

CONFORMED COPY

LOAN NUMBER 3145 MA

Loan Agreement

(Highway Rehabilitation and Improvement Project)

between

MALAYSIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated January 11, 1990

LOAN NUMBER 3145 MA

LOAN AGREEMENT

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

WHEREAS 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; 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;

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) "JKR" means the Jabatan Kerja Raya (Public Works Department);
- (b) "HPU" means the Highway Planning Unit of the Borrower; and
- (c) "Ringgit" means the currency of the Borrower.

## ARTICLE II

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 eighty-three million two hundred thousand dollars (\$83,200,000) as 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 The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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 June 30, 1995 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 the second 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, shall carry out the Project with due diligence and efficiency and in conformity with appropriate engineering, administration and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

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 4 to this Agreement.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) 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; 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.

(c) 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 paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, 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, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains 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.

## ARTICLE V

### Effective Date; Termination

Section 5.01. 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 VI

##### Representative of the Borrower; Addresses

Section 6.01. 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 6.02. 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 Kuala Lumpur	MA 30242 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 Washington, D.C.	440098 (ITT) 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) Civil works:		40%
(a) for road maintenance improvement	23,100,000	
(b) for other civil works	43,100,000	
(2) Equipment	6,200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory), and 85% of local expenditures for other items pro- cured locally
(3) Consultants' services and training	10,800,000	100%
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TOTAL	83,200,000 =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$8,000,000, may be made on account of payments made for expenditures under Category (1) before that date but after May 1, 1989.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are: (i) to improve timely road maintenance, (ii) to enhance cost effectiveness of road maintenance, (iii) to upgrade road maintenance planning, programming and management, and (iv) to promote road safety.

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: Infrastructure

1. Implementation of a program to improve maintenance of federal roads and bridges, including the rehabilitation and strengthening of about 562 kilometers of road pavements and improvement of maintenance operations.

2. Replacement of about 43 bridges on primary roads and about 24 timber bridges on secondary roads of the federal highway system.

3. Implementation of a program to control truck weight, including the construction of about 35 weigh stations.

4. Improvement of highway sections totalling about 56 kilometers.

5. Implementation of a program to improve road safety including the improvement of about 42 hazardous road sections and the construction of about 27 pedestrian bridges.

Part B: Consultant's Services, Technical Assistance and Training

1. Consultant's services for design and construction supervision for works under Part A of the Project.

2. Provision of technical assistance:

(a) to strengthen the capacity of HPU to plan and coordinate road investments;

(b) to strengthen the capabilities of JKR in contract supervision, in the establishment and implementation of a pavement and a bridge management systems, and in maintenance training;

(c) to improve road safety monitoring and analysis; and

(d) to establish methodologies for determining the environmental impact of road works.

3. Staff training in maintenance programming and operations, transport planning, traffic engineering, and road safety analysis.

\* \* \*

The Project is expected to be completed by December 31, 1994.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due dollars)*	Payment of Principal (expressed in
On each March 1 and September 1 beginning September 1, 1995 through September 1, 2006	3,465,000
On March 1, 2007	3,505,000

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\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. 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 eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

###### Section I. Procurement of Goods and Works

###### Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. For bidding purposes, contracts for civil works shall be grouped to the extent practicable, in appropriate packages in such a manner as shall be agreed upon between the Borrower and the Bank so as to permit bulk procurement.

3. Bidders for civil works contracts shall be prequalified as described in paragraph 2.10 of the Guidelines.

###### Part B: Preference for Domestic Manufacturers



In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Malaysia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Contracts for civil works each estimated to cost not more than the equivalent of \$3,000,000, may be awarded in accordance with local competitive bidding procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.3 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$2,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c)(ii) of this Agreement.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ or cause to be employed consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Implementation Program

1. The Borrower shall by June 30, 1990 make HPU responsible for coordination of federal and state investments in highways, and for coordination of such investments with other transport investments planned by the Ministry of Transport or any other agency.

2. (a) The Borrower shall by April 30, 1990 and by April 30 of each year thereafter, exchange views with the Bank on the allocation of funds for maintenance of roads and bridges for the following year, with a view of achieving an appropriate balance between construction, rehabilitation and maintenance.

(b) By December 31, 1994, the Borrower shall reduce the existing backlog of deferred periodic maintenance of roads by at least 70% through the provision of adequate resources to carry out the work required.

3. The Borrower shall by November 30, 1991 and by November 30 of each year thereafter, review with the Bank the scope and composition, and the procedures and methods to be applied in the preparation, of the program of maintenance of federal roads and bridges for the following year.

4. The Borrower shall carry out in accordance with a program and time-table satisfactory to the Bank:

(a) improvement in maintenance of federal roads and bridges;

(b) truck weight control; and

(c) road safety improvement.

5. The Borrower shall, in accordance with procedures and criteria satisfactory to the Bank, carry out training and award fellowships under Part B.3 of the Project.

6. The Borrower shall implement the Project in accordance with an action plan and time-schedule satisfactory to the Bank.

7. Without limitation to the provision of Section 9.07 (a) of the General Conditions, the Borrower shall include in the information furnished to the Bank, data on monitoring of road maintenance and pavement rehabilitation, and other items as shall have been agreed with the Bank.

8. The Borrower shall include roads and bridges to be constructed or improved under the Project, only those with an economic rate of return of at least 12% as determined in accordance with a method satisfactory to the Bank, consistently applied to all such roads and bridges.

