

JBIC SUPPORTS MALAYSIA'S ECONOMIC RECOVERY AND ENVIRONMENTAL CONSERVATION

-Extends Largest ODA Loan to Malaysia in a Single Fiscal Year-

1. Japan Bank for International Cooperation (Governor: Hiroshi Yasuda) today signed agreements to extend ODA loans totaling 119,247 million yen to Malaysia and Tenaga Nasional Berhad, a Malaysian electricity company. The agreements were signed at JBIC's Head Office in Tokyo by JBIC Governor Hiroshi Yasuda, H.E. Dato' Marzuki bin Mohammad Noor, Ambassador Extraordinary and Plenipotentiary of Malaysia to Japan, and Tan Sri Datuk and Dr. Ahmad Tajuddin Ali, Executive Chairman and President, respectively of Tenaga Nasional Berhad. The cumulative commitment of ODA loans to Malaysia is now about 827.4 billion yen covering 72 projects.
2. This loan package signed today is the largest commitment to Malaysia in a single fiscal year. It consists of two loans in the 18th ODA Loan Package (65,483 million yen) and a Special Yen (ODA) Loan (53,764 million yen).
3. The loans will support the strengthening of the social and economic infrastructure to promote economic recovery from the Asian economic crisis and further the development of Malaysia.
 - (1) 18th ODA Loan Package
The focus of the two loans of the 18th ODA Loan Package, extended for the construction of the Sewerage Treatment Plant Project and the Kenyir Hydroelectric Power Plant Project II, is on environmental conservation. This is one of the principal objectives of the ODA Loans to Malaysia. These projects will improve the sanitary environment, conserve the natural environment, and make possible an electricity supply with the least negative environmental impact.
 - (2) Special Yen (ODA) Loan
The Port Dickson (Tuanku Jaafar) Power Station Rehabilitation Project (2) will be financed by the Special Yen (ODA) Loan, an ODA loan scheme established in December 1998. This is the first application of the Special Yen (ODA) Loan scheme to Malaysia. The project will accelerate the economic recovery of Malaysia by stimulating the economy and creating employment, and also will promote economic structural reform by improving the infrastructure for private investment and higher productivity.

(See Appendix for details.)

Loan Amount and Conditions

(1) 18th ODA Loan Package

Project Name	Amount (mil. yen)	Interest Rate (%/Year)		Repayment Period /Grace Period (years)		Tying Status	
		Goods & Services	Consulting Services	Goods & Services	Consulting Services	Goods & Services	Consulting Services
Sewerage Treatment Plant Project	48,489	0.75**	0.75**	40/10	40/10	General Untied	General Untied
Kenyir Hydroelectric Power Plant Project II	16,994	0.75**	0.75**	40/10	40/10	General Untied	General Untied
Subtotal	65,483						

(2) Special Yen (ODA) Loan

Project Name	Amount (mil. yen)	Interest Rate (%/Year)		Repayment Period /Grace Period (years)		Tying Status	
		Goods & Services	Consulting Services	Goods & Services	Consulting Services	Goods & Services	Consulting Services
Port Dickson (Tuanku Jaafar) Power Station Rehabilitation Project (2)	53,764	1.0*	1.0*	40/10	40/10	General Untied	General Untied

Total	119,247
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* Special Yen (ODA) Loan project

** Special environmental project

1.ODA Loan to Malaysia in FY 1999

Malaysia is the sixth largest recipient of ODA loans in terms of cumulative commitment amount with the 17 ODA loan packages since 1969. The project list mainly consists of infrastructure development projects, which supported its fast economic growth by providing sound environment for foreign direct investment.

The Malaysian economy expanded at the average annual rate of more than 8 % before the Asian currency crisis. The government introduced a policy to finance infrastructure development by the private sector to reduce fiscal expenditures. The public foreign borrowing was also suppressed, and an ODA loan had not been requested from 1994 to 1997. In 1998, however, Malaysian real GDP growth contracted by 7.5%. The Malaysian government took such measures as expanding fiscal expenditures as well as monetary relaxation, and introduced a capital control regulation and fixed foreign exchange rate system in September, 1998. After the introduction of these measures, the economy was stabilized and foreign reserves increased. On the other hand, financing by bond issuance in overseas markets decreased, infrastructure development by the private sector became difficult, and reliance on public foreign borrowing increased.

Under these circumstances, the Malaysian government requested an ODA loan in 1998 after four-year period, and JBIC committed about 114.1 billion yen for seven projects as the 17th ODA loan package that year. In fiscal 1999, JBIC provided 119,247 million yen for three projects to enhance environmental conservation and development of social and economic infrastructure for economic recovery and further growth. The loans were committed as the 18th the ODA loan package and a Special Yen (ODA) Loan, and the total amount of the three loans is the largest in a ODA loan package for the past 30 years. The cumulative commitment of ODA loans to Malaysia is now about 827.4 billion yen with 72 projects. The loans by sector are as shown in the table below.

