

CONFORMED COPY

LOAN NUMBER 3682 MA

(Health Development Project)

between

MALAYSIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 27, 1993

LOAN NUMBER 3682 MA

LOAN AGREEMENT

AGREEMENT, dated December 28, 1993, 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;

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 modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "Central Bank" means Bank Negara, the Borrower's central bank;

(b) "DOC" means the Department of Chemistry within the Borrower's Ministry of Science, Technology and the Environment (MSTE);

(c) "DOC-PIC" means the Project Implementation Committee to be established within DOC pursuant to the provisions of paragraph B of Schedule 5 to this Agreement;

(d) "DOC-PIU" means the Project Implementation Unit to be established within DOC pursuant to the provisions of paragraph A of Schedule 5 to this agreement;

(e) "MOH" means the Borrower's Ministry of Health;

(f) "MOH-PIC" means the Project Implementation Committee to be established within MOH pursuant to the provisions of paragraph B of Schedule 5 to this agreement; and

(g) "MOH-PIU" means the Project Implementation Unit established within MOH.

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 fifty million dollars (\$50,000,000), 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, 1999 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 January 15 and July 15 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 (except Part A.1 (1) and A.2 thereof) through MOH, and shall carry out Part A.1 (1) and A.2 through DOC, with due diligence and efficiency and in conformity with appropriate engineering, health care, environmental, financial and administrative practices, and provide, promptly as needed, the funds, facilities, personnel, 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 following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the DOC-PIU shall have been established and staffed in accordance with the provisions contained in paragraphs A (1) and A (2) of Schedule 5, to this

Agreement;

(b) that the MOH-PIC shall have been established in accordance with the provisions contained in paragraph B (1) of Schedule 5 to this Agreement; and

(c) that the DOC-PIC shall have been established in accordance with the provisions contained in paragraph B (2) of Schedule 5 to this Agreement.

(d) that the staff referred to in paragraph A(3) of Schedule 5 to this Agreement shall have been employed within MOH-PIU.

Section 5.02. 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 the 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

Cable address:

Treasury
Kuala Lumpur

Telex:

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:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA),
64145 (WUI),
82987 (FTCC) or
197688 (TRT).

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/ Dato Majid

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Javed Burki

Acting Regional Vice President
East Asia and Pacific

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:		
(a) Part A.1 (1)	10,000,000) 33%
(b) Part A.1 (2), B and C	7,600,000)))
(2) Goods (Equipment and vehicles)		
(a) Part A.1 (1) and A.2	7,400,000) 100% of foreign) expenditures) (ex-factory) cost) and
(b) Part A.1 (2) B and C	13,300,000) 75% of local) expenditures) for other items) procured) locally
(3) Goods (Furniture)		
(a) Part A.1 (1) and A.2	300,000) 23%
(b) Part A.1 (2), B and C	300,000))
(4) Consultants' services for design and supervision fees:		
(a) Part A.1 (1)	3,100,000) 69%
(b) Part A.1 (2) and C	2,000,000))
(5) Technical assistance	1,700,000	100%
(6) Unallocated	4,300,000	

TOTAL

50,000,000

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 for expenditures prior to the date of this Agreement, except that withdrawals may be made on account of payments made for expenditures before that date but after May 1, 1993 in respect of Category (2) (a) in an aggregate amount not to exceed \$1,600,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are to:

1. Increase the Borrower's capacity to monitor environmental health and disease control.
2. Improve access to primary health care.
3. Improve the quality of blood services offered.
4. Strengthen the capacity of MOH.

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: Environmental Health and Disease Control

1. Construction, equipping, and furnishing of the following laboratories:

(1) A central laboratory and approximately four branch laboratories for water and food analysis and testing for DOC; and

(2) A central laboratory and approximately two regional laboratories for surveillance and management of communicable diseases, screening for cervical cancer, surveillance of food and water quality and the carrying out of tests examinations for MOH.

2. Equipping and furnishing of about five existing laboratories for DOC.

Part B: Primary Health Care

Improvement by MOH of the quality of basic health care provided in areas with low health status (including, inter alia, the states of Kelantan, Terengganu, and Sarawak) through:

(1) Construction, equipping, and furnishing of approximately 5 new health care facilities and rehabilitation of approximately 7 existing facilities to provide preventive and curative services for rural populations.

