



East Coast Rail Link (ECRL)

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I. Project Overview

The East Coast Rail Link (ECRL)¹ is a proposed railway infrastructure project designed to improve connectivity between Peninsular Malaysia's East Coast states of Kelantan, Terengganu, and Pahang and the West Coast states of Negeri Sembilan, Selangor, and the Federal Territory of Putrajaya, which are currently only partially connected by rail. The railway will be used for both passenger and freight transportation. The journey from Kota Bharu, in the north end of the rail line, to Gombak, the last few stations of the rail in the south, will take less than four hours as compared to seven hours by road.² In addition to improved connectivity, the ECRL is intended to spur the development of the industrial, commercial, and tourism sectors along its route. A groundbreaking ceremony was held on August 9, 2017, to mark the start of construction. As of March 2021, 21.4 percent of the project had reportedly been completed.³ The rail line is scheduled to commence operation by 2027.⁴

The ECRL is a major key part of China's Belt and Road Initiative (BRI) in Malaysia. The project is primarily funded by a loan from China's state-owned Export-Import (EXIM) Bank.⁵ Given Malaysia's close economic relationship with China, which is its largest trade partner, the country has appeared as a BRI focal point. The long-ruling United Malays National Organization (UMNO) signed a Memorandum of Understanding on BRI in 2015,⁶ making Malaysia an early BRI participant. In November 2016, China and Malaysia signed a tranche of 30 business-to-business and government-to-government agreements worth approximately RM144 billion (US\$34 billion),⁷ including an agreement to cooperate on the ECRL.⁸ The ECRL's terminus at Port Klang on the Strait of Malacca, the second-busiest port in Southeast Asia,⁹ is of international strategic value, and offers a rival to the port of Singapore.¹⁰

The expected total cost of the project has changed several times, reflecting a shifting domestic political landscape. When then-Prime Minister Najib Razak announced the project in 2016, its estimated cost was RM55 billion. In 2017, the cost increased to RM65.5 billion. The project then became part of the financial scandal that ensnared Razak amid allegations that its costs were inflated in order to bail out the troubled sovereign wealth fund 1Malaysia Development Berhad (1MDB).¹¹ When the Pakatan Harapan (PH) assumed power in 2018, the new administration first planned to cancel it, but ultimately renegotiated the

¹ This report covers the development of ECRL projects to April 2021.

² Ministry of Finance. *Talking points YAB Dato' Sri Mohd Najib Tun Abdul Razak, Prime Minister of Malaysia at the East Coast Rail Link (ECRL) ground breaking ceremony*, August 9, 2017, https://www.mof.gov.my/arkib/speech/2017/ECRL_9OGOS2017.pdf

³ "Malaysia Accepts 14% Cost Increase in China-led Rail Project, Taking Longer Route," Reuters, April 5, 2021, <https://www.reuters.com/article/malaysia-rail/malaysia-accepts-14-cost-increase-in-china-led-rail-project-taking-longer-route-idUSL1N2LY05C>

⁴ Statement by Minister of Transport, Wee Ka Siong as reported in Sulhi Khalid and Izzul Ikram, "ECRL Goes Back to Original Alignment, Will Now Cost RM50b," *The Edge Markets*, April 5, 2021. <https://www.theedgemarkets.com/article/ecrl-reverts-original-alignment-cost-rm50b-says-transport-ministry>

⁵ Malaysia Accepts 14% Cost Increase in China-led Rail Project, Taking Longer Route," Reuters.

⁶ Lee Jones and Shahar Hameiri, "Debunking the Myth of 'Debt-trap Diplomacy,'" Chatham House, August 19, 2020, <https://www.chathamhouse.org/2020/08/debunking-myth-debt-trap-diplomacy/5-malaysia-and-bri>

⁷ Huam Hon Tat, Thoo Ai Chin, and Dan Joon Chew, "Does the Belt and Road Initiative in the East Coast of Peninsular Malaysia Create Win-win Partnership with China?" *Journal of Arts and Social Sciences* 1(2), 2018, 98–105, <http://ruijass.com/wp-content/uploads/2018/03/5-005TIC-Final.pdf>

⁸ "MoF's MRL to Own and Operate RM55b ECRL," *The Malaysian Reserve*, April 3, 2017, <https://themalaysianreserve.com/2017/04/03/mofs-mrl-to-own-and-operate-rm55b-ecrl/>

⁹ "The 5 biggest ports in Southeast Asia," *Port Technology*, January 22, 2020, <https://www.porttechnology.org/news/the-5-biggest-ports-in-southeast-asia/>

¹⁰ Jennifer Fei, "Bridging Regions, Strengthening Ties: The East Coast Rail Line (ECRL) in Malaysia," *Leadership Academy for Development case study*, 2019, https://fsi-live.s3.us-west-1.amazonaws.com/s3fs-public/east_coast_rail_line_in_malaysia_0.pdf

¹¹ Jones and Hameiri, "Debunking the Myth of 'Debt-trap Diplomacy'"

project and decreased the cost to RM44 billion. After another in government in 2020, the new Perikatan Nasional (PN) administration largely reverted the route back to the original plan in April 2021; with this, the cost estimate was revised again to RM50 billion.¹² The most recent announcement estimates the rail line to total 665 km in length.

2. Project Ownership, Cost, Financing and Structure

The ECRL project is owned by Malaysia Rail Link Sdn. Bhd. (MRL), a special purpose vehicle (SPV) established in 2016 and wholly owned by the Ministry of Finance Incorporated, a corporate body owned by the Ministry of Finance and established by an act of parliament. By having a corporate body, “the ministry had the authority to enter into business contracts, acquire companies and manage tangible and intangible assets”.¹³ While Malaysia does not require the government to seek parliamentary approval to establish an SPV, an opposition politician expressed concern over the lack of parliamentary involvement in the MRL process compared to the establishment of SPVs for other major infrastructure projects.¹⁴ Parliament’s involvement in setting up government-owned SPVs such as the MRL will allow oversight of the amount of funding raised, as this funding is sometimes guaranteed by the government.

The estimated construction cost of the project was originally RM66.78 billion (USD \$15.9 billion) until early 2019.¹⁵ This cost did not include land acquisition and other costs. By including these additional costs, the total cost of the project was RM69.8 billion (USD \$16.6 billion).¹⁶ Under the terms of the agreement, 85% of the *estimated* construction cost is to be funded by a loan from EXIM Bank – making the total loan equivalent to RM56.7 billion (around USD \$13.5 billion). The EXIM Bank loan term is for 20 years at a 3.25 percent interest rate with a seven-year repayment moratorium.¹⁷ As of 2019, the Malaysian government had withdrawn RM36.1 billion (around USD 8.6 billion).¹⁸

In 2016, the government decided to fund the remaining 15% of the cost via “a *sukuk*¹⁹ programme managed by local investment banks.”²⁰ Based on a report from Bank Negara Malaysia, the target amount to be raised through the *sukuk* is RM9.5 billion,²¹ of which RM2 billion had been issued in June 2020.²² The *sukuk* is fully guaranteed by the Malaysian government.

¹² Khalid and Ikram, “ECRL Goes Back to Original Alignment, Will Now Cost RM50b”

¹³ Gomez, Edmund Terence et al, Ministry of Finance Incorporated: Ownership and Control of Corporate Malaysia, IDEAS:2018.

