

CONFORMED COPY

LOAN NUMBER 3139 MA

Loan Agreement

(Rubber Industry Smallholders
Development Authority Project)

between

MALAYSIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 11, 1990

LOAN NUMBER 3139 MA

LOAN AGREEMENT

AGREEMENT, dated January 11, 1990, between MALAYSIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by the Rubber Industry Smallholders Development Authority (RISDA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to RISDA the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and RISDA;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement between the Bank and RISDA of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and RISDA pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(c) "Act" means the Rubber Industry Smallholders Development Authority Act, 1972 (Act 85);

(d) "RISDA" means the Rubber Industry Smallholders Development Authority established and operating under the Act;

(e) "NARSCO" means the National Rubber Smallholders Cooperative established and operating under the Cooperative Societies Act, 1948 (Act 33);

(f) "Scheme 1956" means RISDA's nurseries management program established and operating under the Rubber Industry Smallholders Planting Materials Scheme, 1956;

(g) "Scheme 1959" means RISDA's estates management program established and operating under the Rubber Industry (Small holders) (Improved Supply) Planting Materials Scheme, 1959; and

(h) "Write-Off Committee" means the committee established by the Ministry of Lands and Regional Development under the Cabinet Directive dated March 17, 1986.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of seventy-one million dollars (\$71,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the

proceeds of the Loan.

Section 2.03. The Closing Date shall be December 31, 1993 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause RISDA to perform in accordance with the provisions of the Project Agreement all the obligations of RISDA therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable RISDA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) In order to assist RISDA in carrying out Part D of the Project, the Borrower shall on lend the equivalent of \$8,600,000 of the proceeds of the Loan to RISDA under a subsidiary loan agreement to be entered into between the Borrower and RISDA, under terms and conditions satisfactory to the Bank.

(c) In order to assist RISDA in carrying out the remainder of the Project, the Borrower shall make available as a grant to RISDA the equivalent of \$62,400,000 of the proceeds of the Loan on terms and conditions satisfactory to the Bank.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by RISDA pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall by September 30,

1990 and by September 30 of each year thereafter consult with the Bank on RISDA's annual work program and funding for the following year.

Section 3.05. The Borrower shall maintain the Write-Off Committee, with composition and terms of reference satisfactory to the Bank.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
 - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
 - (iii) enable the Bank's representatives to examine such records.
- (b) The Borrower shall:
- (ii) have the records and accounts referred to in paragraph (a) (i) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than nine months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
 - (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) RISDA shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that RISDA will be able to perform its obligations under the Project Agreement.

(c) The Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of RISDA to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of RISDA or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and RISDA; and

(b) the statements and reports referred to in Section 4.01 (b) (ii) of the Project Agreement, covering the period up to the end of the Borrower's fiscal year 1987, have been received by the Bank.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by RISDA, and is legally binding upon RISDA in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and RISDA and is legally binding upon the Borrower and RISDA in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance or Deputy Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Treasury
Jalan Duta
50592 Kuala Lumpur
Malaysia

Cable address: Telex:

TREASURY MA 30242
Kuala Lumpur MA 32369

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: Telex:

INTBAFRAD 440098 (ITT)
Washington, D.C. 248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

MALAYSIA

By /s/ Albert S. Talalla
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Attila Karaosmanoglu
Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Replanting and maintenance under Part A of the Project	47,800,000	34%
(2) Expenditures	18,100,000	34%

under Parts B
through F of
the Project

(3) Vehicles and equipment under 100% Part G of the Project factory),	3,900,000	100% of foreign expenditures, of local expenditures (ex- and 75% of local expenditures for other items procured locally
(4) Consultants' services and overseas training	1,200,000	100%
TOTAL	71,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made:

(a) for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$7,000,000, may be made on account of payments made for expenditures before that date but after January 1, 1990; or

(b) for expenditures on account of the development, planting or maintenance of cocoa.

SCHEDULE 2

Description of the Project

The objectives of the Project are to increase productivity and incomes of rubber small holders, and to improve RISDA's institutional efficiency.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives.

Part A: Replanting and Maintenance

1. Replanting with rubber, oil palm and other crops on about 101,500 hectares of areas previously under rubber.

2. Early maintenance of replanted areas.

Part B: Rehabilitation of Replantings

Rehabilitation of replantings on about 7,500 hectares of land.

Part C: Agricultural Inputs

Provision of agricultural inputs for replanted areas.

Part D: Mini-Estates Development Support

Supplementary support for replanting under the mini-estates systems.

Part E: Infrastructure Development

Construction and maintenance of about 300 kilometers of agricultural access roads, including bridges and drainage works for areas replanted under the simultaneous, group and mini-estates systems.

Part F: Smallholder Extension and Training

1. Support for RISDA's existing extension program, and for improvements in the provision of extension services to small holders.
2. Agricultural training for small holders, with particular emphasis on women.

Part G: Operational Support

Provision of vehicles and equipment in support of RISDA operations, including equipment for computerization of RISDA's management information system.

Part H: Staff Training

Training of RISDA staff to improve capabilities and skills.

Part I: Studies

Completion of studies of:

1. Organizational and management models for the mini-estates system of replanting.
2. (a) Cooperative structure for small holders served by RISDA.
(b) Restructuring and strengthening the National Rubber Smallholders Cooperative.
3. Organizational options for Scheme 1956 and Scheme 1959.
4. Computerization at the RISDA Muar regional office.
5. Monitoring and evaluation system.

* * *

The Project is expected to be completed by December 31, 1992.

SCHEDULE 3

Amortization Schedule

Date Payment Due dollars)*	Payment of Principal (Expressed in
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On each March 1 and September 1

beginning September 1, 1995

through September 1, 2006	2,960,000
On March 1, 2007	2,920,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawals. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment, multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00