, adding that 1MDB is expected to recover from the cash flow problems that it is currently facing, by the end of this year.

Prior to that, Najib had ordered the Auditor-General to "independently verify 1MDB's accounts", with the findings to be passed to a bipartisan parliamentary public accounts committee. – March 25, 2015.

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