¹⁴ Chester Tay, “Rafizi: ECRL Deal Signed by RM2 Company Formed without Parliament’s Approval,” The Edge Markets, November 7, 2016 <https://www.theedgemarkets.com/article/rafizi-ecrl-deal-signed-rm2-company-formed-without-parliaments-approval>

¹⁵ Prime Minister’s Office of Malaysia, “Kenyataan Akbar Pejabat Perdana Menteri: Projek Laluan Rel Pantai Timur [Prime Minister’s Statement on ECRL],” April 15, 2019, <https://www.pmo.gov.my/wp-content/uploads/2019/04/Kenyataan-Akhbar-PM-ECRL-15-April-2019-BM.pdf>

¹⁶ <https://www.theedgemarkets.com/article/ecrl-will-actually-cost-malaysia-rm81b-says-guan-eng>

¹⁷ Bernama, “ECRL — A Game Changer for Malaysia,” *The Malaysian Reserve*, August 10, 2017 <https://themalaysianreserve.com/2017/08/10/ecrl-game-changer-malaysia/>

¹⁸ Prime Minister’s Office of Malaysia, “Kenyataan Akbar Pejabat Perdana Menteri: Projek Laluan Rel Pantai Timur [Prime Minister’s Statement on ECRL],” April 15, 2019, <https://www.pmo.gov.my/wp-content/uploads/2019/04/Kenyataan-Akhbar-PM-ECRL-15-April-2019-BM.pdf>

¹⁹ A *sukuk* is an Islamic financial certificate, similar to a bond. Unlike a bond, in order to be compliant with Sharia law, a *sukuk* involves ownership interests of the asset. See <http://www.mifc.com/index.php?ch=39&pg=97&ac=312&bb=attachpdf>

²⁰ Ministry of Finance Malaysia, “Talking Points YAB Dato’ Sri Mohd Najib Abdul Razak Prime Minister of Malaysia at the East Coast Rail Link (ECRL) Groundbreaking Ceremony,” August 9, 2017, https://www.mof.gov.my/arkib/speech/2017/ECRL_9OGOS2017.pdf

²¹ “Facility Information”, BNM, n.d. <https://fast.bnm.gov.my/fastweb/public/PublicInfoServlet.do?chkBox=202000000023&mode=DISPLAY&info=FACILITY&screenId=PB030800>

²² “Malaysia Rail Link Sdn Bhd successfully issued RM2.0 billion under its RM9.75 billion Sukuk Murabahah Programme”, *Kenanga*, n.d. <https://www.kenanga.com.my/news/recent-transactions/malaysia-rail-link-sdn-bhd-successfully-issued-rm2-0-billion-under-its-rm9-75-billion-sukuk-murabahah-programme/>

As part of the financing agreement with EXIM bank, the Malaysian government agreed to award the ECRL Engineering, Procurement, Construction, and Commissioning (EPCC) contract to the China Communications Construction Company (CCCC), a majority state-owned entity, and its local subsidiary, China Communications Construction Company (M) Sdn Bhd (CCCCM). CCCC is a contractor on many BRI projects. According to the *Economic Times*, CCCC was blacklisted by the World Bank in 2009 for “alleged fraudulent bidding” on highway contracts in the Philippines.²³ Two EPCC agreements were signed between CCCC and the MRL, the first in November 2016 for the construction of the track from Wakaf Bharu in Kelantan to ITT Gombak (Phase 1) and the second in May 2017 for the construction of the track from ITT Gombak to Port Klang (Phase 2). The contract value of the first agreement is RM46 billion (USD \$11 billion), while the second one is RM9 billion (USD \$2 billion), for a total value of RM55 billion (around USD \$13 billion).²⁴

In 2019, the Malaysian government renegotiated the agreement, reducing the total cost to RM44 billion (USD \$10.5 billion). The total amount of the loan, according to a statement issued by the Prime Minister's Department in April 2019, will also be reduced.²⁵ In July 2019, a news portal reported that, according to a minister, loan negotiations had been completed between MRL and Exim Bank. Exim bank will continue to finance 85% of the project cost. However, since the cost of the project has been reduced, “the government will pay a lower interest rate.”²⁶ In the same report, the CEO of MRL reported that “the total repayment of the financing facility payable to Exim Bank has been reduced to RM24 billion from RM36 billion previously.”

As part of this renegotiation, MRL signed a Supplementary Agreement (SA) with CCCC to form a joint venture company (MRL 50 percent: CCCC 50 percent) to undertake the operations and maintenance of the ECRL.²⁷ MRL has stated that the joint operations arrangement will facilitate the sharing of management, operations, and maintenance costs and the exchange of technical know-how and that it will maintain full ownership of the ECRL and appoint the directors of the JV company and its chief executive officer.²⁸

Following the change in government in March 2020, the total cost of the project has been revised again to RM50 billion (USD \$11.9 billion). However, it is unclear how the change of the project cost will impact the loan agreement with the EXIM bank.

The project agreement requires that local contractors be used for at least 40 percent of the project's civil works. As of February 2021, 1,241 local vendors comprising 415 subcontractors, 746 suppliers and 80 consultancies had been contracted for ECRL.²⁹ Local companies that received high value contracts included HSS Integrated Sdn Bhd, which was awarded RM82.5 million for supervising consultancy services,³⁰ and Advancecon Holdings

²³ Chaudhury, Dipanjan Roy. World Bank bans Chinese companies again for financial crimes. *The Economic Times*, August 23, 2019 https://economictimes.indiatimes.com/news/international/business/world-bank-bans-chinese-companies-again-for-financial-crimes/articleshow/70797062.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst=

²⁴ Najib witnesses signing ECRL phase two construction agreement”. *New Straits Times*, May 13, 2017 <https://www.nst.com.my/news/nation/2017/05/238867/najib-witnesses-signing-ecrl-phase-two-construction-agreement>

²⁵ Prime Minister's Office of Malaysia, “Kenyataan Akbar Pejabat Perdana Menteri: Projek Laluan Rel Pantai Timur [Prime Minister's Statement on ECRL],” April 15, 2019, <https://www.pmo.gov.my/wp-content/uploads/2019/04/Kenyataan-Akhbar-PM-ECRL-15-April-2019-BM.pdf>

²⁶ <https://www.themalaysianinsight.com/index.php/s/171014>

²⁷ Prime Minister's Office of Malaysia, “Prime Minister's Statement on ECRL”

