

JBIC Signs ODA Loan Agreement with Malaysian Government --Scholarship for Study in Japan Supports Human Resource Development in Advanced Science and Engineering--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today an ODA loan agreement totaling up to 7.644 billion yen with the Government of Malaysia for the Higher Education Loan Fund Project (III).
2. The project offers an opportunity for Malaysian students to study at Japanese universities and graduate schools and receive a science and engineering education, thereby producing highly-skilled engineers with Japanese style industriousness and moral values who will contribute in the area of research and development activities. Human resource development under this project will serve to strengthen the industrial competitiveness needed by the country for its sustainable development and to promote friendly relationship between Japan and Malaysia. The proceeds of the loan will be used for providing scholarships, conducting educational programs in Malaysia, and procuring educational equipment and consulting services. This loan will support the third phase of the project.[1]
3. In this third phase of the project, as was the case in the second phase, the so-called twinning program will be conducted.[2] This time, however, the duration of the educational program offered in Malaysia will be extended from two to three years.[3] As part of an effort to expand the domestic curriculum component, Universiti Industri Selangor, one of the domestic universities for science and technology, will provide academic courses on advanced specialized subjects and, after completing the domestic program, students will be able to receive diplomas.[4] The Japanese universities that participated in the previous phases have provided cooperation in developing and implementing a curriculum for the domestic education program. Furthermore, the partnership with Malaysian industry will be promoted to produce the engineers that meet the specific needs of industry.
4. In recent years, economic conditions surrounding Malaysia have been changing along with the reduced tariffs in the ASEAN region, the progress being made in free trade agreements, and the emergence of new production bases in other countries where labor costs are low. In particular the manufacturing industry, which has been the driving force of the country's economic growth, is under increasing pressure to strengthen international competitiveness through adding more value and increasing productivity. There is thus an urgent need to develop human resources equipped with advanced technologies. Under these circumstances, the first and second phases of this project enabled more than 600 Malaysian students to study in Japan, and many graduates are successfully working as engineers in major industries such as the electric and electronics industry, including local Japanese affiliates. JBIC will continue to support Malaysia for sustaining economic growth by helping its efforts in developing human resources.

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[1] JBIC provided an ODA loan totaling 5.493 billion yen for the Higher Education Loan Fund Project in fiscal 1992 and an ODA loan totaling 5.285 billion yen for the Higher Education Loan Fund Project (II) in fiscal 1999.

[2] The twinning program is an arrangement between universities in which credits in courses in Malaysia can be recognized by Japanese universities as part of credits necessary for obtaining degrees in Japan.

[3] After completing three years of education in Malaysia the students will be transferred into third-year courses and study two more years in Japanese universities.

[4] A diploma is equivalent to a degree granted in a junior college in Japan.

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Higher Education Loan Fund Project (III)	7,644	1.2	25/7	General Untied

2. Project Executing Agency

Project Executing Agency: Yayasan Pelajaran MARA (YPM)

Address: Tingkat 9, Medan MARA, No. 21, Jalan Raja Laut, 50810 Kuala Lumpur, Malaysia

Tel: 60-3-26926827 Fax: 60-3-26927279

3. Political and Economic Conditions in Malaysia

After Prime Minister Mahathir stepped down in October 2003, Deputy Prime Minister Abdullah succeeded him as the country's fifth prime minister. The new prime minister has placed the focus of his policy on reducing economic disparity and improving the efficiency of public finance and state-owned enterprises, as well as sustaining economic growth, to which Mr. Mahathir gave the highest priority.

The Malaysian economy suffered a serious setback in the wake of the Asian currency crisis in 1997. However, the Government's positive fiscal policy and monetary relaxation have brought the economy back on the recovery path, with the manufacturing sector leading the way. In 2004, the economy registered a high 7.1% growth in real GDP. Despite this favorable development, firms primarily in the electric and electronics industry, which are the driving force of the Malaysian economy, are shifting their Asian operational bases to China and other neighboring countries. China in particular has increased its presence as their production base. Therefore, if the country is to sustain economic growth well into the future there is a need to strengthen the international competitiveness of domestic industries.