
LOAN NUMBER 533 MA

Loan Agreement

(Jengka Triangle Project)

BETWEEN

MALAYSIA

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED APRIL 17, 1968

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AGREEMENT, dated April 17, 1968, between MALAYSIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower has requested the Bank to provide financial assistance for its program of settlement and regional development of the Jengka Triangle;

WHEREAS the Federal Land Development Authority of the Borrower, to which such assistance would be made available by the Borrower, agrees to carry out such program under the terms and conditions of this Agreement and of the Project Agreement of even date herewith between the Bank and such Authority; and

WHEREAS the Bank is willing to make a loan to the Borrower for the purpose and on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Loan Regulations; Special Definitions

SECTION 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961, as amended February 9, 1967, with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations):

- (a) The first sentence of Section 4.01 is deleted;
- (b) The words "and the Project Agreement" are inserted immediately after the words "the Loan Agreement" wherever the latter occur in Sections 5.06 and 7.02 of the Loan Regulations.

SECTION 1.02. Unless the context otherwise requires, the following terms, wherever used in the Loan Agreement, have the following meanings:

- (a) "Ordinance" means the Land Development Ordinance, No. 20 of 1956 of the Borrower, as amended from time to time;
- (b) "Act" means the Land (Group Settlement Areas) Act, No. 13 of 1960, of the Borrower, as amended from time to time;
- (c) "FLDA" means the Federal Land Development Authority, established and operating pursuant to the Ordinance;
- (d) "State Authority" means the State of Pahang;
- (e) "Project Area" means that part of the Jengka Triangle (as such region is described in, and declared to be a group settlement area pursuant to, the agreement dated November 29, 1967 between the State Authority and the FLDA and to the Act) which lies to the east of the Jengka Ridge; and
- (f) "Project Agreement" means the agreement between the Bank and FLDA described in the preamble to this Agreement.

ARTICLE II

The Loan

SECTION 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to fourteen million dollars (\$14,000,000).

SECTION 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

SECTION 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

SECTION 2.04. The Borrower, acting through the FLDA pursuant to Section 8.01 of this Agreement, shall be entitled to withdraw from the Loan Account (i) such amounts as shall have been paid for the reasonable foreign-currency cost of equipment, materials and supplies to be financed under the Loan Agreement, and, if the Bank shall so agree, such amounts as shall be required to meet payments to be made therefor; and (ii), notwithstanding clause (b) of Section 4.01 of the Loan Regulations, the equivalent of such percentage or percentages as may be established from time to time by agreement between the Bank and the Borrower of such amounts as shall have been expended for the reasonable cost of other goods, not included in the foregoing, required to carry out the Project.

SECTION 2.05. Pursuant to Section 3.02 of the Loan Regulations, withdrawals under (ii) of Section 2.04 of this Agreement shall be made in such currency or currencies as the Bank shall from time to time reasonably select.

SECTION 2.06. The Borrower shall pay interest at the rate of six and one-quarter per cent ($6\frac{1}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

SECTION 2.07. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitment outstanding from time to time.

SECTION 2.08. Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

SECTION 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

ARTICLE III

Use of Proceeds of the Loan

SECTION 3.01. The Borrower shall make the proceeds of the Loan available to FLDA upon terms and conditions satisfactory to the Bank and shall cause such proceeds to be applied exclusively to financing the cost of goods required to carry out the Project, described in Schedule 2 to this Agreement. The specific allocation of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

SECTION 3.02. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

ARTICLE IV

Bonds

SECTION 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds

representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

SECTION 4.02. The Minister of Finance of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12(a) of the Loan Regulations. The Minister of Finance may designate additional or other authorized representatives by appointment in writing notified to the Bank.

ARTICLE V

Particular Covenants

SECTION 5.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound agricultural, engineering, economic and financial practices.

(b) In addition to the proceeds of the Loan, the Borrower shall at all times make available promptly as needed all other funds and resources which shall be required for carrying out the Project in accordance with paragraph (a) above.

(c) The Borrower shall take all possible measures to ensure that the operating policies and the procedures of the FLDA for carrying out the Project are satisfactory to the Bank.

SECTION 5.02. The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations of the FLDA; shall enable the Bank's representatives to inspect the Project, the goods, and any relevant records and documents; and shall furnish or cause to be furnished to the Bank all such information

as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project and the goods, and the administration, operations and financial condition of the FLDA.

SECTION 5.03. (a) The Borrower and the Bank shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to the administration of the FLDA and of any other agency or agencies of the Borrower responsible for carrying out the Project or any part thereof and with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof, or the performance by the FLDA of its obligations under the Project Agreement.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

SECTION 5.04. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any

external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes: (i) assets of the Borrower; (ii) assets of any statutory authority of the Borrower, including assets of any state or political subdivision of the Borrower; (iii) assets of any agency of the Borrower, including the *Bank Negara Malaysia* or any other institution at any time performing the functions of a central bank for the Borrower; and (iv) any right, interest or share of the Borrower in the Currency Fund and Currency Surplus Fund administered under the Malaya British Borneo Currency Agreement, 1960.