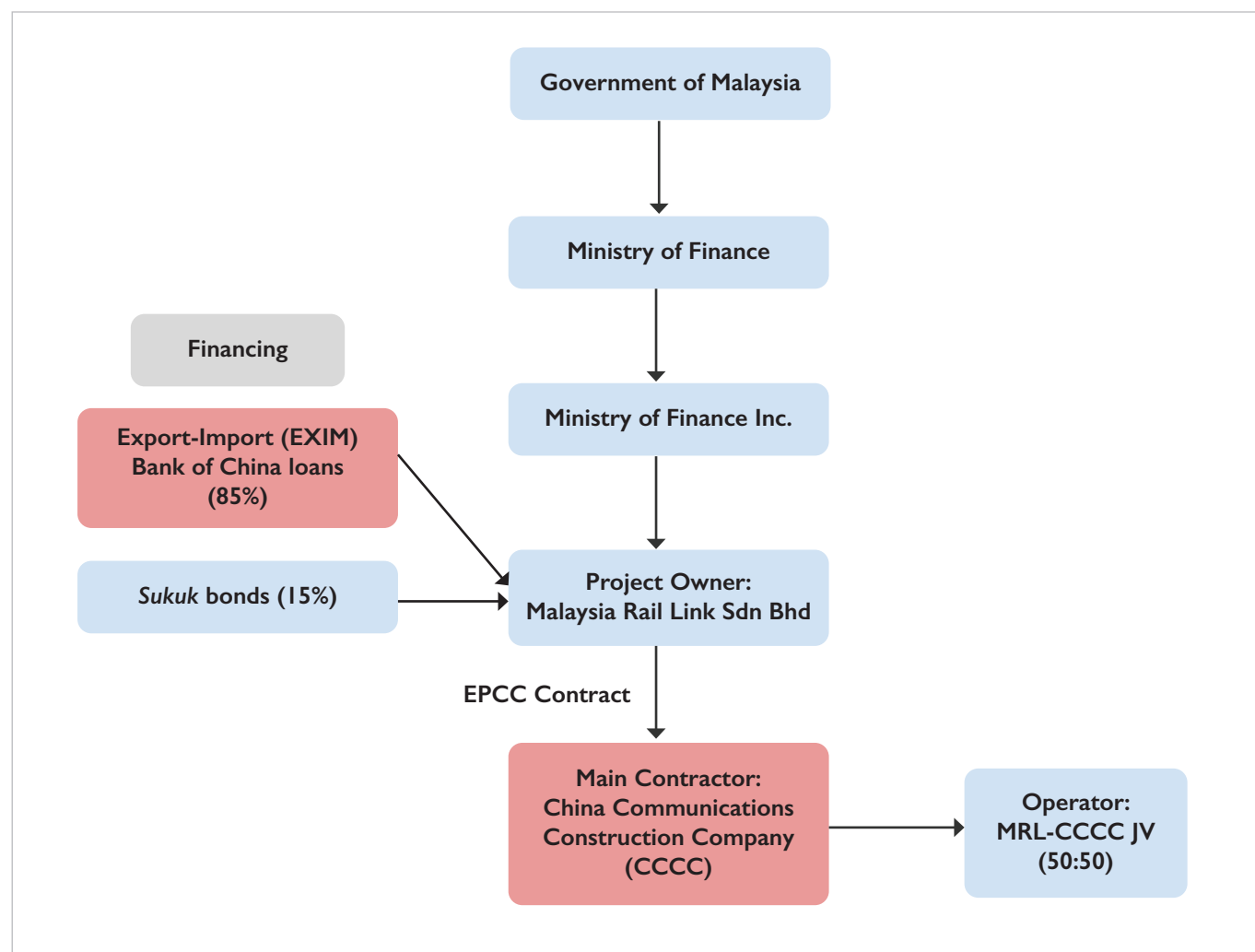
²⁸ Bernama, “ECRL JV with China firm poses no security threat – MRL,” *Borneo Post*, April 18, 2019 <https://www.theborneopost.com/2019/04/18/ecrl-jv-with-china-firm-poses-no-security-threat-mrl/>

²⁹ “ECRL contractor gives 31 local project partners awards of excellence”, *The Edge Market*, February 08, 2021, <https://www.theedgemarkets.com/article/ecrl-contractor-gives-31-local-project-partners-awards-excellence>

³⁰ “HSS Engineers bags RM99m contracts”, *the Sun Daily*, September 23, 2019 <https://www.thesundaily.my/business/hss-engineers-bags-rm99m-contracts-AL1397277>

Bhd, which was awarded an RM60.6 million contract for construction works under Package 3.³¹ It is unclear, however, whether this is enough to meet the 40 percent requirement.

Figure 1. Project structure of East Coast Rail Link project



³¹. Advancecon bags RM60.6m ECRL subcontract", *The Edge Market*, January 26, 2021 <https://www.theedgemarkets.com/article/advancecon-bags-rm606m-ecrl-subcontract>

3. Project Scope

The ECRL line was designed to establish a rail connection between the more developed western states of Peninsular Malaysia and the less-developed east coast, reducing travel times while simultaneously spurring economic growth along the route. Aside from improving domestic connectivity, the line will also provide a land bridge between the South China Sea port of Kuantan and Port Klang on the Straits of Malacca, obviating the need for vessels to traverse the busy Singapore Strait.

Aspects of the project have changed with changes in the Malaysian government. To date, the project has been overseen by three different administrations. In 2016, under the Barisan Nasional (BN) government, the project was expected to include 20 stations, using standard gauge, double-tracked railways and cost an estimated RM65.5 billion. It was to have 30 to 40 tunnels with viaducts in Terengganu and six-car electrified modified unit trains. Passenger trains would reach speeds of 160 km/h, with freight trains to reach 80 km/h. The total length of the ECRL was to be 688 km.³²

In 2019, the PH government renegotiated the project with the Chinese government and CCCC, reducing the total length of the ECRL to 640 km and changing rail alignment of Section C (Mentakab–Port Klang), lowering the total cost to an estimated RM44 billion.³³ In the same year, the government, represented by the Malaysian Investment Development Authority, also signed a Memorandum of Agreement with CCCC.³⁴ The agreement requires the company to build two industrial parks on the East and West Coasts of the peninsula as well as the Transit-Oriented Development³⁵ at seven stations along the ECRL. The agreement also requires the CCCC to build logistic hubs at key stations along the line.³⁶

³² Ministry of Finance Malaysia, "Talking Points YAB Dato' Sri Mohd Najib Abdul Razak Prime Minister of Malaysia at the East Coast Rail Link (ECRL) Groundbreaking Ceremony," August 9, 2017 https://www.mof.gov.my/arkib/speech/2017/ECRL_9OGOS2017.pdf

³³ Malaysia Rail Link, *ECRL Key Facts*, <http://www.mrl.com.my/en/ecrl/overview/>

³⁴ "ECRL can be a test case for China's BRI", *New Strait Times*, September 30, 2019 <https://www.nst.com.my/business/2019/09/525886/ecrl-can-be-test-case-chinas-bri>

³⁵ Transit Oriented Development (TOD) is a term for development project that aim to maximize the use of land around public transportation system. See "Transit-Oriented Development (TOD) Making Place In Malaysian Cities, *Habitat Magazine*, 2016 <https://www.planmalaysia.gov.my/index.php/agensi/penerbitan-planmalaysia/agensi-artikel/1939-transit-oriented-development-tod-making-place-in-malaysian-cities/file>

³⁶ "ECRL could be the case study for Malaysia's involvement in BRI", *The Malaysian Reserve*, October 1, 2019 <https://themalaysianreserve.com/2019/10/01/ecrl-could-be-case-study-for-malaysias-involvement-in-bri/>

Figure 2: The ECRL Alignment under Barisan Nasional and Pakatan Harapan Governments



Source: The Edge Markets, 2020

Figure 3: The ECRL Alignment under the Perikatan Nasional Government



In 2020, under the PN government, the scope of the project was modified once again, reverting the changes to the Section C rail alignment (see Figure 3).³⁷ The latest ECRL alignment—referred to as “ECRL 3.0”—is now estimated to cost RM50 billion and cover a total length of 665 km.³⁸

Table 1: Changes to ECRL scope (2016–2021)

Administration		Barisan Nasional	Pakatan Harapan	Perikatan Nasional
Length		688 km	640 km	655 km
Number of Stations		24	20	20
Alignment	Section A	PengkalanKubor–Kuala Terengganu	Kota Bharu–Kuala Terenggu	Kota Bharu–Kuala Terengganu
	Section B	Dungun–Maran	Dungun–Maran	Dungun–Maran
	Section C	Mentakab–Bentong–Gombak–Serendah–Port Klang	Temerloh–Nilai–Putrajaya–Port Klang	Mentakab–Bentong–Gombak–Serendah–Port Klang
Expected Completion		30 June 2024	December 2026	December 2026

4. Project Timeline

The ECRL was originally proposed prior to the Najib administration, but it was repeatedly put on hold due to a lack of available government funding and technical expertise. According to an MRL presentation, the project had been mooted since 1981,³⁹ marked by a Japan International Cooperation Agency (JICA) feasibility study, and it was mentioned in the *Rancangan Fizikal Negara [National Physical Plan] No. 1 and No. 2* in 2005 and 2010.⁴⁰

