

Saturday, Jun 01 2019



KUALA LUMPUR: The newly set up Debt Management Committee (DMC) chaired by the Minister of Finance convened its first meeting yesterday, to discuss the government's overall debt and liabilities of RM1.1 trillion or 75.4% of the gross domestic product as at end-2018.

In a statement today, the Ministry of Finance (MoF) said this was partly due to a RM54.2 billion rise in direct government debt to RM741.0 billion from RM686.8 billion in the previous year.

The rise in debt was used to finance the fiscal deficit, especially for expenditure arising from public-private partnership lease commitments and off-budget spending that were previously not transparently included in the budget, it said.

"Total committed government guarantees that are paid by the government, to finance ongoing public transport projects also rose.

"The increase in committed government guarantees was not caused by any new infrastructure projects but instead was due to the need to finance existing ones," said MoF.

The three transport projects are the East Coast Rail Link, Mass Rapid Transit and Light Rail Transit.

MoF said the committee would identify measures to reduce the level, as well as improve the management of government debt and liabilities.

"These measures will include evaluation of high-cost projects and identification of government-guaranteed debt to be restructured, of which, this measure is needed because the debt service charge for various financial obligations is preventing the government from funding other more productive programmes and projects," it added.

The statement also reiterated that for the time being, the issuance cost of some government-guaranteed debt were similar to those issued by domestic corporate entities with AAA credit rating.

“However, the issuance cost of any debt backed by government guarantee should be approximately equivalent to government papers like the Malaysian Government Securities (MGS),” it said.

As of May 31, 2019, the coupon rate for 10-year MGS stood at 3.78% per annum, which was among the lowest rates enjoyed by the government in recent history.

Additionally, the committee will review all acts, procedures and legal requirements relating to the issuance of direct government debt, government guarantees and other government commitments. —

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