Loans by sector

Sector	Loans	Amount (million yen)	Share (%)
Electricity and Gas	31	427,689	51.7
Transportation	16	119,473	14.4
Social Services	12	165,652	20.0
Mining	10	98,015	11.8
Agriculture and Fishery	1	10,442	1.3
Telecommunications	2	6,158	0.7
Total	72	827,429	100.0

2.Outlines of Loans

Sewerage Treatment Plant Project

Development of sewerage treatment was slow compared with the development of the water supply in Malaysia. Thus, waste water has increased rapidly and the water environment has seriously deteriorated in areas of high population growth and economic development. Proper treatment of sewage is considered very important in these areas because of the need to improve sanitary conditions and conserve the natural environment for future generations.

The Malaysian government ranks development of sewerage treatment as one of its sectors of highest priority to improve the living environment at a national level, and decided to allocate a budget 15 times larger for sewerage treatment projects in the Seventh Malaysia Plan (1996-2000) than in the Sixth Malaysia Plan (1991-1995).

This project will focus on the cities and the areas where growth in industrial development and population are high and consequently where proper development of sewerage systems is lacking and hygienic conditions are deteriorating as a result. Sewerage treatment plants, sludge treatment plants, sewer pipelines, pump stations, etc. will be constructed under this project. The project will improve the water quality and conserve the natural environment. The other benefit of the project is the improvement of public hygiene by contributing to reduction of water-related diseases such as cholera, dysentery and typhoid fever.

The proceeds of the loan will be used for civil works, equipment, consulting services (detailed design, assistance for procurement) etc.

The executing agency is the Sewerage Services Department, Ministry of Housing and Local Government (Address: Lower Ground Floor, Wisma Damansara, Jalan Semantan, 50490 Kuala Lumpur, Malaysia, TEL: 60-3-256-2605, FAX: 60-3-256-2609).

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Kenyir Hydroelectric Power Plant Project II

The power sector has been given a significant role in the national development policy of Malaysia as a sector providing basic infrastructure for economic development and growth, and the power sector has been contributing to the development of the Malaysian economy, especially to the growth of the industrial sector. In the Seventh Malaysia Plan (1996-2000), the Malaysian government continued to put importance on the power sector with three policy objectives: a) cost-effective supply; b) efficient utilization; and c) minimum negative impact on the environment.

Demand for electricity increased rapidly in the past due to the high economic growth rate and accelerated industrialization. The demand continued to increase even during the Asian economic crisis, and is expected grow at a high rate in the future. Therefore, it is also expected that the peak-load will grow at a high rate, and a peak-load generation capacity is required to maintain a stable and efficient power supply.

This project will expand the capacity of the existing Kenyir Hydroelectric Power Station by installing a 300MW generation facility, converting the power station from a middle-load station to a peak-load power station. With the addition of this generation facility, the pondage and impounding area will not change due to the switch in operation from middle-load to peak-load, and environmental impact will be at a minimum.

The proceeds of loan will be used for civil works, the power plant, consulting services (assistance in procurement, supervision, development and introduction of an environmental monitoring system) etc.

The executing agency is the Tenaga Nasional Berhad (Address: 129 JI. Bangsar, 59200 Kuala Lumpur, Malaysia, TEL: 60-3-282-5566, FAX: 60-3-283-3686).

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Port Dickson (Tuanku Jaafar) Power Station Rehabilitation Project (2)

The power sector has been playing a significant role in the national development policy of Malaysia as a sector which provides basic infrastructure for economic development and growth. The power sector has been contributing to the development of the Malaysian economy, especially to the growth of the industrial sector. In the Seventh Malaysia Plan (1996-2000), the Malaysian government continued to place importance on the power sector with three policy objectives: a) cost-effective supply; b) efficient utilization; and c) minimum negative impact on the environment.

Demand for electricity increased rapidly in the past due to the high economic growth rate and accelerated industrialization. The demand continued to increase even during the Asian economic crisis, and is expected grow at a high rate in the future. On the other hand, the construction of power supply facilities has been delayed due to the difficulties of private financing by independent power producers during the Asian economic crisis. Thus, obtaining finance for the development of power supply facilities is of great importance. Port Dickson (Tuanku Jaafar) Power station in Negri Sembilan has been in operation for more than 20 years, and its generation facilities are not only inefficient but also producing Greenhouse-effect gases and other polluting gases.

The present facilities will be replaced by a 750MW gas combined-cycle thermal power plant of high efficiency in this project whose objective is to achieve a further stable and efficient power supply and less environmental impact with a lowered emission rate of smog, CO₂, NO_x, etc.

The proceeds of the loan will be used for civil works, a combined-cycle power plant, consulting services (detailed design, supervision, development and introduction of environmental monitoring system) etc.

The executing agency is the Tenaga Nasional Berhad (Address: 129 JI. Bangsar, 59200 Kuala Lumpur, Malaysia, TEL: 60-3-282-5566, FAX: 60-3-283-3686).

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