According to a minister of the Najib administration, the project was also proposed by the East Coast Economic Region Development Council (ECERDC) in 2007 as a critical project to stimulate economic growth.⁴¹ The ECERDC, according to an opposition politician, commissioned a feasibility study on the project in December 2009, conducted by HSS Integrated Sdn. Bhd., a local engineering consultancy.⁴² HSS estimated the project's value to be RM29 billion. In 2015, McKinsey & Co. conducted another study presented to ECERDC in 2015 and 2016. This study reportedly recommended the ECRL alignment to cost RM47 billion and phased over 18 years.⁴³

³⁷ D Kanyakumari, “Malaysia Reinstates Alignment for East Coast Rail Link That Was Approved by BN Government,” Channel News Asia, April 5, 2021 <https://www.channelnewsasia.com/news/asia/malaysia-east-coast-rail-link-alignment-wee-ka-siong-bn-14560396>

³⁸ Khalid and Ikram, “ECRL Goes Back to Original Alignment, Will Now Cost RM50b”

³⁹ Our research suggests that the JICA study for the ECRL was carried in 1984 and submitted to the Malaysian government in 1985. See JICA, Feasibility Study on the New East-West Railway Project and the New West Coast Railway Project, December, 1985 https://openjicareport.jica.go.jp/pdf/10313518_01.pdf

⁴⁰ MRL, “Presentation to: China Malaysia Port Alliance – The Development of East Coast Rail Link Project (ECRL),” 4th China Malaysia Port Alliance (CMPA) Meeting 2019, August 19, 2019 <https://www.cmpa.asia/index.php/zh/event/edocument/category/29-4th-cmpa-annual-meeting-2019-and-forum?download=146:9-paper-ix-mrl-cmpa-19-aug-2019>

⁴¹ “(Statement) ECRL Project Not Hastily Decided; Proposed Since 2007,” *New Straits Times*, November 9, 2016 <https://www.nst.com.my/news/2016/11/187009/statement-ecrl-project-not-hastily-decided-proposed-2007>

⁴² “Malaysians ‘Happier’ If ECRL Tender Was Open, MP Tells Minister,” *Malay Mail*, December 20, 2017 <https://www.malaymail.com/news/malaysia/2017/12/20/malaysians-happier-if-ecrl-tender-was-open-mp-tells-minister/1536707>

⁴³ “Najib Ignored Advice from Government Agency over ECRL, Says Daim,” *The Star*, April 21, 2019 <https://www.thestar.com.my/news/nation/2019/04/21/najib-ignored-advice-from-govt-agency-over-ecrl-says-daim>

In March 2016, the Land Public Transport Commission (SPAD) and the ECERDC issued a Request for Information (RFI) to gauge market interest in the project.⁴⁴ According to the statement issued by a minister in 2017, the RFI attracted 27 “groups” including those from Korea, China, Australia, the United States, and Europe⁴⁵ and “through this exercise, the technical specifications and the indicative costs were determined.”⁴⁶ However, it is unclear whether the CCCC was one of these groups. An interview with a then-senior official revealed that “there were three bids, Japan and few other countries. Even India was interested at one point, but nobody could match the deal that China had offered.”⁴⁷

Prime Minister Najib announced the project in his 2017 budget speech to Parliament on October 21, 2016.⁴⁸ On November 1, 2016, the Malaysian government signed a “framework finance deal and construction agreement” with CCCC as the “builder” for Phase I of ECRL. The construction agreement was later identified as an EPCC contract. Phase I of the ECRL stretches from Wakaf Bharu in the state of Kelantan to the integrated transportation terminal in Gombak.⁴⁹

In March 2017, SPAD granted conditional approval for the preferred route alignment of the ECRL and displayed the proposed plan for the ECRL for public inspection for three months as required under Section 84 (2) of the Land Public Transport Act (2010). The specific records and documents put on public display at that time have not been archived nor made available after the end of the three months. However, media references to the public displays are available.⁵⁰

On May 13, 2017, MRL, CCCC, and CCCC’s Malaysian subsidiary, China Communications Construction Company (M) Sdn Berhad (CCCCM), signed a Memorandum of Understanding (MoU) for the 88 km Phase 2 of the ECRL project stretching from Gombak to Port Klang. This MoU supplemented the earlier EPCC agreement signed in November 2016 at the cost of an estimated RM9 billion. Prime Minister Najib, Transport Minister Liow Tiong Lai, and Minister in the Prime Minister’s Department Abdul Rahman Dahlan witnessed the signing. Treasury Secretary-General Irwan Siregar signed on behalf of MRL.⁵¹ With the completion of the public display exercise and the approval of the final alignment by government authorities, the ECRL began construction after the groundbreaking ceremony on August 9, 2017.⁵²

⁴⁴ Gho Chee Yuan, “SPAD initiates RFI to gauge market interest for East Coast Rail Line,” *The Edge Markets*, March 15, 2016 <https://www.theedgemarkets.com/article/spad-initiates-rfi-gauge-market-interest-east-coast-rail-line>

⁴⁵ Abdul Rahman Dahlan, “(Statement) ECRL Project Not Hastily Decided; Proposed Since 2007,” *News Straits Times*, November 9, 2016 <https://www.nst.com.my/news/2016/11/187009/statement-ecrl-project-not-hastily-decided-proposed-2007>

⁴⁶ Abdul Rahman Dahlan, “(Statement) ECRL Project Not Hastily Decided; Proposed Since 2007,” *News Straits Times*, November 9, 2016 <https://www.nst.com.my/news/2016/11/187009/statement-ecrl-project-not-hastily-decided-proposed-2007>

⁴⁷ Giuseppe Malgeri, “Malaysia and the Belt and Road Initiative: An Agency Perspective of the East Coast Rail Link (ECRL) Renegotiation Process,” Master’s thesis, University of Birmingham, 2019 https://www.researchgate.net/publication/335724748_Malaysia_and_the_Belt_and_Road_Initiative_an_agency_perspective_of_the_East_Coast_Rail_Link_ECRL_renegotiation_process

⁴⁸ House of Representatives Malaysia, “The 2017 Budget Speech by YAB Dato’ Sri Mohd Najib Tun Haji Abdul Razak,” October 21, 2016 <https://www.mof.gov.my/arkib/budget/2017/bs17.pdf>

⁴⁹ Anwar Hussein and Arfa Yunus, “Najib: ECRL A Game Changer; To Create 80,000 Jobs,” *New Straits Times*, April 11, 2018 <https://www.nst.com.my/news/politics/2018/04/355885/najib-ecrl-game-changer-create-80000-jobs>

⁵⁰ Razak Ahmad, “Proposed Rail Route Opened for Public Inspection and Input,” *The Star*, March 9, 2017 <https://www.thestar.com.my/news/nation/2017/03/09/have-your-say-on-ecrl-proposed-rail-route-opened-for-public-inspection-and-input>

⁵¹ Najib witnesses signing ECRL phase two construction agreement”. *New Straits Times*, May 13, 2017 <https://www.nst.com.my/news/nation/2017/05/238867/najib-witnesses-signing-ecrl-phase-two-construction-agreement>

⁵² “Chinese-built Mega Railway Begins Construction in Malaysia,” *Xinhuanet*, August 9, 2017 http://www.xinhuanet.com/english/2017-08/09/c_136512711.htm

Malaysia underwent its first change of government when the opposition coalition, Pakatan Harapan, came into power under the premiership of Mahathir Mohammad on May 10, 2018. PH promised to reevaluate a series of Najib-era infrastructure projects that had been the subject of widespread corruption allegations. Indeed, the PH manifesto promised that the government would, within its first 100 days in office, “initiate a comprehensive review of all megaprojects that have been awarded to foreign countries.”⁵³ Although the primary message behind these promises was the elimination of Najib-era corruption, there was also underlying criticism of Chinese investment in Malaysia in general.⁵⁴ PH politicians cautioned of Chinese “debt-trap diplomacy,” including the ECRL and two natural gas pipeline projects in Sabah.⁵⁵ PH also used the Forest City development project in Johor to paint a negative image of China, portraying it as a project in which Najib sold massive tracts of land to the mainland Chinese.⁵⁶