Part C: Health Technology

Increasing the availability of, and facilitating access to, blood products, and improving the collection, production and supply thereof, and the development of policies and practices to ensure the safety of blood products, through:

- (1) Construction, equipping, and furnishing of a national blood services center;
- (2) Provision of blood product-related equipment for approximately 12 major hospitals.

Part D: Institutional Strengthening of MOH

- (1) The carrying out of a training program for about 23 candidates and provision of technical assistance to strengthen MOH's ability to assess health technologies, improve the quality of care (particularly community mental health and day care services), improve management and clinical skills (including in endoscopy and ophthalmology), and undertake policy development in strategic areas, such as occupational health.
- (2) Training about 27 MOH staff in laboratory management and practice in the area of environmental health and disease control in order that such staff shall be of assistance in the laboratories referred to in Part A.1 (2) of the Project.
- (3) Training for about 20 candidates under the Borrower's overseas training program relating to the management of blood services to assist in the carrying out of Part C of the Project.

In this Schedule, equipping includes providing vehicles.

* * * *

The project is expected to be completed by June 30, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each January 15 and July 15	
beginning July 15, 1999 through July 15, 2010	2,085,000
and on January 15, 2011	2,045,000

* 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 (expressed as a applicable to prepayment	Premium The interest rate percentage per annum) the Loan on the day of 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

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 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two pre-disclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A 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

1. Civil Works

Civil works estimated to cost less than \$5,000,000 equivalent per contract may be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Bank.

2. Equipment and Vehicles

(a) Equipment and vehicles estimated to cost more than the equivalent of \$100,000 and less than the equivalent of \$500,000 per contract may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank, up to an aggregate amount equivalent to \$6,000,000.

(b) Equipment and vehicles estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$3,900,000 may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Furniture

(a) Furniture, other than as provided in sub-paragraph (b) below, may be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Bank.

(b) Items or groups of items of furniture estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$600,000 may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract for goods and works estimated to cost the equivalent of respectively \$500,000 and \$1,000,000 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 withdrawals are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ 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. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

SCHEDULE 5

Implementation Program

A. Project Implementation Units (PIU's)

(1) The Borrower shall maintain and operate within MOH the MOH-PIU and shall establish, maintain and operate within DOC the DOC-PIU. The PIU's shall have such responsibilities and powers as may be necessary or incidental to the proper execution and supervision of the Project and, in particular responsibilities and powers to:

(a) provide support to its respective PIC and coordinate with user groups;

(b) liaise with the Bank and other agencies;

(c) administer centralized procurement under standardized methods and procedures;

(d) administer and coordinate technical assistance services and guide the design of civil works and oversee construction activities;

(e) keep financial accounts and administer expenditures and prepare and submit withdrawal applications to the Bank;

(f) arrange for timely audits of project accounts;

(g) monitor progress and preparation of semi-annual reports thereon to MOH, DOC and the Bank; and

(h) engage professional services (including consultant architects, engineers and quantity surveyors) to assist with civil works and with equipment procurement.

The DOC-PIU shall consist of the Project Coordinator, assisted by staff with three functions, the Procurement Section, Finance and Accounting Section and Civil Works Section.

The MOH-PIU consists of the Project Coordinator, assisted by a procurement officer under whom shall function three sections, the Procurement Section, Finance and Accounting Section and Civil Works Section.

(2) The Borrower shall employ within DOC-PIU a project coordinator, staff responsible for procurement, staff responsible for accounting and finance, and staff to oversee civil works with qualifications and under terms of employment satisfactory to the Bank;

(3) The Borrower shall employ within MOH-PIU at least seven further staff responsible for procurement, project finance and accounting and project implementation, with qualifications and under terms of employment satisfactory to the Bank.

B. Project Implementation Committees (PIC's)

(1) The Borrower shall establish, and thereafter maintain, the MOH-PIC which shall be chaired by the MOH Secretary General (who may be represented by the Deputy Secretary General when unable to attend any meeting) and shall include the following members: representatives of the Economic Planning Unit within the Prime Minister's Department, the Federal Treasury, the Public Works Department and Public Services Department, MOH Directors and State Directors as appropriate.

(2) The Borrower shall establish, and thereafter maintain, the DOC-PIC which shall be chaired by the DOC Director-General and shall include the following members: representatives of the Economic Planning Unit within the Prime Minister's Department, the Federal Treasury, the Public Works Department and Public Services Department, DOC Directors and State Directors as appropriate.

The MOH-PIC and the DOC-PIC shall meet on a regular basis to decide on policy matters, make major resource allocations, establish quality control and ensure that plans and programs are duly executed.