SECTION 5.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

SECTION 5.06. This Agreement, the Project Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect

in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

SECTION 5.07. The Borrower shall promptly notify the Bank of any proposal to amend, supplement or repeal any provision of the Ordinance or the Act and shall afford the Bank an opportunity to comment thereon prior to any action on such proposal.

ARTICLE VI

Remedies of the Bank

SECTION 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

SECTION 6.02. The following additional events are specified for the purposes of Section 5.02(i) of the Loan Regulations:

(a) A default shall have occurred in the performance by the FLDA of any covenant or agreement on its part under the Project Agreement;

(b) The Ordinance, the Act or the agreement dated November 29, 1967, between the State Authority and the FLDA relating to the Project Area shall have been amended, repealed or supplemented so as to impair the successful carrying out of the Project.

ARTICLE VII

Effective Date; Termination

SECTION 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01(b) of the Loan Regulations:

(a) the execution and delivery of the Project Agreement on behalf of the FLDA have been duly authorized or ratified by all necessary internal and governmental action; and

(b) the State of Pahang has provided assurances satisfactory to the Bank with respect to the carrying out of the Project.

SECTION 7.02. The following is specified as an additional matter, within the meaning of Section 9.02(c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the FLDA and constitutes a valid and binding obligation of the FLDA according to its terms.

SECTION 7.03. If this Agreement shall not have come into force and effect by July 31, 1968, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower of such date.

ARTICLE VIII

Action by FLDA

SECTION 8.01. The Borrower irrevocably designates the FLDA its agent for the purposes of taking any action required or permitted under Section 2.04 and the second sentence of Section 3.01 of this Agreement and under Sections 4.01, 4.03, 4.04, 4.05 and 4.06 of the Loan Regulations.

ARTICLE IX

Miscellaneous

SECTION 9.01. The Closing Date shall be December 31, 1975 or such other date as shall be agreed between the Borrower and the Bank as the Closing Date.

SECTION 9.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

The Treasury
Kuala Lumpur
Malaysia

Cable address:

Treasury
Kuala Lumpur

For the Bank:

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

Cable address:

Intbafrad
Washington, D.C.

SECTION 9.03. The Minister of Finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

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

MALAYSIA

By /s/ TAN SRI ONG YOKE LIN
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ ROBERT S. McNAMARA
President

SCHEDULE 1**Amortization Schedule**

Date Payment Due	Payment of Principal (expressed in dollars) *
June 1, 1976	380,000
December 1, 1976	390,000
June 1, 1977	400,000
December 1, 1977	415,000
June 1, 1978	425,000
December 1, 1978	440,000
June 1, 1979	455,000
December 1, 1979	470,000
June 1, 1980	485,000
December 1, 1980	500,000
June 1, 1981	515,000
December 1, 1981	530,000
June 1, 1982	545,000
December 1, 1982	565,000
June 1, 1983	580,000
December 1, 1983	600,000
June 1, 1984	620,000
December 1, 1984	635,000
June 1, 1985	655,000
December 1, 1985	680,000
June 1, 1986	700,000
December 1, 1986	720,000
June 1, 1987	745,000
December 1, 1987	765,000
June 1, 1988	785,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

Premiums on Prepayment and Redemption

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05(b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1/2%
More than three years but not more than six years before maturity	1 1/2%
More than six years but not more than eleven years before maturity	2 1/2%
More than eleven years but not more than sixteen years before maturity	3 3/4%
More than sixteen years but not more than eighteen years before maturity	5%
More than eighteen years before maturity	6 1/4%

SCHEDULE 2**Description of the Project**

The Project consists in the clearing of about 33,000 acres of land located in the Project Area, its settlement by about 2,800 families, and includes :

1. The planting of about 28,000 acres of oil palms ;
2. The provision within the Project Area of villages to house the settler families and management and support staff, together with appropriate roads, water systems and educational, health and other social service facilities as well as office accommodations, stores and other management facilities. Each settler family will be provided with ten acres of planted oil palms and a house on a one-quarter acre lot. A block of about 500 acres will be selected and reserved for urban development in or adjacent to the Project Area.
3. The expansion of the processing capacity of the Ulu Jempol palm oil mill and the construction of a new palm oil mill in the south of the Project Area, to provide an aggregate additional processing capacity of about 280,000 long tons of oil palm fresh fruit bunch annually ; and
4. The establishment of an agricultural research station to service the facilities in the Project Area and on other FLDA settlement schemes and the provision of training facilities for the management personnel of the FLDA.

* * *

The project is expected to be completed in 1974.