Pakatan Harapan formed a Commission of Eminent Experts (CEE) to study the country’s financial and economic situation and look into several high-profile projects. The CEE submitted its report at the end of June 2018. The report proposed two options for the ECRL: cancel the project and pay the termination cost of RM21.72 billion or suspend the project and try to negotiate a better deal with China.⁵⁷

On July 3, 2018, the Ministry of Finance, at the instruction of the prime minister, issued several temporary suspension notices via the Ministry of Finance Incorporated (MOF Inc) on all contracts related to a number of infrastructure projects owned by the SPVs created by MOF Inc, including the MRL-owned ECRL. Finance Minister Lim Guan Eng justified the suspension on the grounds that the cost of the ECRL was higher than previously anticipated. In his statement on the matter, he noted that the total cost of the ECRL was expected to be upwards of RM81 billion “after taking into account land acquisition, interest, fees and other operational costs,” higher than the previously understood total cost of RM65.5 billion from the two previously signed agreements.⁵⁸ MRL issued a formal suspension of the EPCC contract with CCCC on the grounds of national interest on July 4, 2018.⁵⁹

Following the ECRL contract suspension, the Malaysian government sought to renegotiate the contract with CCCC and the Chinese government. After several months of negotiations led by special envoy and former finance minister Daim Zainuddin, the two governments reached an agreement described as the “improved ECRL deal.” On April 12, 2019, MRL and CCCC signed a Supplementary Agreement (SA) to reduce the cost of the project to RM44 billion.⁶⁰

⁵³ Pakatan Harapan, *Buku Harapan Rebuilding Our Nation Fulfilling Our Hopes* (Kuala Lumpur: Pakatan Harapan, March 8, 2018) https://kempen.s3.amazonaws.com/manifesto/Manifesto_text/Manifesto_PH_EN.pdf

⁵⁴ Anisah Shukry and Yudith Ho, “Malaysia’s Mahathir Pledges to Review China Investment if Re-Elected,” *Bloomberg*, April 9, 2018 <https://www.bloomberg.com/news/articles/2018-04-08/mahathir-pledges-to-review-china-investment-after-malaysia-vote>

⁵⁵ Alexandra Stevenson, “China Yields on Malaysia Rail Project as Global Infrastructure Program Is Re-Examined,” *New York Times*, April 12, 2019 <https://www.nytimes.com/2019/04/12/business/chinese-high-speed-rail-malaysia.html>

⁵⁶ Joseph Sipalan, “Malaysia Says No to Foreign Homeowners in Forest City Project,” *Reuters*, August 27, 2018 <https://www.reuters.com/article/us-malaysia-forestcity-idUSKCN1LC0AF>

⁵⁷ Yu Pei-hua, Xie Wenwen, Zhang Yiou, and Jason Tan, “Exclusive: Malaysian Negotiator Reveals the Story behind Controversial Rail Deal’s Resurrection,” *Caixin*, May 15, 2019 <https://www.caixinglobal.com/2019-05-15/exclusive-malaysian-negotiator-reveals-the-story-behind-controversial-rail-deals-resurrection-101416080.html>

⁵⁸ Surin Murugiah, “Final Cost of ECRL Project Is Actually RM81 Billion, Says Lim Guan Eng,” *The Edge Markets*, July 3, 2018 <https://www.theedgemarkets.com/article/final-cost-ecrl-project-actually-rm81-billion-says-lim-guan-eng-0>

⁵⁹ Azura Abas, “MoF: Suspension Notice against Several Projects Including ECRL,” *New Strait Times*, July 5, 2018 <https://www.nst.com.my/news/nation/2018/07/387686/mof-suspension-notice-against-several-projects-including-ecrl>

⁶⁰ Malaysia Prime Minister’s Office, “Press Statement by YAB Prime Minister Tun Dr. Mahathir Bin Mohamad on East Coast Rail Link (ECRL) Project,” April 15, 2019 https://www.pmo.gov.my/wp-content/uploads/2019/04/Press-Statement-by-PM-on-ECRL_15April2019.pdf

In addition to the reduction in the total cost of the project, the two parties agreed to a number of other provisions. One involved the establishment of a joint venture company on a 50-50 ownership basis between MRL and CCCC to operate and maintain the ECRL. The JV agreement aims to improve the long-term viability of the project by leveraging CCCC's technical support and expertise in operations and maintenance while also acting as a risk-sharing mechanism during the operational phase following the project's completion in 2026. The new deal also improved the dedicated percentage of local participation, increasing the allocation of civil works contracts reserved for local firms from 30 percent to 40 percent.⁶¹ CCCC also agreed to refund part of the RM3.1 billion advance payment paid for Phase 2 under the original agreement.⁶² In addition, the Malaysian government also sought to renegotiate the EXIM Bank loan conditions for the remaining RM17.6 billion for Phase 2 (which had not yet been signed). However, no publicly available information is available to confirm whether this renegotiation yielded results.

The renegotiated ECRL was announced less than two weeks before former Prime Minister Mahathir's visit to China on April 24, 2019, for the second Belt and Road Forum. Commentators largely deemed the ECRL renegotiation a success story in which a host country government managed to renegotiate unfavorable terms with China and reduce the cost of one of a major BRI-related infrastructure project.⁶³ The renegotiation efforts also marked a noticeably positive shift in Mahathir's (and Malaysia's) view of China's BRI and the diplomatic relationship between the two governments, further exemplified by China's invitation to Mahathir to give the keynote address at the second Belt and Road forum.

In February 2020, Malaysia experienced a political crisis that resulted in the ousting of the PH government and the appointment of Muhyiddin Yassin as the eighth prime minister under the new coalition government of Perikatan Nasional. As early as July 2020, there were reports that the government would consider a proposal to further change the ECRL's Section C track alignment back to its original alignment under the Najib government.⁶⁴ On September 2, 2020, it was reported that the Cabinet had reviewed and approved the proposal to further change the ECRL track alignment, primarily to revert back to its Northern alignment for the Section C portion. On April 5, 2021, the Minister of Transport Wee Ka Siong officially announced the government's intention to change the scope of the ECRL alignment.⁶⁵

⁶¹ Mahathir has offered a great deal of criticism related to the limited benefit ECRL will have for local businesses, primarily due to the appointment of a Chinese state-owned firm as the main contractor.

⁶² Malaysia Prime Minister's Office, "Press Statement by YAB Prime Minister Tun Dr. Mahathir Bin Mohamad on East Coast Rail Link (ECRL) Project"

⁶³ Radzi Razak and Ali Nufael, "Mahathir: Malaysia Saves Billions in Renegotiated ECRL Deal with China," BenarNews, April 15, 2015 <https://www.benarnews.org/english/news/malaysian/rail-deal-04152019164237.html>

⁶⁴ "Report: ECRL Could See Change in Alignment, Again," Edgeprop, July 4, 2020 <https://www.edgeprop.my/content/1707009/report-ecrl-could-see-change-alignment-again>

⁶⁵ Khalid and Ikram, "ECRL Goes Back to Original Alignment, Will Now Cost RM50b"

