# No. 9360

# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and MALAYSIA

**Loan Agreement—*Jengka Triangle Project* (with annexed Loan Regulations No. 3, as amended, and Project Agreement between the Bank and the Federal Land Development Authority). Signed at Washington, on 17 April 1968**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 18 December 1968.*

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# BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT et MALAISIE

**Contrat d'emprunt — *Projet relatif au triangle du Jengka* (avec, en annexe, le Règlement n° 3 sur les emprunts, tel qu'il a été modifié, et le Contrat relatif au projet entre la Banque et le Federal Land Development Authority). Signé à Washington, le 17 avril 1968**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 18 décembre 1968.*

# No. 9360. LOAN AGREEMENT[1] *(JENGKA TRIANGLE PROJECT)* BETWEEN MALAYSIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 17 APRIL 1968

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[2] 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,[2] 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 Regulation.

[1] Came into force on 12 August 1968, upon notification by the Bank to the Government of Malaysia.

[2] See p. 194 of this volume.

*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 1965 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 ($^3/_4$ 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 ($6^1/_4\%$) 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 informaton shall include information with respect to the administration of the FLDA and of any other agency or agencies of the Borrower reponsible 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 positions 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