

## **JBIC Signs ODA Loan Agreement with Malaysia: --Supporting Economic Development through Stable Supply of Water--**

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1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) today signed an ODA loan agreement totaling 82.04 billion yen for the Pahang-Selangor Raw Water Transfer Project with Malaysia.
2. The Project consists of developing water resources in Pahang State, located in the eastern Malay Peninsula, and construction of a 45-kilometer water transfer tunnel to transport water to neighboring Selangor State, thereby enabling a stable supply of water in Selangor State and the Federal Territory of Kuala Lumpur. The proceeds of the loan will be used for the construction of the water transfer tunnel, the dam, related works and the consulting services (including detailed design and implementation supervision).
3. Selangor State and the capital city of Kuala Lumpur (Federal Territory), which is located within this state, have a population of 4.73 million (as of 2000, which accounts for 20 percent of the country's total population) and constitute the center of the country's politics and economy. Water consumption in this region has been rising in parallel with economic and population growth. However, it is projected that the existing water resources, even if including those envisaged in the water resource development plan, will be unable to ensure adequate water supply. Therefore, it is an urgent issue to have access to water resources outside the state to meet rising demand for water. In 1998, a drought that broke out in the state lasted about half a year, prompting Japanese affiliates operating in this region to file a request with the Government of Malaysia for drought prevention measures, such as this current project. Thus, stable water supply remains one of the challenges to economic development in the region and the well-being of its population. This Project is expected to address this challenge.
4. This is the first ODA loan JBIC has provided in five years since March 2000. JBIC will continue to support Malaysia, in particular, in improving the environment, reducing income disparities, and developing human resources for these purposes.

([Click here for details.](#))

### 1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Pahang-Selangor Raw Water Transfer Project	82,040	0.95	40/10	General Untied

Note: Special Yen (ODA) Loan Terms.

### 2. Project Executing Agency

Name: Water Supply Department, Ministry of Energy, Water and Communication

Address: Level 1 & 4, Block E4/5, Parcel E Federal Government Administrative Centre, 62668 Putrajaya, Malaysia

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### 3. Outline of Malaysia's Politics and Economy

Sustainable economic development in the member countries of the Association of Southeast Asian Nations (ASEAN) provides the foundation for the stability in Southeast Asia. As a key member since its foundation, Malaysia has been playing an instrumental role in strengthening ties among the member countries in the political and economic arenas.

In October 2003, then-Prime Minister Mahathir stepped down after 22 years of leading the country, and Deputy Prime Minister Abdullah succeeded him as the country's fifth prime minister. While following Mr. Mahathir's policies, the new prime minister has also taken his own initiative to promote agricultural development, strengthen anti-corruption measures, improve the transparency of public administration and review large-scale projects.

In the area of foreign policy, the fundamental tenets are not only cooperation with ASEAN but also strengthening cooperative relations with Islamic countries, maintaining balanced relations with all major powers, South-South cooperation and strengthening economic ties with other countries. Prime Minister Abdullah also continues to move forward with the Look East Policy advocated by former Prime Minister Mahathir.

Malaysia achieved high economic growth after 1986 by pursuing export-oriented industrialization based on actively inducing foreign direct investments into the country. Although it was faced with economic difficulties caused by the currency and financial crisis in 1997, Malaysia followed a unique economic policy without relying on assistance from the International Monetary Fund (IMF). Subsequent recovery, primarily driven by the manufacturing industry, has led to sustained positive growth since 2000. In 2003, despite adverse effects of a slowdown in the U.S. economy, developments related to Iraq and Severe Acute Respiratory Syndrome (SARS), its gross domestic product (GDP) grew 5.2 percent. The economy grew 7.1 percent in 2004, helped by a rebound in the world economy in the first half of the year and robust manufacturing exports that reflected a global recovery in electronics-related investments.

[uc1] Please check that this reflects the intended meaning.