Table 2. ECRL project timeline

March 15, 2016	SPAD (Suruhanjaya Pengangkutan Awam Darat) and ECERDC (East Coast Economic Region Development Council) conducted market interest gauging surveys to gain insight on views and ideas for the ECRL using a "Request for Information" (RFI).
October 21, 2016	Malaysian Prime Minister Najib Razak announces the project in his 2017 budget speech to Parliament.
November 1, 2016	The Malaysian government signed a "framework finance deal and construction agreement" valued at 13.1 billion USD with the China Construction Communications Company as the "builder" for Phase 1 of ECRL construction.
March 2, 2017	SPAD grants conditional approval for the preferred route alignment for the ECRL, and the plan for the proposed ECRL was displayed for public inspection for three months total at the SPAD head office and through a roadshow at 38 district office locations across the nation.
May 13, 2017	Prime Minister Najib Razak witnessed the signing of a "Memorandum of Understanding" for the second phase of the ECRL, supplementing the November 2016 EPCC agreement. The MOU was signed with Malaysia Rail Link Sdn Bhd, China Communications Construction Company Ltd (CCCC), and China Communications Construction Company (M) Sdn Berhad.
June 2017	Approval of final alignment and start of the construction.
July 3, 2018	The Ministry of Finance, on the instruction of the prime minister, issued a suspension notice to all contracts related to the ECRL project. MRL had instructed its main contractor, CCCC, to suspend the EPCC contract on the grounds of national interest. ⁶⁶
April 12, 2019	After a months-long negotiation between the two state companies, Malaysia Rail Link Sdn Bhd and China Communications Construction Company Ltd. signed a Supplementary Agreement (SA), which paved the way for the resumption of the ECRL project. In addition, both parties agreed to form a joint venture company to manage, operate, and maintain the ECRL rail network. The SA covers Phase 1 and Phase 2 of the Engineering, Procurement, Construction & Commissioning of the ECRL at a reduced cost of RM 44 billion.
July 25, 2019	ECRL officially resumed work.
September 2, 2020	Cabinet approval of track alignment reversion.
April 5, 2021	The Ministry of Transport announces the reversion of ECRL to original alignment, with Section C of the track alignment to follow the Northern alignment at a revised cost of RM50 billion.

⁶⁶ Sangeetha Amarthalingam, "MoF Confirms ECRL, SSER Projects Suspended 'Until Further Notice,'" The Edge Markets, July 5, 2018 <https://www.theedgemarkets.com/article/mof-confirms-ecrl-sser-projects-suspended-until-further-notice>

5. Issues Associated with the ECRL

The ECRL project began to attract public attention and scrutiny in mid-2016 when a foreign whistleblower website, *Sarawak Report*, connected the project to the IMDB scandal. On July 26, 2016, the site published a report claiming that the ECRL project costs were inflated in order to accommodate for “Additional Differential” costs of RM29.85 billion that would be used to launder out cash to debt-laden companies related to the sovereign wealth fund IMDB.⁶⁷ In return, according to the report, the Najib administration agreed to provide CCCC land at a discounted price, a ten-year tax break on income and goods and services tax (GST), and also the ability to select partners, suppliers, and subcontractors.

The exposure led opposition politicians and experts to raise questions about the project cost and other issues including the terms and conditions of the loan from China. In fact, the ECRL issue strengthened the “China threat” and corruption narrative that Pakatan Harapan (PH) used in the 2018 general election campaign. One of the leading voices of the opposition, Nurul Izzah Anwar, for example, wrote that “indeed, foreign investment remains important for economic growth. But as with any venture, we must adopt moderate and prudent approaches to cope with potential risks. Deals concluded too soon increase the plausibility for exploitation, collusion and corruption.”⁶⁸ The allegations of corruption and negative perceptions of China’s influence built strong public resistance, which was instrumental in overthrowing the incumbent. Pakatan Harapan managed to address several issues regarding the project during its short time in office. However, there are several issues that remain even after the new government came to power in March 2020. This section will discuss some of these issues.

5.1 Project cost

One of the main issues raised by the opposition and experts in 2016 was the project cost. The *Sarawak Report* claims that the ECRL project costs were inflated by RM29.85 billion. In the same year, Member of Parliament Tony Pua vehemently argued that the ECRL project could be undertaken for RM25 billion less than the government’s projected cost for the project. He cited the original ECERDC cost estimate, which was based on the feasibility study by HSS Integrated in 2014. According to Pua, the feasibility study revealed that it would cost an estimated RM30 million to build a kilometer of railway as opposed to the RM91.7 million per kilometer cost of the signed ECRL contract (under the previous RM65.5 billion cost of the project).⁶⁹ Even under the renegotiated project cost, the cost per kilometer of rail for the ECRL is the highest among BRI-linked railway projects (Table 3). The cost per kilometer has only increased since the government once again revised the plan in 2021 for a total project cost of RM50 billion.

⁶⁷ “OUTRAGE! - Najib’s Secret Deal With China To Pay Off IMDB (And Jho Low’s) Debts! - SHOCK EXCLUSIVE,” *The Sarawak Report*, July 26, 2016 <https://www.sarawakreport.org/2016/07/outrage-najibs-secret-deal-with-china-to-pay-off-Imdb-and-jho-lows-debts-shock-exclusive/>

⁶⁸ Nurul Izzah Anwar, “China’s Investments in Malaysia - Too Much, Too Fast, Too Soon,” *Malaysiakini*, May 29, 2017 <https://www.malaysiakini.com/news/383898>

⁶⁹ “Pua: Study Proves ECRL Costs RM25 Billion Less,” *Free Malaysia Today*, November 15, 2016 <https://www.freemalaysiatoday.com/category/nation/2016/11/15/pua-study-proves-ecrl-costs-rm25-billion-less/>

Table 3: ECRL cost per km (based on 2016 price estimates) in comparison with other BRI railway projects

Country	Project name	Railway length	Total cost in RM*	Cost per kilometer (km)
Malaysia	East Coast Rail Link (ECRL)	640 km ⁷⁰	RM44 billion	RM68.75 million
Malaysia	Gemas Johor Bahru EDTP	197 km ⁷¹	RM7.3 billion	RM37.05 million
Uzbekistan	Angren Pap Railway	124 km ⁷²	RM7.88 billion	RM64.06 million
Hungary and Serbia	Budapest Belgrade Railway	350 km ⁷³	RM8.7 billion	RM24.9 million
Nigeria	Lagos Calabar Railway	1400 km ⁷⁴	RM45.6 billion	RM32.6 million
Nigeria	Lagos Kano Standard Gauge Railway	2700 km ⁷⁵	RM21.9 billion	RM8.1 million
Nigeria	Abuja Light Rail	45 km ⁷⁶	RM5.4 billion	RM12 million
Angola and D.R Congo	Benguela Railway	1344 km ⁷⁷	RM7.6 billion	RM5.64 million
Laos	Vientiane Boten Railway	422 km ⁷⁸	RM29 billion	RM68.7 million

*Conversion rate used USD1 = RM4.14

5.2. Loan Terms and Conditions

Malaysian experts and members of the public have raised at least five areas of concern in the loan agreement since 2016. Two were resolved to some extent under the PH government, but three others remain unanswered.

