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MALAYIA-LOAN

WORLD BANK LOAN NEGOTIATIONS WITH MALAYSIA CONTINUES

By: Salmy Hashim

WASHINGTON, Sept 25 (Bernama) -- World Bank negotiations with Malaysia for the US\$700 million loan continues despite economic and political uncertainties faced by the Southeast Asian nation, a World Bank official said here Thursday.

Cik Kimberly Versak, media relations advisor at the bank said, "we're still engaged," and Bank officials were still conducting meetings with Malaysian government officials in Kuala Lumpur to continue with the negotiations of the loan, expected to be approved by the end of the year.

The recent change in leadership at the Malaysian Treasury has "slowed the pace" because of the "change in people we're used to dealing and the change in macroeconomic policies," she added.

Press reports that loan negotiations with Malaysia had been "halted" is not true, she clarified.

Yesterday, Prime Minister Datuk Seri Dr Mahathir however confirmed that there was a delay in the World Bank disbursing the loan to Malaysia as it wanted a clearer picture on the exchange controls imposed by Malaysia.

"They (officials) are not sure of what is meant by currency controls. They think it is total and we are cutting ourselves from the rest of the world. But this is not true," the Prime Minister had said.

Second Finance Minister Datuk Mustapa Mohamed is expected to explain to the World Bank Malaysia's new exchange control measures when he attends the World Bank meeting of finance ministers and central bank governors from Oct 3-8 in Washington.

The World Bank mission, which has been in and out of Malaysia for the past six months, will return from Kuala Lumpur early next week to report to the bank on the latest developments.

A special country briefing on Malaysia is scheduled early October to update the press in time for the annual World Bank/International Monetary Funds meeting in Washington.

On Malaysia's experiment with foreign exchange controls, Mark Malloch Brown, Vice President External Affairs for the Bank said at a press conference to launch the annual bank report, "I think we all accept that we have to find better mechanisms for managing capital flow volatility, and I think a lot of different ideas are going to be proposed."

"We don't yet have any kind of final view on the Malaysian position," Brown said.

He added that the bank was at the stage of "very careful, cautious examination with no final comment on the Malaysian situation."

The bank approved US\$300 million in June for social programmes, including alleviation of poverty, and technical assistance for banking reforms.

The report said the bank made the largest new loan commitments in its history in the fiscal year to June 30, 1998, with pledges totalling nearly \$29 billion, including \$16 billion to East Asian countries hurt by the crisis. Asia received \$5.65 billion by the end of the fiscal year.--BERNAMA

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