

CONFORMED COPY

LOAN NUMBER 2828 MA

Loan Agreement

(National Forestry Research and Development Project)

between

MALAYSIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated August 14, 1987

LOAN NUMBER 2828 MA

LOAN AGREEMENT

AGREEMENT, dated August 14, 1987, 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 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) "Act" means the Malaysian Forestry Research and Development Board Act, 1985 (Act No. 319);

(b) "FRIM" means the Forest Research Institute of Malaysia established and operating under the Act; and

(c) "Policy Summary" means the Summary of National Forest Policy of the Borrower, dated May 11, 1987.

## 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, an amount in various currencies equivalent to nine million dollars (\$9,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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, 1992 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 ( $\frac{3}{4}$  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 per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of 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 for such Semester.

(c) For purposes of this Section:

(i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percent per annum, as reasonably determined by the Bank.

(iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 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 through FRIM with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and forestry 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 cause FRIM to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of FRIM.

(b) The Borrower shall cause FRIM to:

- (i) have its records, accounts and financial statements (statements of income and expenses and related statements) 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, (A) certified copies of its financial statements for such year as so audited, and (B) 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 such records, accounts and financial statements 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 cause

FRIM to:

- (i) maintain, 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

##### Other Covenants

Section 5.01. The Borrower shall cause FRIM:

- (a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;
- (b) to carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering and forestry practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and
- (c) at all times to operate and to maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and forestry practices.

#### ARTICLE VI

##### Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

- (a) The Act or any provision thereof, shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the operations or the condition of FRIM.
- (b) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of FRIM or for the suspension of its operations.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are

specified, namely, that any event specified in Section 6.01 of this Agreement shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. 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 VIII

Representative of the Borrower; Addresses

Section 8.01. 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 8.02. 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:

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:

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/ A. 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) Works	1,400,000	37%
(2) Goods	3,200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expen- ditures for other items pro- cured locally
(3) Research Activities	2,400,000	10%
(4) Consultants' Services	600,000	100%
(5) Training	700,000	50%
(6) Unallocated	700,000	
TOTAL	9,000,000	

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, in an aggregate amount not exceeding the equivalent of \$900,000, may be made on account of payments made for expenditures before that date but after January 1, 1987.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in further developing the forestry sector, to strengthen the capabilities of the Forest Research Institute of Malaysia, and to support its efforts in

carrying out research in forestry related areas.

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. Research Programs

Carrying out by FRIM of research in forestry related subjects through:

- (1) strengthening of staff;
- (2) provision of technical assistance;
- (3) delivery of services and supplies;
- (4) operation and maintenance of equipment; and
- (5) establishment of research plantations.

Part B. Civil Works

Construction and improvement of works at FRIM headquarters and field stations.

Part C: Equipment and Vehicles

Provision of equipment and vehicles for FRIM activities.

Part D: Training

Training of FRIM staff.

\* \* \*

The Project is expected to be completed by December 31, 1991.

SCHEDULE 3

Amortization Schedule

Date Payment Due dollars)*	Payment of Principal (expressed in
On each April 15 and October 15	
beginning October 15, 1990 through April 15, 2002	375,000

---

\* 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

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than eleven years before maturity	0.73
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

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

##### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods 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).

##### 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. Contracts for construction of the FRIM auditorium and office block shall be awarded in accordance with local competitive bidding procedures satisfactory to the Bank.

2. Other works may be carried out either under contracts awarded following local procurement practices, or under force account by the Public Works Department, all in accordance with procedures satisfactory to the Bank.



3. Contracts for goods grouped in packages costing the equivalent of \$250,000 or less each, may be awarded in accordance with local competitive bidding procedures satisfactory to the Bank.

4. Miscellaneous items of goods grouped in packages estimated to cost not more than the equivalent of \$50,000 and up to an aggregate amount not exceeding the equivalent of \$500,000, may be procured in accordance with procedures satisfactory to the Bank on the basis of quotations from at least three suppliers.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract for goods estimated for cost the equivalent of \$250,000 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 subparagraphs (a) and (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 cause FRIM:

(a) to select research projects under Part A of the Project in accordance with objectives satisfactory to the Bank;

(b) to implement research projects under Part A of the Project in accordance with an action plan and time schedule satisfactory to the Bank; and

(c) to furnish to the Bank, by December 31, 1988, a long term research plan with staffing and budgetary requirements.

2. The Borrower shall cause FRIM:

(a) To appoint persons with qualifications and experience satisfactory to the Bank:

(i) by December 31, 1987 as FRIM Department

Directors; and

(ii) by June 30, 1988 as FRIM Branch Heads.

(b) To employ in accordance with the provisions of Section II of Schedule 4 to this Agreement, by June 30, 1988 consultants to assist in implementation of research projects and staff training.

(c) To implement training under Part D of the Project in accordance with a program satisfactory to the Bank.

(d) To select trainees under the Project, in accordance with criteria satisfactory to the Bank.

3. (a) In order to carry out reviews of the FRIM research program, the Borrower shall, by March 31, 1989 and by July 31, 1991, appoint a panel of experts with composition and terms of reference satisfactory to the Bank.

(b) The Borrower shall cause to be completed in accordance with criteria satisfactory to the Bank:

(i) by the first panel of experts, a mid-term review of the FRIM research program by June 30, 1989; and

(ii) by the second panel of experts, a final review by December 31, 1991.

4. The Borrower shall take all measures within its means to ensure that proceeds of the cess collected pursuant to the Act are allocated to forestry research activities.

5. The Borrower shall maintain the Policy Summary in form and substance satisfactory to the Bank.