5.2.1 Direct award of the EPCC contract to CCCC

The EPCC contract was directly awarded to CCCC during the signing of agreements between Malaysian and Chinese government officials on November 1, 2016. CCCC's appointment was part of the requirements for the loan. The Malaysian finance minister stated in answer to a question before Parliament in 2016 that "to qualify for this financing offered by China Exim Bank, the project had to be executed by CCCC."⁷⁹ CCCC's selection attracted criticism not only because it is a direct appointment but also because the government has

⁷⁰ Malaysia Rail Link, *ECRL Key Facts*

⁷¹ Bernama, "Construction of Gemas-JB Double Track Project to Start Next Month," *Astro Awani*, October 29, 2016 <https://www.astroawani.com/berita-malaysia/construction-gemasjb-double-track-project-start-next-month-120884>

⁷² World Bank, "Pap Angren Railway," March 31, 2019 <https://documents1.worldbank.org/curated/en/2146515492022304/pdf/Dislosable-Restructuring-Paper-Pap-Angren-Railway-PI46328.pdf>

⁷³ Andreea Brînză, "China and the Budapest-Belgrade Railway Saga," *The Diplomat*, April 28, 2020 <https://thediplomat.com/2020/04/china-and-the-budapest-belgrade-railway-saga/>

⁷⁴ "Chinese Firm Undertakes the Construction of the Lagos-Calabar Coastal Railway Line in Nigeria," *The Civil Engineer*, February 1, 2020 <https://www.thecivilengineer.org/news-center/latest-news/item/1189-chinese-firm-undertakes-the-construction-of-the-lagos-calabar-coastal-railway-line-in-nigeria>

⁷⁵ Alhaji, "Nigeria Launches Construction of the US\$5.3B Ibadan-Kano Railway," *Construction Review Online*, June 26, 2020 <https://constructionreviewonline.com/news/nigeria/nigeria-launches-construction-of-the-us5-3b-ibadan-kano-railway/>

⁷⁶ Olatunji Salu, "Nigeria's New Light Rail Officially Commences Operation," *Xinhuanet*, July 15, 2018 http://www.xinhuanet.com/english/2018-07/15/c_137326186.htm

⁷⁷ "Chinese-built Benguela Railway Handed over to Angola," *Xinhuanet*, November 10, 2019 http://www.xinhuanet.com/english/2019-10/03/c_138446624_2.htm

⁷⁸ "Construction of China-Laos Railway's Vientiane Station Starts," *Xinhuanet*, July 3, 2020 http://www.xinhuanet.com/english/2020-07/03/c_139186424.htm

⁷⁹ Democratic Action Party Malaysia, *Is Our National Interest Now Subjected To Foreign Terms and Conditions?* Tony Pua Kiam Wee, March

seemingly made few attempts to tender the project among Malaysian companies as well as for the perceived high cost of the project. CCCC remained the main project contractor after Pakatan Harapan renegotiated the deal in 2018.

5.2.2 Lower level of local contractor involvement

Another point of contention is the involvement of local contractors in the project. In 2016, the Najib administration secured a commitment from CCCC to provide 30 percent of the subcontracts to local companies, a consideration opposition leaders felt was only an afterthought.⁸⁰ The PH administration increased the level of local contractor involvement to 40 percent in the renegotiation.

There is also some concern from local companies that this allocation might be subcontracted back to Chinese companies. It should be mentioned, however, that the tendering process for these civil works packages has been conducted in a more competitive manner than the initial direct negotiation of the main EPCC contract. CCCC's procurement of materials and equipment is done via competitive bidding with a shortlist of suppliers. These suppliers are selected through a pre-qualification process by MRL and CCCC. These qualification documents, as well as information on the project itself, have been published online.

5.2.3 Advanced payment to CCCC

Former Prime Minister Mahathir raised the issue of the advanced payment conditions in 2018 after taking office. According to Mahathir, the payments to CCCC are not based on completed work but according to a timetable. In fact, the Prime Minister stated in 2019 that a RM3.1 billion advance payment was paid for the Phase 2 double-tracking and northern extension under the original contract.⁸¹ The renegotiation effort resulted in CCCC's agreement to refund part of this RM3.1 billion advance payment. According to the prime minister's statement the payment will be made in three stages: The first is RM500 million. This amount was to be repaid within a week from April 12, 2019. The second is another RM500 million that was to be paid within a month from April 12, 2019. The final payment was to be balanced after considering costs to suspended works and the cancellation of the Northern Extension.⁸² It is unclear whether the PH government received the total amount of the refund before it was replaced in March 2020 or whether the advance payment requirement has since been removed from the agreement.

5.2.4 Higher interest rate

Based on the 2016 agreement, the interest rate for the ECRL loan is 3.25 percent with a 20-year repayment period. This rate is higher than nine other BRI railway projects (Table 4). The renegotiation effort by the Pakatan Harapan government did not seem to touch on this issue. At the time of writing, it appears that the loan interest rate remains the same.

⁸⁰ Democratic Action Party Malaysia, *Is Our National Interest Now Subjected To Foreign Terms and Conditions?* Tony Pua Kiam Wee, March 30, 2017 <https://dapmalaysia.org/Kenyataan-Akhbar/2017/03/30/24758/>

⁸¹ Prime Minister's Office of Malaysia, "Kenyataan Akbar Pejabat Perdana Menteri: Projek Laluan Rel Pantai Timur [Prime Minister's Statement on ECRL]," April 15, 2019 <https://www.pmo.gov.my/wp-content/uploads/2019/04/Kenyataan-Akhbar-PM-ECRL-15-April-2019-BM.pdf>

⁸² Ibid

Table 4: Loans of various BRI projects

Country	Project Name	Lending Bank	Loan Issuing Year	Loan Amount (RM bil)*	Interest Rate (%)	Repayment Period
Malaysia	East Coast Rail Link (ECRL)	EXIM Bank	2016	56.7	3.25	20 years, 7-year moratorium
Indonesia	Jakarta-Bandung High-Speed Rail	China Development Bank	2016	22.0	2.0 on RM13.0 bil (in USD); 3.4 on RM9.0 bil (in RMB)	40 years, 10-year moratorium ⁸³
China, Laos	Kunming-Vientiane Railway Project	EXIM Bank	2012	15.0	2.25	35 years, 5-year moratorium ⁸⁴
Nigeria	Lagos-Kano Standard Gauge Railway	EXIM Bank	2020	21.2	2.5	20 years, 7-year moratorium ⁸⁵
Budapest	Budapest Belgrade Railway	EXIM Bank	2020	7.8	2.5	20 years, 5-year moratorium
Nigeria	Abuja Light Rail	EXIM Bank	2012	4.2	2.5	20 years, 7-year moratorium ⁸⁶
Kenya	Mombasa-Nairobi Standard Gauge Railway	EXIM Bank	2014	13.6	2.0 on RM6.7 bil; 6-month LIBOR ⁸⁷ & 3.6 on RM6.9 bil	RM6.7 bil (20 years, 7-year moratorium), RM6.9 bil (15 years, 5-year moratorium) ⁸⁸
Nigeria	Abuja-Kaduna Railway	EXIM Bank	2010	2.1	2.5	20 years, 7-year moratorium ⁸⁹
Ethiopia	Addis Ababa Light Rail Transit	EXIM Bank	2012	1.7	2.6	23 years, 3-year moratorium ⁹⁰

*Currency conversion rate: 1 USD = 4.2 MYR

⁸³ Anton Hermansyah, "Jakarta-Bandung High Speed Railway to Get Chinese Loan," *Jakarta Post*, November 10, 2016 <https://www.thejakartapost.com/news/2016/11/10/jakarta-bandung-high-speed-railway-to-get-chinese-loan.html>

⁸⁴ Nick Freeman, "Laos High Speed Railway Coming round the Bend," *Think China*, December 11, 2019 <https://www.thinkchina.sg/laos-high-speed-railway-coming-round-bend>

⁸⁵ Chike Olisah, "DMO Discloses Facts about Chinese Loans to Nigeria, States Terms of the Loans," *Nairametrics*, June 20, 2020 <https://nairametrics.com/2020/06/20/dmo-discloses-facts-about-chinese-loans-to-nigeria-states-terms-of-the-loans/>

⁸⁶ Deborah Brautigam, "Chinese Finance Abuja Light Rail in Nigeria: At Last," China Africa Research Initiative Blog, September 16, 2012 <http://www.chinaafricarealstory.com/2012/09/chinese-finance-abuja-light-rail-in.html>

⁸⁷ London Interbank Offered Rate.

⁸⁸ International Monetary Fund, "Kenya Request for Stand-By Arrangement and An Arrangement Under the Standby Credit Facility—Staff Report; Press Release; Statement by the Executive Director for Kenya," *IMF Country Report*, February 2015, 4–75 <https://www.imf.org/external/pubs/ft/scr/2015/cr1531.pdf>

⁸⁹ Chris Agabi, "Nigeria: N190 Billion Debt - Abuja-Kaduna Train Service and Burden of China Loan," *All Africa*, September 14, 2020 <https://allafrica.com/stories/202009140761.html>

⁹⁰ A. Dreher, A. Fuchs, B. C. Parks, A. M. Strange, M. J. Tierney, "Aid, China, and Growth: Evidence from a New Global Development Finance Dataset," *AidData Working Paper* 46, 2017

5.2.5 Money kept abroad

Another loan condition of concern to the PH government was the requirement that the borrowed money be kept in a bank account overseas, from which payment to CCCC should be made. Former Prime Minister Mahathir found this practice strange.⁹¹ A new study by Aid Data shows that Chinese lenders require their borrowers “to maintain and fund bank accounts either at the lending institution or at a bank “acceptable to the lender” throughout the life of the loan”. These accounts “effectively serves as security for debt repayment.”⁹² It is unclear however whether Mahathir refers to this kind of practice when he made the comment and whether the 2018 renegotiation changed this requirement.

5.3 Lack of Transparency

Complaints about ECRL project revolve around insufficient transparency. While there were improvements under the PH government, at least two areas have not changed significantly.

First, the conditions surrounding the EXIM Bank loans have been made public, but the specific details of the loan agreement remain largely unknown because the financing agreement has not been made available to the public. As outlined above, several key details such as the interest rate and the total amount of the loan after the renegotiation have not been publicly disclosed.

Secondly, the three administrations that have so far overseen the development of the railway have all failed to disclose adequate information about the feasibility studies. As mentioned earlier, since its initial proposal in 2007, extensive planning, financing modeling, market sensing exercises, and studies have been done to assess the feasibility of the project. Under the Najib administration, at least two feasibility studies were conducted for the project: the first by HSS Integrated Sdn Bhd in 2009 and completed in December 2015, and the second by McKinsey in 2016.⁹³ Following the renegotiation of the ECRL scope, MRL started working on a new feasibility study and environmental impact assessment for the new alignment of the ECRL that includes the Southern alignment and realignment on certain stretches.⁹⁴ However, none of these feasibility studies have been made publicly available. The significant cost reduction from RM65.5 billion to RM44 billion was based on a comprehensive value engineering exercise, but no report on the exercise has ever been published. The new government that adjusted the route and cost has not disclosed any plan to conduct further feasibility studies or other exercises to justify the changes.

5.4 Lack of Internal Coordination and Stakeholder Consultation

SPAD reported that 97 percent of corridor residents supported the project after it was fully presented publicly. However, opposition from some state governments and opposition parties was not accounted for in

⁹¹ “Mahathir Says the ECRL Project Contract Is Strange,” The Edge Markets, June 4, 2018 <https://www.theedgemarkets.com/article/mahathir-says-ecrl-project-contract-strange>

⁹² Anna Gelpert, Sebastian Horn, Scott Morris, Brad Parks, and Christoph Trebesch, “How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments,” AidData, March 2021 https://docs.aiddata.org/ad4/pdfs/How_China_Lends__A_Rare_Look_into_100_Debt_Contracts_with_Foreign_Governments.pdf

⁹³ Yimie Yong, “Tony Pua: Govt’s Previous Feasibility Study Shows ECRL’s RM55b Project Cost Should Be Less Than RM30b,” The Edge Markets, November 15, 2016 <https://www.theedgemarkets.com/article/tony-pua-govts-previous-feasibility-study-shows-ecrls-rm55b-project-cost-should-be-less>

⁹⁴ Malaysia Rail Link, “Press Statement by MRL to Clarify Misconception on the Improved ECRL Project,” May 9, 2019 http://www.mrl.com.my/wp-content/uploads/2019/07/PRESS-RELEASE-MRL-CLARIFIES-MISCONCEPTION-of-IMPROVED-ECRL-PROJECT-9-5-19-9.15.am_-1.pdf

the planning process, and some areas were not even publicly informed about the project.⁹⁵

During the 2017 Budgetary Debate in which the ECRL was first proposed to Parliament, then-Deputy Transport Minister Ab Aziz Kaprawi noted that the Ministry of Transport had limited knowledge of the ECRL project as it was under the purview of the Economic Planning Unit in the Prime Minister's Department and not the Ministry of Transport.⁹⁶ This illustrated how for such a large-scale project as the ECRL, there did not seem to be much inter-ministerial coordination during the project planning and coordination stage.

This pattern seemed to continue under the PN administration. Shortly after the announcement of the revised ECRL alignment in 2021, the Selangor state executive council claimed that the federal government had not consulted the state government in the decision-making process, saying that "the insistence on the Northern Alignment and the hurriedness of the Ministry of Transport are unjustifiable and obviously fishy."⁹⁷

6. Conclusion

ECRL is notable as one of the few BRI projects to have been suspended by the recipient country because of a lack of transparency and corruption scandals among the national leadership. The ECRL project shows that a new government with a democratic mandate managed to drive the renegotiation process, obtain improved terms, and somehow clear the project's association with corruption. However, as Malaysia does not have an adequate disclosure framework for large-scale infrastructure projects, governing administrations have little incentive to provide clear and comprehensive information to the public. Steps need to be taken to encourage more transparency in the future. One of steps that can be taken is to legally require the government to seek parliamentary approval before providing loan guarantee to state-owned companies on special purpose vehicles that carry out major infrastructure projects and the approval be made available to the public.

⁹⁵ Donald Low, "Risks of Belt and Road Initiative Projects in ASEAN," Centennial Asia Advisors, May 22, 2020 https://ppol.ust.hk/public_uploads/Team9_Risks_of_BRI.pdf

⁹⁶ Chester Tay, "ECRL Project Not under MoT's Purview, Says Deputy Minister," The Edge Markets, November 4, 2016 <https://www.theedgemarkets.com/article/ecrl-project-not-under-mot%E2%80%99s-purview-says-deputy-minister>

⁹⁷ Soo Wern Jun, "Selangor Exco Says ECRL 3.0 Proves Perikatan Federal Govt a 'Big Bully,'" *Malay Mail*, April 5, 2021 <https://www.malaymail.com/news/malaysia/2021/04/05/selangor-exco-says-ecrl-3.0-proves-perikatan-federal-govt-a-big-bully/1964093>



BRI Monitor is a collaborative effort by five civil society organizations in Southeast Asia and the Pacific: the Institute for Democracy and Economic Affairs (IDEAS) of Malaysia, Stratbase Albert Del Rosario Institute (ADRI) of the Philippines, Sandhi Governance Institute (SGI) of Myanmar, the Institute of National Affairs (INA) of Papua New Guinea and the Future Forum of Cambodia to promote transparency and accountability in major infrastructure projects funded through the Belt and Road Initiative (BRI) in the region.

These organizations have studied the regulatory environments governing these large infrastructure projects in respective countries, including public procurement, official development assistance, public private partnership (PPP), and more, to identify regulatory gaps. They have each researched a set of case studies to identify implementation gaps and governance gaps. Each case study assesses the level of transparency based on almost 40 data points, from basic project information to the tendering process to project completion. Last but not least, each organization maps out the structure of the projects in question in order to identify domestic and international entities involved in the project and to understand the degree of public financial exposure resulting from each project.

This website is intended to be a platform for the publication of our research outputs and as a knowledge repository. We also hope that the website can be used as a platform for knowledge sharing and a tool to advocate better governance of major infrastructure projects in the region.

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